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*  as well as the content of your EDGAR proof.                                                 *
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*  REGISTRANT TRANSMISSION AUTHORIZATION                                                       *
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*  [ ] I have reviewed the submission file and find it to be correct and complete.             *
*  [ ] I have reviewed the electronic HTML proof and find all content including graphics and   *
*       links to be correct.                                                                   *
*  [ ] I authorize Merrill Corporation to transmit this filing to the SEC.                    *
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*       and complete (if applicable).                                                          *
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*  Signature: ____________________________________________                                     *
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DOC 1 Header

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report: N/A

For the transition period from to

Commission file number: 1-32229

Desarrolladora Homex, S.A.B. de C.V.
(Exact name of Registrant as specified in its charter)

Homex Development Corp.
(Translation of Registrant's name into English)

United Mexican States
(Jurisdiction of incorporation or organization)

Boulevard Alfonso Zaragoza M. 2204 Norte
80020 Culiacán, Sinaloa, Mexico
Telephone: (52667) 758-5800
(Address of principal executive offices)

Vania Fueyo Zarain
Boulevard Alfonso Zaragoza M. 2204 Norte
80020 Culiacán, Sinaloa, Mexico
Telephone: (52667) 758-5800
vfueyo@homex.com.mx
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, without par value	New York Stock Exchange
American Depositary Shares, each representing six common shares, without par value *	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Table of Contents

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

7.50% Senior Guaranteed Exchange Notes due September 28, 2015
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

335,681,683 common shares, without par value

Indicate by check mark if the registrant is a well-known, seasoned issuer as defined in Rule 405 of the Securities Act:

☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ IFRS ☐ Other ☒

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

☐ Item 17 ☒ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

☐ Yes ☒ No

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* Not for trading but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Table of Contents

Table of Contents

PRESENTATION OF FINANCIAL INFORMATION

Throughout this annual report, unless the context otherwise requires, the terms “we,” “us,” “our,” “the Company” and “Homex” refer to Desarrolladora Homex, S.A.B. de C.V. and its subsidiaries.

Financial Information

This annual report includes our audited consolidated financial statements as of December 31, 2008 and 2009 and for each of the three years ended December 31, 2007, 2008 and 2009. Our consolidated financial statements and other financial information included in this annual report, unless otherwise specified, are stated in Mexican pesos.

We prepare our financial statements in pesos and in accordance with Mexican Financial Reporting Standards (*Normas de Información Financiera*), referred to as MFRS, as issued by the Mexican Board for Research and Development of Financial Reporting Standards (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera*) which differ in certain significant respects from accounting principles generally accepted in the United States, referred to as US GAAP. See Notes 28 and 29 to our audited consolidated financial statements for information relating to the nature and effect of such differences and for a quantitative reconciliation of our total net income and total equity according to MFRS to consolidated net income, and consolidated equity according to US GAAP.

Effective January 1, 2008 the Company adopted MFRS B-10, *Effects of Inflation*. Based on this Standard, the Company did not recognize the effects of inflation in its financial statements for the years ended December 31, 2008 and 2009. However, financial statements for prior periods are expressed in pesos of constant purchasing power as of December 31, 2007. The effects of transactions that occurred after that date are expressed in nominal pesos.

According to the provisions of MFRS B-10, an inflationary environment is present when cumulative inflation for the three preceding years is 26% or more, in which case, the effects of inflation must be recognized in the financial statements. Based on this standard, the economic environment in Mexico in 2009 and 2008 is considered non-inflationary because inflation over 2007, 2008 and 2009 was less than 26%. Accordingly, the Company’s financial information for 2009 and 2008 was prepared without recognizing the effects of inflation. Interpretation 9 of MFRS B-10 requires that financial statements presented for comparative purposes for periods prior to 2008 be expressed in Mexican pesos of constant purchasing power as of December 31, 2007. Accordingly, the financial statements as of December 31, 2009 and 2008 have been presented based on nominal pesos without including the effects of inflation, while financial statements from December 31, 2007, as presented for comparative purposes, are expressed in pesos of constant purchasing power as of December 31, 2007. The factor used to restate the prior year balances was 1.037590, which is based on the National Consumer Price Index or NCPI.

Pursuant to MFRS, we recognize revenues from the sale of homes based on the percentage-of-completion method of accounting, which requires us to recognize revenues as we incur the cost of construction. In this annual report, we use “sell” and refer to homes “sold” in connection with homes where:

- the homebuyer has submitted all required documents in order to obtain financing from the mortgage lender;
- the Company established that the homebuyer will obtain the required financing from the mortgage lender;
- the homebuyer has signed a purchase application for the processing and granting of a loan to buy a property to be used as housing; and
- the homebuyer has made a down payment, where down payments are required.

We use “deliver” and refer to homes “delivered” in connection with homes for which title has passed to the homebuyer and for which we have received the sale proceeds.

In December 2008, Interpretation of Mexican Financial Reporting Standards (IMFRS) 14 was issued by the CINIF to complement Bulletin D-7, *Construction Agreements and Manufacturing of Certain Capital Assets*. This Interpretation is applicable to the recognition of revenues, costs and expenses for all entities that undertake the construction of capital assets directly or through sub contractors.

Due to the application of this Interpretation, effective January 1, 2010, the Company stopped recognizing its revenues, costs and expenses based on the percentage-of-completion method. At that date, the Company began to recognize its revenues, costs and expenses based on methods mentioned in this Interpretation. Revenue and cost recognition now more closely approximate what is often referred to as a "completed contract method" pursuant to which revenues, costs and expenses should be recognized when all of the following conditions are fulfilled:

- the entity has transferred control to the homebuyer, meaning the significant risks and benefits related to the property or ownership of the asset accrue to the homebuyer;
- the entity does not retain any continued participation in the actual management of the sold assets in the manner generally associated with such property, nor does the entity retain effective control of the sold assets;
- the revenues can be estimated reliably;
- it is likely that the entity receives the economic benefits associated with the transaction; and
- the costs and expenses incurred or to be incurred in connection with the transaction can be estimated reliably.

This Interpretation was adopted as of January 1, 2010, with retrospective application to prior accounting periods at such time as the Company presents its 2010 consolidated financial statements. We estimate that the application of IMFRS 14 to the consolidated financial statements would have had the following effects with respect to the year ended December 31, 2009:

- sales would have decreased 11.1% from Ps.19,425.2 million to Ps.17,277.7 million;
- operating income would have decreased 17.4% from Ps.3,170.0 million to Ps.2,618.3 million;
- net income would have decreased 20.9% from Ps.1,829.9 million to Ps.1,446.9 million; and
- total equity as of December 31, 2009 would have decreased 15.8% from Ps.12,988.0 million to Ps.10,935.7 million.

In addition, the application of IMFRS 14 to the consolidated financial statements would have had the following effects as of December 31, 2009: (i) a decrease in accounts receivable for the developments in progress, (ii) an increase in inventories consisting of housing under construction, (iii) a decrease in deferred income taxes for net income attributable to housing not yet titled, (iv) an increase in prepaid expenses and other current assets for the sales commissions paid in advance and (v) a decrease in equity as indicated above.

Effective January 1, 2012, we will be required under applicable regulations of the Mexican Securities Commission (Comisión Nacional Bancaria y de Valores, or CNBV) to report under International Financial Reporting Standards ("IFRS") in place of MFRS, which may have additional effects on our consolidated financial position and results of operations.

Currency Information

Unless otherwise specified, references to "US$," "U.S. dollars" and "dollars" are to the lawful currency of the United States. References to Brazilian "Reals" or "BR$" are to the lawful currency of Brazil. References to "Ps." and "pesos" are to the lawful currency of Mexico. References to "UDI" and "UDIs" are to Unidades de Inversión, units of account whose value in pesos is indexed to inflation on a daily basis by Banco de México (Mexico's central bank) and published periodically.

This annual report contains translations of various peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. You should not understand these translations as representations that the peso amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated U.S. dollar amounts in this annual report at the exchange rate of Ps.13.0437 to US$1.00, which was the buying rate published by Banco de México, expressed in pesos per U.S. dollar, on December 31, 2009. On June 29, 2010, such noon buying rate was Ps.12.8525 to US$1.00.

Unless otherwise indicated, references to UDIs are to UDIs at Banco de México's UDI conversion rate of Ps.4.340166 per UDI on December 31, 2009. On June 29, 2010, the UDI conversion rate was Ps.4.413333 per UDI.

Table of Contents

Industry and Market Data

Market data and other statistical information used throughout this annual report are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness.

MARKET SHARE AND OTHER INFORMATION

Other Information Presented

The standard measure of area in the real estate market in Mexico is the square meter (m(2)). Unless otherwise specified, all units of area shown in this annual report are expressed in terms of m(2), acres or hectares. One square meter is equal to approximately 10.764 square feet. Approximately 4,047 m(2) (or 43,562 square feet) are equal to one acre and one hectare is equal to 10,000 m(2) (or approximately 2.5 acres).

FORWARD-LOOKING STATEMENTS

This annual report and the documents incorporated by reference into this annual report contain forward-looking statements. We may from time to time make forward-looking statements in our periodic reports to the U.S. Securities and Exchange Commission, or SEC, on Form 6-K, in our annual report to shareholders, in prospectuses, press releases and other written materials and in oral statements made by our officers, directors or employees to analysts, institutional investors, representatives of the media and others. Words such as “believe,” “anticipate,” “plan,” “expect,” “intend,” “target,” “estimate,” “project,” “predict,” “forecast,” “guideline,” “should” and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Examples of these forward-looking statements include:

- projections of revenues, net income (loss), earnings per share, capital expenditures, dividends, capital structure or other financial items or ratios;
- statements of our plans, objectives or goals, including those relating to anticipated, competition, regulation, government housing policy and rates;
- statements about our future economic performance or that of Mexico; and
- statements of assumptions underlying these statements.

You should not place undue reliance on forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. All forward-looking statements and risk factors included in this annual report are made as of the date on the front cover of this annual report, based on information available to us as of such date, and we assume no obligation to update any forward-looking statement or risk factor.

PART I

ITEM 1. Identity of Directors, Senior Management and Advisors.

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable.

Not applicable.

Table of Contents

ITEM 3. Key Information.

SELECTED FINANCIAL DATA

The following tables present our selected consolidated financial information as of and for the periods indicated. Information as of December 31, 2008 and 2009 and for each of the three years ended December 31, 2007, 2008 and 2009 is derived from and should be read together with our audited consolidated financial statements provided in this annual report beginning on page F-1. Our consolidated financial statements and other financial information included in this annual report, unless otherwise specified, are stated in pesos.

The information in the following tables should also be read together with "Item 5. Operating and Financial Review and Prospects."

Our consolidated financial statements are prepared in accordance with MFRS, which differ in certain significant respects from US GAAP. Notes 28 and 29 to our audited consolidated financial statements provide information relating to the nature and effect of such differences as they relate to us, and provide a reconciliation to US GAAP of consolidated net income and consolidated equity.

Pursuant to MFRS, we use the percentage-of-completion method of accounting for revenues and costs, which differs in certain significant respects from accounting principles generally accepted in the United States, referred to as US GAAP. For more information on the percentage-of-completion method of accounting and how it differs from U.S. GAAP, see "Presentation of Financial and Other Information".

Pursuant to US GAAP, we apply Accounting Standards Codification (ASC) No. 360.20 (formerly FAS 66 *Accounting for Sales of Real Estate)* for the substantial majority of our revenues. The variations in the Company's gross profit, gross profit margin and ultimately operating profits arise due to the stated differences related to cost and revenue recognition between MFRS and US GAAP. In 2009, revenues under MFRS were Ps.19,425 million while revenues under US GAAP were Ps.17,616 million. In 2008, revenues under MFRS were Ps.18,850 million while revenues under US GAAP were Ps.14,885 million. Revenues under US GAAP's ASC 360.20 are recognized when all the following events occur: a) a sale is consummated; b) a significant initial down payment is received (when applicable); and c) the earnings process is complete and the collection of any remaining receivables is reasonably assured. However, under MFRS, the Company uses the percentage-of-completion method of accounting to account for housing project revenues and costs related to housing construction. Under MFRS, progress towards completion is measured by comparing the actual costs incurred to the estimated total cost of a project. For a further discussion of revenue recognition policies under US GAAP, refer to Note 27 to the Company's consolidated financial statements.

Total units closed and recognized as US GAAP revenue in 2009 were 46,631 units (41,679 in 2008) compared to 57,979 units sold under MFRS in 2009 (57,498 in 2008). The lower volume in units closed in 2009 compared to units sold is primarily attributable to both our continued growth and therefore higher proportion of construction-in-process, and our increased participation during 2009 and 2008 in the construction of nearly-completed vertical building projects which take longer to build, sell and collect. Total units closed of 46,631 in 2009 represents a 12% increase compared to total units closed in 2008 of 41,679. The increase is attributable to the continued growth in the Company's business. In 2008, units closed increased by 5% over 2007. The proportion of units sold and units closed are generally consistent when evaluated by operating segment during both 2009 and 2008. As of December 31, 2009, approximately 11,348 units remain at various stages of completion under MFRS, and thus have yet to be recognized into revenue under US GAAP.

Except for ratios, percentages, and per share, per ADS, and operating data, all amounts are presented in thousands of pesos.

For additional information regarding financial information presented in this annual report, see "Presentation of Financial and Other Information."

Table of Contents

Homex Selected Consolidated Financial Information

	Years Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands of Mexican Ps., except as otherwise specified)				
Statement of Operations Data:					
Mexican Financial Reporting Standards:					
Revenues (1) (11)	19,425,182	18,850,496	16,222,524	13,439,519	9,216,043
Cost of sales (5)	13,748,416	13,473,257	11,041,456	9,191,005	6,418,567
Gross profit	5,676,766	5,377,239	5,181,068	4,248,514	2,797,476
Selling and administrative expenses	2,506,756	2,377,646	1,798,429	1,359,147	913,165
Income from operations	3,170,010	2,999,593	3,382,639	2,889,367	1,884,311
Other income (expenses), net (4)	49,475	(109,926)	209,223	11,004	14,956
Net comprehensive financing cost (2) (5)	206,566	558,485	278,904	790,969	494,005
Income before income taxes	3,012,919	2,331,182	3,312,958	2,109,402	1,405,262
Income tax expense	1,182,992	712,175	951,280	669,843	458,902
Consolidated net income	1,829,927	1,619,007	2,361,678	1,439,559	946,360
Net income of controlling interest	1,841,278	1,580,876	2,233,066	1,391,281	953,611
Net income (loss) of non-controlling interest	(11,351)	38,131	128,612	48,278	(7,251)
Weighted average shares outstanding (in thousands)	334,830	334,870	335,688	335,869	324,953
Basic and diluted controlling interest earnings per share (in pesos)	5.50	4.72	6.65	4.14	2.93
Basic and diluted controlling interest earnings per ADS (3) (in pesos)	33.00	28.32	39.91	24.85	17.60
US GAAP:					
Revenues (1)	17,615,888	14,884,701	13,849,728	13,224,145	8,212,918
Cost of sales	12,658,080	10,398,464	9,814,725	9,311,415	6,150,813
Gross profit	4,957,808	4,486,237	4,035,003	3,912,730	2,062,105
Operating income (4)	2,527,445	2,108,793	2,116,650	2,519,346	1,142,318
Consolidated net income	1,500,006	605,913	1,795,846	1,680,855	834,541
Net income (loss) of non-controlling interests	(11,351)	38,131	128,612	48,278	(7,251)
Net income of controlling interests	1,511,357	567,782	1,667,234	1,632,577	841,792
Weighted average shares outstanding (in thousands)	334,830	334,870	335,688	335,869	324,953
Basic and diluted controlling interest earnings per share (in pesos)	4.51	1.70	4.96	4.86	2.59
Basic and diluted controlling interest earnings per ADS (3) (in pesos)	27.06	10.20	29.76	29.16	15.54

Table of Contents

	As of and for the Years Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands of Mexican Ps., except as otherwise specified)				
Balance Sheet Data:					
Mexican Financial Reporting Standards:					
Cash and cash equivalents	3,122,074	1,140,140	2,206,834	2,381,689	1,423,813
Restricted cash	129,342	128,045	156,090	37,597	336
Trade accounts receivable	13,038,211	11,845,530	7,549,258	5,541,086	5,999,812
Total current assets	20,842,299	18,647,785	14,794,575	12,572,239	11,578,697
Land held for future development	10,912,389	9,254,469	7,091,074	5,180,583	1,927,217
Property and equipment	1,110,582	1,402,928	1,155,729	669,095	497,535
Total assets	34,565,164	30,834,010	24,189,256	19,620,062	15,398,691
Current debt and current portion of long-term debt	270,595	1,417,404	260,758	91,392	92,235
Current portion of leases	108,437	89,255	68,187	8,704	7,588
Total current liabilities	6,383,019	8,761,917	6,967,592	6,268,537	4,075,951
Long-term obligations	9,460,163	5,990,119	3,177,884	3,605,029	3,601,864
Swap payable	119,084	—	79,098	227,074	127,673
Long-term leases	254,679	314,639	288,857	—	—
Land suppliers — long-term	74,569	405,426	992,801	—	—
Total long-term liabilities	14,959,182	10,554,836	7,380,534	5,759,021	5,179,421
Total liabilities	21,342,201	19,316,753	14,348,126	12,027,558	9,255,372
Common stock	528,011	528,011	528,011	528,011	528,011
Total equity	13,222,963	11,517,257	9,841,130	7,592,504	6,143,319
Total liabilities and equity	34,565,164	30,834,010	24,189,256	19,620,062	15,398,691
US GAAP:					
Cash and cash equivalents	3,122,074	1,140,140	2,206,834	2,381,689	1,423,813
Restricted cash	129,342	128,045	156,090	37,597	336
Accounts receivable	321,736	1,016,172	600,655	985,043	1,229,953
Total current assets	18,389,873	18,052,424	14,488,606	12,467,252	10,751,884
Land held for future development	10,912,389	9,254,469	7,091,074	5,180,580	1,927,217
Property and equipment	1,110,582	1,402,928	1,155,729	669,095	497,535
Total assets	31,613,252	30,774,279	24,579,367	20,079,591	14,795,096
Total current liabilities	10,625,255	14,274,161	11,054,629	9,147,783	5,589,043
Long-term obligations	10,103,812	7,006,557	4,689,022	3,760,086	3,656,327
Total equity (12)	10,884,185	9,493,561	8,835,716	7,171,722	5,549,726
Other Financial Data:					
Mexican Financial Reporting Standards:					
Depreciation	371,402	323,727	196,307	130,829	66,626
Gross margin (6)	29.2%	28.5%	31.9%	31.6%	30.4%
Operating margin (7)	16.3%	15.9%	20.8%	21.5%	20.4%
Net margin (8)	9.4%	8.6%	14.5%	10.7%	10.3%
Other Financial Data:					
Adjusted EBITDA (9)	4,352,068	4,351,923	4,031,097	3,173,119	2,151,208
Net debt (10)	6,885,277	6,596,753	1,513,305	1,245,825	2,196,822
Ratio of total debt to total equity	75.7%	67.2%	37.8%	47.7%	58.9%
Ratio of total debt to total assets	28.9%	25.1%	15.4%	18.5%	23.5%
US GAAP:					
Gross margin (6)	28.1%	30.1%	29.1%	29.6%	25.1%
Operating margin (7)	14.3%	14.1%	15.2%	19.1%	13.9%
Net margin (8)	8.5%	3.8%	12.0%	12.3%	10.2%
Other Financial Data:					
Adjusted EBITDA (9)	3,196,530	1,357,188	2,855,834	2,715,514	1,701,859

(1) For US GAAP purposes, the substantial majority of sales are recognized according to ASC 360.20 (formerly FAS 66 — *Accounting for Sales of Real Estate)*, when title passes to the homebuyer and the homebuyer has the legal right to occupy the home, as opposed to the percentage-of-completion method of accounting used for MFRS purposes, under which we recognize income from homes we sell as we incur the cost of their construction. See (11) below for a discussion of certain accounting pronouncements not yet adopted.

(2) Represents interest income, interest expense, monetary position gains and losses (for 2007, 2006 and 2005), valuation effects of derivative instruments and foreign exchange gains and losses.

(3) Assumes all common shares are represented by ADSs. Each ADS represents six common shares. Any discrepancies between per share and per ADS amounts in the tables are due to rounding.

(4) Employee statutory profit-sharing expense is classified as an operating expense under US GAAP, and as other income (expenses), net under MFRS.

(5) Interest capitalized as part of the cost of inventories is included in cost of sales under US GAAP and MFRS. Due to the application of MFRS D-6 during 2009, 2008 and 2007, the net comprehensive financing cost capitalized (CFC) related to qualified assets for the same periods was Ps.563,154, Ps.1,250,080 and Ps.179,304, of which Ps.670,127 (of which Ps.419,338 is related to the current year CFC and Ps.250,789 is related to prior years), Ps.976,707 (of which Ps.931,682 is related to the current year CFC and Ps.45,025 is related to prior years) and Ps.119,286 related to inventories sold and subsequently were applied to cost of sales of the same periods, respectively. The average period for the amortization of the capitalized comprehensive financing cost is 4 months. The annual capitalization rates are 6.5%, 24.3% and 7.6%, respectively.

(6) Represents gross profit divided by total revenues.

(7) Represents operating income divided by total revenues.

(8) Represents net income divided by total revenues.

(9) Adjusted EBITDA is not a financial measure computed under Mexican or US GAAP. Adjusted EBITDA derived from our MFRS financial information means MFRS net income excluding (i) depreciation and amortization; (ii) net comprehensive financing cost ("CFC") (which are composed of net interest expense (income), foreign exchange gain or loss, valuation effects of derivative instruments and monetary position gain or loss) including CFC capitalized to land balances that is subsequently charged to cost of sales; and (iii) income tax expense and employee statutory profit-sharing expense.

Adjusted EBITDA derived from our U.S. GAAP financial information means US GAAP net income excluding (i) depreciation and amortization; (ii) interest expense and monetary position gain or loss; and (iii) income tax expense. Adjusted EBITDA does not exclude interest income (Ps.52,203 in 2009, Ps.63,141 in 2008, Ps.100,874 in 2007, Ps.61,407 in 2006 and Ps.25,799 in 2005).

Adjusted EBITDA under MFRS excludes the effect of CFC capitalized to land balances that is subsequently charged to cost of sales. The Company's computation of Adjusted EBITDA under US GAAP includes such expense in the computation of Adjusted EBITDA for all periods. Accordingly, the two computations are not comparable.

We believe that Adjusted EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies in our industry because it excludes the effect of (i) depreciation and amortization, which represent a non-cash charge to earnings; (ii) certain financing costs, which are significantly affected by external factors, including interest rates, foreign currency exchange rates, and inflation rates, which have little or no bearing on our operating performance; and (iii) income tax expense and, for Adjusted EBITDA derived from our MFRS financial information, employee statutory profit-sharing expense.

Adjusted EBITDA is also a useful basis for comparing our results with those of other companies because it presents operating results on a basis unaffected by capital structure. You should review Adjusted EBITDA, along with net income and cash flow from operating activities, investing activities and financing activities, when trying to understand our operating performance. While Adjusted EBITDA may provide a useful basis for comparison, our computation of Adjusted EBITDA is not necessarily comparable to Adjusted EBITDA as reported by other companies, as each is calculated in its own way and must be read in conjunction with the explanations that accompany it. While Adjusted EBITDA is a relevant and widely used measure of operating performance, it does not represent cash generated from operating activities in accordance with MFRS or US GAAP and should not be considered as an alternative to net income, determined in accordance with MFRS or US GAAP, as an indication of our financial performance, or to cash flow from operating activities, determined in accordance with MFRS or US GAAP, as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs.

Adjusted EBITDA has certain material limitations: (i) it does not include interest expense, which, because we have borrowed money to finance some of our operations, is a necessary and ongoing part of our costs and assisted us in generating revenue; (ii) it does not include taxes, which are a necessary and ongoing part of our operations; and (iii) it does not include depreciation, which, because we must utilize property and equipment in order to generate revenues in our operations, is a necessary and ongoing part of our costs. Therefore, any measure that excludes any or all of interest expense, taxes and depreciation and amortization has material limitations.

Reconciliation of Net Income to Adjusted EBITDA Computed from Our MFRS Financial Information

	Years Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands of Mexican Ps., except as otherwise specified)				
Net income	1,829,927	1,619,007	2,361,678	1,439,559	946,360
Depreciation	371,402	323,727	196,307	130,829	66,626
Net comprehensive financing cost	206,566	558,485	278,904	790,969	494,005
Amortization of backlog (intangible)	—	—	—	10,714	125,808
Amortization of Beta trademark	91,054	91,054	92,958	94,477	49,153
Employee statutory profit-sharing	—	70,768	30,684	36,728	10,354
Comprehensive financing cost capitalized and subsequently charged cost of sales	670,127	976,707	119,286	—	—
Income tax expense	1,182,992	712,175	951,280	669,843	458,902
Adjusted EBITDA	4,352,068	4,351,923	4,031,097	3,173,119	2,151,208

Table of Contents

Reconciliation of Net Income to Adjusted EBITDA Computed from Our US GAAP Financial Information

	Years Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands of Mexican Ps., except as otherwise specified)				
Net income	1,511,357	567,782	1,667,234	1,632,577	841,792
Depreciation	371,402	323,727	196,307	130,829	66,626
Interest expense and inflation effect	188,173	85,926	173,719	47,631	49,653
Amortization of backlog (intangible)	—	—	16,747	58,397	296,445
Amortization of Beta trademark	91,054	91,054	92,958	94,477	49,153
Income tax expense	1,034,544	288,699	708,869	751,603	398,190
Adjusted EBITDA	3,196,530	1,357,188	2,855,834	2,715,514	1,701,859

(10) Net debt is not a financial measure computed under MFRS. We compute net debt as the sum of all debt (not including interest payable) less cash and cash equivalents, each of which is computed in accordance with MFRS. Management uses net debt as a measure of our total amount of leverage, as it gives effect to cash accumulated on our balance sheets. Management believes net debt provides useful information to investors because it reflects our actual debt as well as our available cash and cash equivalents that could be used to reduce this debt. Net debt has certain material limitations in that it assumes the use of our cash and cash equivalents to repay debt that is actually still outstanding and not to fund operating activities or for investment.

Reconciliation of Total Debt to Net Debt Derived from Our MFRS Financial Information

	As of December 31,				
	2009	2008	2007	2006	2005
	(In thousands of Mexican Ps., except as otherwise specified)				
Current portion of long-term debt	184,072	1,342,880	185,211	13,781	11,183
Current portion of leases	108,437	89,255	68,187	8,704	7,588
Long-term debt	9,714,842	6,304,758	3,466,741	3,605,029	3,601,864
Total debt	10,007,351	7,736,893	3,720,139	3,627,514	3,620,635
Cash and cash equivalents	3,122,074	1,140,140	2,206,834	2,381,689	1,423,813
Net debt	6,885,277	6,596,753	1,513,305	1,245,825	2,196,822

(11) In December 2008 IMFRS 14 was issued by the CINIF to complement Bulletin D-7, *Construction Agreements and Manufacturing of Certain Capital Assets*. This Interpretation is applicable to the recognition of revenues, costs and expenses for all entities that undertake the construction of capital assets directly or through sub contractors. This Interpretation was adopted as of January 1, 2010, with retrospective application to prior accounting periods when the Company presents its 2010 consolidated financial statements. While differences in revenue recognition might still exist between MFRS and US GAAP upon the adoption of IMFRS 14, it is anticipated that the Company's MFRS revenue recognition will more closely approximate its US GAAP revenue recognition at that time. The Company's US GAAP revenue recognition is disclosed further in Note 28 to the Company's consolidated financial statements. For more information on the effects the application of IMFRS 14 would have had on the consolidated financial statements of the Company with respect to the year ended December 31, 2009, see "Presentation of Financial and Other Information".

(12) Reflects the application of ASC 810.10 (formerly FAS 160). Specifically, non-controlling interest amounts are now included in equity for all periods presented.

DIVIDENDS

A vote by the majority of our shareholders present at a shareholders' meeting determines the declaration, amount, and payment of dividends. Under Mexican law, dividends may only be paid from retained earnings and if losses for prior fiscal years have been recovered.

We have not paid dividends since we were formed in 1989 and we do not currently expect to pay dividends. We intend to devote a substantial portion of our future cash flow to funding working capital requirements and purchasing land following a conservative replacement strategy for land bank acquisitions. We may consider adopting a dividend policy in the future based on a

Table of Contents

number of factors, including our results of operations, financial condition, cash requirements, tax consideration, future prospects, and other factors that our board of directors and our shareholders may deem relevant, including the terms and conditions of future debt instruments that may limit our ability to pay dividends.

Table of Contents

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the period-end, average, high and low exchange rate between the peso and U.S. dollar. The average annual rates presented in the following table were calculated by using the average of the exchange rates on the last day of each month during the relevant period. The data provided in this table for the years 2005 through 2008 is based on buying rates published by Bank of New York. The data provided in this table for the year 2009 is based on the exchange rates published by Banco de México. All amounts are stated in pesos, and we have not restated the rates in constant currency units. We make no representation that the Mexican peso amounts referred to in this annual report could have been or could be converted into U.S. dollars at any particular rate or at all.

	Noon Buying Rate (Ps. per US$)			
Years Ended December 31,	**Low (1)**	**High (1)**	**Average (2)**	**Period-End**
2005	10.43	11.37	10.89	10.64
2006	10.43	11.49	10.90	10.84
2007	10.66	11.27	10.97	10.88
2008	9.92	13.94	11.14	13.77
2009	12.60	15.37	13.50	13.07
Month Ended				
December 31, 2009	12.60	13.07	12.86	13.07
January 31, 2010	12.65	13.01	12.80	13.01
February 29, 2010	12.78	13.18	12.94	12.78
March 31, 2010	12.33	12.75	12.57	12.33
April 30, 2010	12.16	12.37	12.23	12.26
May 31, 2010	12.26	13.18	12.74	12.91
June 29, 2010	12.82	12.88	12.85	12.85

(1) Rates shown are the actual low and high, on a day-by-day basis for each period.
(2) Average of daily rates.

On June 29, 2010, Banco de México's UDI conversion rate was Ps.4.413333 per UDI.

Industry and Market Data

Except during a liquidity crisis lasting from September through December 1982, Banco de México has consistently made foreign currency available to Mexican private sector entities (such as us) to meet their foreign currency obligations. Nevertheless, in the event of renewed shortages of foreign currency, it is possible that foreign currency will not continue to be available to private sector companies or that foreign currency that we may need to service foreign currency obligations or to import goods will not be available for purchase in the open market without substantial additional cost.

RISK FACTORS

Risk Factors Related to Our Business

Decreases in the Amount of Mortgage Financing Provided by Mexican Housing Funds on Which We Depend, or Disbursement Delays, Could Result in a Decrease in Our Sales and Revenues

The home building industry in Mexico has been characterized by a significant shortage of mortgage financing. Historically, the limited availability of financing has restricted home building and contributed to the current shortage of affordable entry-level housing. Substantially all financing for affordable entry-level housing in Mexico is provided by entities established for this purpose ("Mexican Housing Funds") such as:

- the National Workers' Housing Fund Institute, or INFONAVIT (*Instituto del Fondo Nacional para la Vivienda de los Trabajadores*), which is financed primarily through mandatory contributions from the gross wages of private sector workers, and securitization of mortgages in the capital markets;

- the Social Security and Services Institute Public Segment Workers' Housing Fund, or FOVISSSTE (*Fondo para la Vivienda y la Seguridad y Servicios Sociales para los Trabajadores del Estado*), which is financed primarily through mandatory contributions from the gross wages of public sector workers; and

- public mortgage providers such as the Federal Mortgage Society, or SHF (*Sociedad Hipotecaria Federal, S.N.C., Institucion de Banca de Desarrollo*), which is financed through its own funds as well as funds provided by the World Bank and a trust managed by Banco de México.

See "Item 4. Information on the Company— Business Overview—The Mexican Housing Market."

The amount of funding available and the level of mortgage financing from these sources is limited and may vary from year to year.

These Mexican Housing Funds have significant discretion in terms of the allocation and timing of disbursement of mortgage funds. We depend on the availability of mortgage financing provided by these Mexican Housing Funds for substantially all of our sales of affordable entry-level housing, which represented 78.2% of our revenues and 78.2% of our operating income for 2009 and 77.0% of our revenues and 77.0% of our operating income for 2008.

Accordingly, our financial results are affected by policies and administrative procedures of INFONAVIT, FOVISSSTE, SHF, and a federal housing subsidy program, as well as by the Mexican government's housing policy. The availability of mortgage financing granted by INFONAVIT and FOVISSSTE has increased significantly during the past seven years as compared to historical levels, while financing from SHF has decreased due to a change in its policy in 2005. The future Mexican government housing finance policy may limit or delay the availability of mortgage financing provided by these agencies or otherwise institute changes, including changes in the methods by which these agencies grant mortgages and, in the case of INFONAVIT, the geographic allocation of mortgage financing, that could result in a decrease in revenues.

Disruptions in the operations of these Mexican Housing Funds, which could occur for any reason, may occur and result in a decrease in our sales and revenues. During 2009, disruptions included a delay in the disbursement of Mexican federal government subsidies in certain cities delaying the timing by which INFONAVIT commits to closing a transaction, and a slowdown in the collection process through FOVISSTE, who employs sofoles to make payments which result in delays in the payment process.

Decreases or delays in the amount of funds available from INFONAVIT, FOVISSSTE, SHF or other sources, or substantially increased competition for these funds, could result in a decrease in our sales and revenues. These funds may not continue to be allocated at their current levels or in regions in which we have or can quickly establish a significant presence.

The current administration of President Felipe Calderón has initiated a National Housing Program (*Programa Nacional de Vivienda*) 2007-2012, through which the government expects that Mexican Housing Funds will provide six million mortgages by 2012, mainly to low-income families. For 2010, the government believes that Mexican Housing Funds will provide 1.1 million residential mortgages.

A Slowdown in the Mexican Economy Could Limit the Availability of Private-Segment Financing in Mexico, on Which We Depend for Our Sales of Middle-Income Housing, Which Could Result in a Decrease in Our Sales and Revenues

One of our long-term strategies is to expand our operations in the middle-income and residential housing segments while maintaining our margins and without adversely affecting our financial condition. Our expansion into these markets depends on private sector lenders, such as commercial banks and Limited Purpose Financing Companies and Multiple Purpose Financing Companies (*Sociedades Financieras de Objeto Limitado y Sociedades Financieras de Objeto Múltiple*, or "sofoles" and "sofomes"), which provide a substantial majority of mortgage financing for the middle-income segment. The availability of private sector mortgage financing in Mexico has been severely constrained in the past as a result of volatile economic conditions in Mexico, the level of liquidity and stability of the Mexican banking system, and the resulting adoption of more stringent lending criteria and bank regulations. From 1995 through 2001, commercial bank mortgage lending was generally unavailable in Mexico. However, during the same period a number of sofoles were formed, serving the mostly middle-income market. Since 2002, private sector lenders have gradually increased their mortgage financing activities as a result of improved economic conditions and increasing consumer demand. However, unfavorable general economic conditions, such as the recession and economic slowdown during 2009 in the United States negatively affected the Mexican economy and the availability of private sector mortgage financing. As a result, commercial lenders tightened their criteria for mortgage origination. Additionally, sofoles and sofomes faced liquidity constraints due to increased exposure to non-performing loans. As a result, during 2009, we decreased our exposure to the middle-income segment. A prolonged economic slowdown in the United States and Mexico could result in reduced profitability and negatively affect our financial performance.

Our Strategy for Expansion in the Tourism/Resort Housing Market may be Affected by a Slowdown in U.S. General Economic Conditions, Which Could Adversely Affect Our Business or Our Financial Results

The tourism/resort homebuilding industry is sensitive to changes in economic conditions and other factors, such as the level of employment, consumer confidence, consumer income, availability of financing, and interest rate levels. Adverse changes in any of these conditions, or in the markets where our targeted clients operate, could decrease demand and pricing for new homes in these areas or result in customer cancellations of pending contracts, which could adversely affect the number of home deliveries we make or reduce the prices we can charge for homes in the tourism/resort housing markets, either of which could result in a decrease in our revenues and earnings and would adversely affect our financial condition. However, the Company believes that the targeted customers will consist of an exclusive sector of senior U.S. and Canadian residents, for whom the availability of financing is not a key requisite for purchasing a second home. Nonetheless, we anticipate a reduction in potential customers for this segment due to softer demand from our targeted customers related to the economic slowdown.

We Experience Significant Seasonality in Our Results of Operations

The Mexican affordable entry-level housing industry experiences significant seasonality during the year, principally due to the operational and lending cycles of INFONAVIT and FOVISSSTE. Payment by these lenders for home deliveries is slow at the beginning of the year and increases gradually through the second and third quarters with a rapid acceleration in the fourth quarter. We build and deliver affordable entry-level homes based on the seasonality of this cycle because we do not begin construction of these homes until a mortgage provider commits mortgage financing to a qualified homebuyer in a particular development. Accordingly, we tend to recognize significantly higher levels of revenue in the third and fourth quarters and our debt levels tend to be highest in the first and second quarters. We anticipate that our quarterly results of operations and our level of indebtedness will continue to experience variability from quarter to quarter in the future.

We May Experience Difficulty in Finding Desirable Land Tracts or Increases in the Price of Land May Increase Our Cost of Sales and Decrease Our Earnings

Our continued growth depends in large part on our ability to continue to be able to acquire land and to do so at a reasonable cost. As more developers enter or expand their operations in the Mexican home building industry, land prices could rise significantly and suitable land could become scarce due to increased demand or decreased supply. A resulting rise in land prices may increase our cost of sales and decrease our earnings. We may not be able to continue to acquire suitable land at reasonable prices in the future.

Increases in the Price of Raw Materials May Increase Our Cost of Sales and Reduce Our Net Earnings

The basic raw materials used in the construction of our homes include concrete, concrete block, steel, windows, doors, roof tiles and plumbing fixtures. Increases in the price of raw materials, including increases that may occur as a result of shortages, duties, restrictions, or fluctuations in exchange rates, could increase our cost of sales and reduce our net earnings to the extent we are unable to increase our sale prices. It is possible that the prices of our raw materials will increase in the future.

Because We Recognize Income from Sales of Homes Under the Percentage-of-Completion Method of Accounting Before Receiving Cash Revenue, Failed Closings Could Result in a Shortfall of Actual Cash Received and Require an Adjustment to Revenue Previously Recorded

In accordance with MFRS, and consistent with industry practice in Mexico until December 31, 2009, we recognized income from the sale of homes based on the percentage-of-completion method of accounting, which in Mexico requires us to recognize income as we incur the cost of construction. See Note 3 to our consolidated financial statements for a discussion of the percentage-of-completion method. However, we do not receive the consideration from these sales until the homes are titled. As a result, there is a risk that revenue in respect of the income recognized for accounting purposes will not be received due to the failure of a sale to close.

The Implementation of IMFRS 14 is Expected to Result in Material Changes to our Financial Statements

During 2008, IMFRS 14, “Construction, Sales and Services Agreements related to Real Estate”, was issued. IMFRS 14 supplements Mexican Accounting Bulletin D-7, “Construction and Manufacturing Contracts for Certain Capital Assets,” and requires the separation of the various components of construction contracts into their separate elements in order to specify whether the contract refers to the construction or sale of real property or to the provision of related services. IMFRS 14 also establishes the applicable rules for recognition of revenues and related costs and expenses based on the identification of the different elements of the contracts. In contracts involving the sale of real property, revenues may only be recognized when the entity has executed the public deed transferring the real property to the buyer; therefore, use of the percentage-of-completion method currently applied by Mexican

housing developers including Homex will no longer be appropriate. IMFRS 14 is effective for all entities that enter into construction and related real estate sale agreements for financial periods beginning January 1, 2010, with retrospective application to any prior financial periods presented in the corresponding consolidated Financial Statements. The adoption of IMFRS 14 is expected to significantly affect our consolidated financial position and results of operations. We estimate that the application of IMFRS 14 to the consolidated financial statements would have had the following effects with respect to the year ended December 31, 2009:

- sales would have decreased 11.1% from Ps.19,425.2 million to Ps.17,277.7 million;
- operating income would have decreased 17.4% from Ps.3,170.0 million to Ps.2,618.3 million;
- net profit would have decreased 20.9% from Ps.1,829.9 million to Ps.1,446.9 million; and
- total equity as of December 31, 2009 would have decreased 15.8%from Ps.12,988.0 million to Ps.10,935.7 million.

In addition, the application of IMFRS 14 to the consolidated financial statements would have had the following effects as of December 31, 2009: (i) a decrease in accounts receivable for developments in progress, (ii) an increase in inventories consisting of housing under construction, (iii) a decrease in deferred income taxes for net income attributable to housing not yet titled, (iv) an increase in prepaid expenses and other current assets for the sales commissions paid in advance and (v) a decrease in equity as indicated above. There can be no assurance that the application of IMFRS 14 will not result in further fluctuations in our future consolidated financial position or results of operations when compared to the percentage of completion method by which revenue is currently recognized.

Loss of the Services of Our Key Management Personnel Could Result in Disruptions to Our Business Operations

Our management and operations are dependent in large part upon the contributions of a small number of key senior management personnel, including Eustaquio Tomás de Nicolás Gutiérrez, our Chairman, and Gerardo de Nicolás Gutiérrez, our Chief Executive Officer. We do not have employment or non-compete agreements with or maintain key-man life insurance in respect of either of these individuals. Because of their knowledge of the industry and our operations and their experience with Homex, we believe that our future results will depend upon their efforts, and the loss of the services of either of these individuals for any reason could adversely affect our business operations.

Competition from Other Home Builders Could Result in a Decrease in Our Sales and Revenues

The home building industry in Mexico is highly competitive. Our principal competitors include public companies like Corporación GEO, S.A.B. de C.V., Consorcio ARA, S.A.B. de C.V., URBI Desarrollos Urbanos, S.A.B. de C.V. and SARE, S.A.B. de C.V. Our ability to maintain existing levels of home sales depends to some extent on competitive conditions, including price competition, competition for available mortgage financing, and competition for available land. Competition is likely to continue to decrease as some smaller and medium-sized homebuilding companies in Mexico are experiencing limited growth opportunities due to: (1) their dependence on bridge loans and short-term credit lines; (2) increases in the range of 300 to 400 bps in these companies interest rates for short-term credit lines; and (3) tighter lending restrictions from commercial banks to renew existing credit lines. We may experience pressure to reduce our prices in certain regions if some of our competitors are forced to sell their inventory in distressed sales upon exiting the market. In addition, competitive conditions may prevent us from achieving our goal of increasing our sales volume, or result in a decrease in our sales and revenues.

Adverse Economic Conditions in Mexico or in Other Emerging Markets Could Adversely Affect Us

We currently maintain operations in Mexico and to a lesser extent in other emerging markets. We expect that in the future we will have additional operations in the countries where we currently operate or in other countries with similar political and economic conditions. These emerging markets have a history of economic instability. Our operations may be adversely affected by trade barriers, currency fluctuations and exchange controls, high levels of inflation and increases in duties, taxes and governmental royalties, as well as changes in local laws and policies of the countries in which we conduct business. The governments of countries in which we operate, or may operate in the future, could take actions that materially adversely affect us. Accordingly, our results of operations and financial condition depend upon the overall level of economic activity and political stability in these emerging markets. Should economic conditions deteriorate in these countries or in emerging markets generally, our results of operations and financial condition may be adversely affected.

In addition, we cannot provide any assurance that international markets will provide similar demand for housing as Mexico, that we will have similar success selling the houses that we may develop in international markets, or that the necessary financing from private and public sources will enable the public in these international markets to purchase the supply of housing that we may develop in these markets. As a result of our expansion into international markets, our profitability could be reduced and our financial performance could be negatively affected.

Changes in Building and Zoning Regulations to Which We are Subject Could Cause Delays in Construction and Result in Increased Costs

The Mexican housing industry is subject to extensive building and zoning regulation by various federal, state and municipal authorities. These authorities oversee land acquisition, development and construction activities, and certain dealings with customers. The costs associated with obtaining building and zoning permits, paying purchase or development fees and taxes, securing utility service rights and titling new homes are substantially higher in Mexico than in other countries and vary significantly from region to region in Mexico. We are required to obtain the approval of numerous federal, state and local governmental authorities for our development activities. Changes in local circumstances or applicable law or regulations of such entities may require modifying or applying for additional approvals or changing our processes and procedures to comply with them. It is possible that these factors could cause delays in construction and result in increased costs.

Changes to Environmental Laws and Regulations to Which We are Subject Could Cause Delays in Construction and Result in Increased Costs

Our operations are subject to Mexican federal, state and municipal environmental laws and regulations. Changes to environmental laws and regulations, or stricter interpretation or enforcement of existing laws or regulations, could cause delays in construction and result in increased costs.

Our Uninsured Housing Developments under Construction Could Suffer Unforeseen Casualties, Which Could Result in Significant Losses to Us

We do not generally obtain liability insurance to cover housing developments under construction unless it is required by providers of construction financing. In the event that our uninsured housing developments suffer unforeseen casualties, we may experience significant losses.

A Reduction in Distributions from Our Operating Subsidiaries Could Limit Our Ability to pay Dividends and Service Our Debt Obligations

We are a holding company with no substantial operations and no significant assets other than the common shares of our majority-owned subsidiaries. We depend on receiving sufficient funds from our subsidiaries for virtually all our internal cash flow, including cash flow to pay dividends and service our debt obligations. As a result, our cash flow will be affected if we do not receive dividends and other income from our subsidiaries. The ability of our subsidiaries to pay dividends and make other transfers to us is limited by requirements that need to be satisfied under Mexican law. This ability may also be limited by credit agreements entered into by our subsidiaries.

We Cannot Predict the Impact that Changing Climate Conditions, Including Legal, Regulatory and Social Responses Thereto, May Have on Our Business

Various scientists, environmentalists, international organizations, regulators and other commentators believe that global climate change has added, and will continue to add, to the unpredictability, frequency and severity of natural disasters (including, but not limited to, hurricanes, tornadoes, freezes, other storms and fires) in certain parts of the world. In response to this belief, a number of legal and regulatory measures as well as social initiatives have been introduced in an effort to reduce greenhouse gas and other carbon emissions which some believe may be chief contributors to global climate change. We cannot predict the impact that changing climate conditions, if any, will have on our results of operations or our financial condition. Moreover, we cannot predict how legal, regulatory and social responses to concerns about global climate change will impact our business.

Table of Contents

Risk Factors Related to Mexico

Adverse Economic Conditions in Mexico May Result in a Decrease in Our Sales and Revenues

We are a Mexican company with substantially all of our assets located in Mexico and substantially all of our revenues derived from operations in Mexico. As such, our business may be significantly affected by the general conditions of the Mexican economy.

Mexico experienced a period of slow growth from 2001 through 2003 primarily as a result of the downturn in the U.S. economy. In 2006, GDP grew by 4.5% and inflation increased to 4.1%; in 2007, GDP grew by 5.6% and inflation decreased to 3.7%; in 2008, GDP grew by 1.3% and inflation increased to 6.5%. In 2009, GDP contracted by 6.5% and inflation increased to 5.3% as a result of the global recession and economic slowdown as Mexico witnessed a contraction in the international flow of goods and services, especially to and from Mexico's main trading partner, the United States.

Historically, Mexico has experienced high real and nominal interest rates. The interest rates on 28-day Mexican government treasury securities (*Certificados de la Tesoreria de la Federación*) averaged approximately 7.44% and 7.97% for 2007 and 2008, respectively. As a result of the recession and economic slowdown in Mexico during 2009, Mexico's central bank lowered its benchmark interest rate (TIIE) to 4.50% in an effort to encourage lending and stimulate the economy. As a result, the interest rates on 28-day Mexican government treasury securities decreased to 5.39%. In the medium-term, it is expected that Mexico's central bank will increase its benchmark interest rate. Accordingly, if we incur peso-denominated debt in the future, it could be at high interest rates.

As a consequence of the global recession and economic slowdown during 2008, the Mexican economy entered into a recession. In Mexico, GDP contracted 6.5% in 2009. During the first few months of 2010, however, the Mexican economy has begun to show signs of recovery. Consumer confidence has improved to 82.5 as of April 30, 2010 as compared to a low of 77.0 as of October 31, 2009. In addition, the unemployment rate has improved to 4.81% as of March 31, 2010 as compared to 6.41% as of September 30, 2009 and GDP grew 4.3% in the first quarter. As of April 30, 2010, twelve-month accumulated inflation had decreased to 4.27% as compared to 6.17% during the same period in 2009. However, there can be no assurance that the positive trends witnessed in recent months will continue. The Mexican economy's inability to recover from the recession could affect our operations to the extent that we are unable to reduce our costs and expenses in response to falling demand. These factors could result in a decrease in our sales and revenues.

Fluctuations of the Peso Relative to the U.S. Dollar Could Result in an Increase in Our Cost of Financing and Limit Our Ability to Make Timely Payments on Foreign Currency-Denominated Debt

Because substantially all of our revenues are and will continue to be denominated in pesos, if the value of the peso decreases against the U.S. dollar, our cost of financing will increase. Severe depreciation of the peso may also result in disruption of the international foreign exchange markets. This may limit our ability to transfer or convert pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our securities and any U.S. dollar-denominated debt that we may incur in the future. While the Mexican government has not restricted the right or ability of Mexican or foreign individuals to convert pesos into U.S. dollars or to transfer other currencies out of Mexico since 1982, the Mexican government could institute restrictive exchange rate policies in the future.

Political Events in Mexico May Result in Disruptions to Our Business Operations and Decreases in Our Sales and Revenues

The Mexican government exercises significant influence over many aspects of the Mexican economy. In addition, we depend on Mexican government housing policy, especially with regard to the operation of the Mexican Housing Funds, for a large portion of our business. As a result, the actions of the Mexican government concerning the economy and regulating certain industries could have a significant effect on Mexican private sector entities, including Homex, and on market conditions, prices of and returns on Mexican securities.

President Calderón may implement significant changes in laws, public policy and/or regulations that could affect Mexico's political and economic situation, which could adversely affect our business. Social and political instability in Mexico or other adverse social or political developments in or affecting Mexico could affect us and our ability to obtain financing. It is also possible that political uncertainty may adversely affect Mexican financial markets.

We cannot provide any assurance that future political developments in Mexico, over which we have no control, will not have an unfavorable impact on our financial position or results of operations.

Developments in Other Countries May Result in Decreases in the Price of Our Securities

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions

in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, for example, prices of both Mexican debt securities and Mexican equity securities dropped substantially as a result of the levels of public debt, weakness of the economies, and other developments in the United States, Russia, Asia, Brazil, Greece, Italy, Portugal and Spain, among others.

In addition, the direct correlation between economic conditions in Mexico and the United States has sharpened in recent years as a result of the North American Free Trade Agreement (NAFTA) and increased economic activity between the two countries. As a result of the slowing economy in the United States and the uncertainty it could have on the general economic conditions in Mexico and the United States, our financial condition and results of operations could be adversely affected. In addition, due to recent developments in the international credit markets, capital availability and cost could be significantly affected and could restrict our ability to obtain financing or refinance our existing indebtedness on favorable terms, if at all.

We are Subject to Different Corporate Disclosure and Accounting Standards than U.S. Companies

A principal objective of the securities laws of the United States, Mexico and other countries is to promote full and fair disclosure of all material corporate information. However, there may be less or different publicly available information about foreign issuers of securities than is regularly published by or about U.S. issuers of listed securities.

We Face Risks Related to Health Epidemics and Other Outbreaks

Our business could be adversely affected by the effects of avian flu, severe acute respiratory syndrome, SARS, H1N1 flu or another epidemic or outbreak. In April 2009, an outbreak of Influenza H1N1 flu occurred in Mexico and the United States as well as in China and elsewhere in Asia. A prolonged occurrence or recurrence of avian flu, SARS, H1N1 flu or other adverse public health developments in Mexico may have a material adverse effect on our business operations. Our operations may be impacted by a number of health-related factors, including, among other things, quarantines or closures of our facilities, which could disrupt our operations, and a general slowdown in the Mexican economy. Any of the foregoing events or other unforeseen consequences of public health problems could adversely affect our business and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS, H1N1 flu or any other epidemic.

Risk Factors Related to Our Common Shares and ADSs

Future Issuances of Shares May Result in a Decrease in the Prices of Our ADSs and Common Shares

In the future, we may issue additional equity securities for financing and other general corporate purposes, although there is no present intention to do so. Any such sales or the prospect of any such sales could result in a decrease in the prices of our ADSs and common shares.

Future Sales of Our Shares by Our Principal Shareholders May Result in a Decrease in the Prices of Our Securities

Our principal shareholder, the de Nicolás family, holds 35.1% of our outstanding share capital. Actions by these shareholders with respect to the disposition of the shares they beneficially own, or the perception that such actions might occur, may decrease the trading price of our shares on the Mexican Stock Exchange and the price of the ADSs on the New York Stock Exchange. Our principal shareholders are not subject to any contractual restrictions that limit their right to dispose of their common shares.

Pre-emptive Rights May be Unavailable to Holders of Our ADSs, Which May Result in a Dilution of ADS Holders' Equity Interest in Our Company

Under Mexican law, if we issue new shares for cash as part of a capital increase, we must grant pre-emptive rights to our shareholders, giving them the right to purchase a sufficient number of shares to maintain their pro rata interest unless we issue shares in a public offering. However, we may not be legally permitted to offer ADS holders in the United States the right to exercise pre-emptive rights in any future issuances of shares unless we file a registration statement with the SEC with respect to that future issuance of shares, or the issuance qualifies for an exemption from the registration requirements of the U.S. Securities Act of 1933, or the Securities Act. At the time of any future capital increase, other than through a public offering, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, the benefits of enabling U.S. holders of ADSs to exercise pre-emptive rights, and any other factors that we consider important in determining whether to file a registration statement to permit the exercise of mandatory pre-emptive rights. It is possible that we will not file such a registration statement. As a result, the equity interests of ADS holders would be diluted to the extent that ADS holders cannot participate in a future capital increase.

Under the terms of the ADSs, you may instruct the depositary, JPMorgan Chase Bank, to vote the ordinary shares underlying the ADSs, but only if we request the depositary to ask for your instructions. Otherwise, you will not be able to exercise your right to vote unless you withdraw the common shares underlying the ADSs and vote such common shares. However, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw your common shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send out or receive your voting instructions on time or carry them out in the manner you have instructed. As a result, you may not be able to exercise your right to vote.

In addition, Mexican law and our bylaws require shareholders to provide evidence of their status as shareholders through INDEVAL's depositors' list in order to attend shareholders' meetings. ADS holders will not be able to meet this requirement and are therefore not entitled to attend shareholders' meetings. ADS holders will also not be permitted to vote the common shares underlying the ADSs directly at a shareholders' meeting or to appoint a proxy to do so without withdrawing the common shares.

Minority Shareholders Have Different Rights Against Us, Our Directors, or Our Controlling Shareholders in Mexico

Under Mexican law, the protections afforded to minority shareholders are different from those afforded to minority shareholders in the United States. The grounds for shareholder derivative actions under Mexican law are extremely limited, which effectively bars most of these kinds of lawsuits in Mexico. Procedures for class-action lawsuits do not exist under Mexican law. Therefore, it may be more difficult for minority shareholders to enforce their rights against us, our directors or our controlling shareholders than it would be for minority shareholders of a U.S. company.

It May be Difficult to Enforce Civil Liabilities Against Us or Our Directors, Executive Officers and Controlling Persons

We are organized under the laws of Mexico. A majority of our directors, executive officers and controlling persons reside outside the U.S.; all or a significant portion of the assets of our directors, executive officers and controlling persons, and substantially all of our assets, are located outside the U.S.; and certain of the experts named in this annual report also reside outside the U.S. As a result, it may be difficult for you to effect service of process within the U.S. upon these persons or to enforce against them or us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the U.S. We have been advised by our Mexican counsel, Cortés y Núñez Sarrapy, S.C., that there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated solely on U.S. federal securities laws and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of U.S. federal securities laws.

ITEM 4. Information on the Company.

BUSINESS OVERVIEW

HISTORY AND DEVELOPMENT

Desarrolladora Homex, S.A.B. de C.V. is a corporation (*sociedad anónima bursátil de capital variable*) registered in Culiacán, Sinaloa, Mexico under the Mexican Companies Law (*Ley General de Sociedades Mercantiles*) on March 30, 1998 with an indefinite corporate existence. Our full legal name is Desarrolladora Homex, S.A.B. de C.V. Our principal executive offices are located at Boulevard Alfonso Zaragoza Maytorena 2204 Norte, Fraccionamiento Bonanza, 80020 Culiacán, Sinaloa, Mexico. Our telephone number is +52 (667) 758-5800. Our legal domicile is Boulevard Alfonso Zaragoza Maytorena 2204 Norte, Fraccionamiento Bonanza, 80020 Culiacán, Sinaloa, Mexico.

Our Company traces its origins to 1989 and established its current legal structure in 1998. Beginning in 1999, various strategic investors and, in 2002, Equity International Properties, Ltd., or EIP, an entity affiliated with Equity Group Investments, L.L.C., made equity investments in our Company. These strategic investors assisted us to develop and refine our operating and financial strategies. On June 29, 2004 we obtained financing through a public equity offering and dual listing on the Bolsa Mexicana de Valores and the New York Stock Exchange. Since our initial public offering, our annual revenues have grown 228%, and we have expanded our operations into four states and five cities in México, as well as two countries internationally.

Capital Expenditures

Our operations do not require substantial capital expenditures, as we lease, on a short-term basis, most of the construction equipment we use and subcontract a substantial portion of the services necessary to build the infrastructure of our developments. In 2009 we spent Ps.89 million on capital expenditures, primarily to purchase construction equipment, support growth and partially fund our corporate headquarters. Our purchases of land are treated as additions to inventory and not as capital expenditures.

Table of Contents

Our Company

We are a vertically-integrated home development company engaged in the development, construction and sale of affordable entry-level, middle-income and tourism housing in Mexico and have sold more homes in Mexico during 2009 and 2008 than any other company. During 2009 we sold 57,979 homes, an increase of 0.84% over 2008 and during 2008 we sold 57,498 homes, an increase of 11.3% over 2007. 91.2% of our homes sold in 2009 and 90.8% in 2008 were in the affordable entry-level segment.

As of December 31, 2009, we had 140 developments under construction in 34 cities located in 21 Mexican states. We had total land reserves under title of approximately 77.2 million square meters as of December 31, 2009, which include primarily land reserves in Mexico and approximately 750,441 square meters of land reserves for our operations in Brazil. Our land reserves include both titled land and land in the process of being titled. We estimate we could build approximately 348,940 affordable entry-level homes, approximately 28,810 middle-income homes and approximately 1,404 homes targeting the tourism market on our land reserves.

We believe our geographic diversity is one of the strongest among home builders in Mexico, reflected by our operations in 34 cities located in 21 Mexican states as of December 31, 2009. For the year ended December 31, 2009, 25% of our revenues were derived from the state of Jalisco and 21% from the Mexico City Metropolitan Area.

From time to time, we evaluate investments in real estate projects and companies outside Mexico with a view toward replicating our business model in other jurisdictions. To this end, we may also enter into real estate development joint ventures and strategic alliances with the assistance of knowledgeable local partners. Such investments, if any, are not expected to be material in terms of cost or management time.

We acquire land and plan the development of the homes we build through Proyectos Inmobiliarios de Culiacán, S.A. de C.V., or PICSA, Casas Beta del Centro, S. de R.L. de C.V., Casas Beta del Norte, S. de R.L. de C.V. and Casas Beta del Noroeste, S. de R.L. de C.V. Desarrolladora de Casas del Noroeste, S.A. de C.V. or DECANO builds the developments that PICSA and Beta plan and promote. We also receive executive and administrative services from Administradora PICSA, S.A. de C.V. and Altos Mandos de Negocios, S.A. de C.V. Homex Atizapan, S.A. de C.V., which we operate and control as a joint venture with strategic partners in the region, owns one of our middle-income developments in the Mexico City area and Hogares del Noroeste, S.A. de C.V. owns middle-income developments in Hermosillo, Sonora. Aerohomex, S.A. de C.V. provides transportation services to us as well as building rental services for our corporate offices. Through AAA Homex Trust, a Mexican trust, we establish factoring facilities for the settlement of trade payables to many of our suppliers. See “—Materials and Suppliers.”

Our Products

Mexico’s developer-built housing industry is divided into three tiers according to cost: affordable entry-level, middle-income, and residential. We consider affordable entry-level homes to range in price between Ps.195,000 and Ps.540,000 (US$14,950 and US$41,399); middle-income homes to range in price between Ps.541,000 and Ps.1,885,000 (US$41,476 and US$144,514); and residential homes to have a price above Ps.1,885,000 (US$144,514). We currently focus on providing affordable entry-level and middle-income housing for our customers. In 2008, we launched a new market focused on houses in tourist and resort areas. This housing ranges between US$450,000 and US$750,000.

Our affordable entry-level developments range in size from 500 to 20,000 homes and are developed in stages typically comprising 300 homes each. During 2009, our affordable entry-level homes had an average sale price of approximately Ps.284,000 (US$21,773). A typical affordable entry-level home consists of a kitchen, living, dining area, one to three bedrooms, and one bathroom. We are able to deliver a completed affordable entry-level home in approximately 7 to 10 weeks from the time a homebuyer obtains mortgage approval. Currently, our largest affordable entry-level housing developments are located in the states of Jalisco, México, Nuevo León, Baja California Sur and Veracruz.

Our middle-income developments range in size from 400 to 2,000 homes and are developed in stages typically comprising 200 homes each. During 2009, our middle-income homes had an average sale price of approximately Ps.823,000 (US$63,096) as compared to Ps.817,000 (US$59,316) for the same period in 2008. A typical middle-income home consists of a kitchen, dining room, living room, two or three bedrooms, and two bathrooms. We are able to deliver a completed middle-income home in approximately 12 to 16 weeks from the time a homebuyer obtains mortgage approval. In response to continued demand for middle-income housing in Mexico and financing available through INFONAVIT’s and FOVISSSTE’s cofinancing products, we launched two new middle-income developments in one city in 2009. In 2009, 21.8% of our revenues were attributable to sales of middle-income housing compared to 23.0% in 2008.

In early 2008, we commenced the development of the first stage of the new tourism/resort division called “Las Villas de Mexico.” As part of Homex’s entry into the development of housing targeting the tourist market, our developments will be located in

the three major tourism centers in Mexico, namely Los Cabos, Puerto Vallarta and Cancún. Developments in each of the three areas will have three different housing styles: residential villas of up to 2,150 square feet in typical lots of 3,230 square feet, townhouses of up to 1,725 square feet in typical lots of 2,690 square feet and apartments or condominiums of up to 1,500 square feet in buildings with five to 10 floors on average. Each style has been developed to maximize space but provide privacy and avoid the perception of high density. The developments in each area will feature architectural and landscaping elements unique to the geographical region. Owners will have the opportunity to choose from among the different layouts and a wide variety of architectural and landscaping designs, as well as to tailor a property to their individual tastes. Each development will feature either a private beach or country club (with priority golf club access), as well as a day spa, state-of-the-art fitness facilities, full-time concierge services, and space for exclusive commercial and service areas.

In targeting the new tourism resort division to foreign investors who will not live at their residences full-time, we have included a number of important amenities. All of the developments will feature double gates, year-round, 24-hour security, and a choice of two branded property services: Casa Care and Opendoor. Casa Care will handle the maintenance and bill payments for the property while residents are away. The services include payment of monthly expenses, property management, and individually customized packages tailored to residents' specific needs. Opendoor will allow residents to share or rent their home within the Las Villas private property partnership. Owners will be able to travel throughout Mexico to stay at the different Las Villas developments, use the amenities, and pay the same amount they would for their own residence.

In 2009, the tourism division did not contribute to the Company's consolidated revenues; however, the Company has signed purchase applications for ten units at its Los Cabos project and is currently waiting for mortgage financing to be obtained by these customers before recognizing revenues in respect of these units.

Land Reserves

We have developed specific procedures to identify land that is suitable for our needs and perform ongoing market research to determine regional demand for housing. Suitable land must be located near areas with sufficient demand, generally in areas where at least 500 homes can be built, and must be topographically amenable to housing development. We also consider the feasibility of obtaining required governmental licenses, permits, authorizations, and adding necessary improvements and infrastructure, including sewage, roads and electricity in keeping with a purchase price that will maximize margins within the limits of available mortgage financing. We conduct engineering and environmental assessments, and in some cases urbanization and land composition studies, of land we consider for purchase in order to determine whether it is suitable for construction. We budget the majority of our land purchases for the second half of the year to coincide with peak cash flow. Historically, our total land reserves fluctuated between 36 to 42 months of future home deliveries depending upon the time of year. During 2009, the Company followed a strategy to replace some of our existing land reserves where we held less than 2 to 3 years of future home deliveries with longer-term land reserves. As a result of this replacement strategy, the amount that we spent on land acquisitions decreased to Ps.1,119 million during 2009 as compared to Ps.3,782 million during 2008. As of December 31, 2009, the Company had land inventory for 5.4 years of future home deliveries.

We had total land reserves under title of approximately 77.2 million square meters, as of December 31, 2009, including primarily land reserves in Mexico and approximately 750,441 square meters of land reserves for our operations in Brazil. Our land reserves include both titled land and land in the process of being titled. We estimate we could build approximately 348,940 affordable entry-level homes, approximately 28,810 middle-income homes and approximately 1,404 homes targeting the tourism market on our land reserves. For 2010, we anticipate minimizing investments by continuing to follow a conservative replacement strategy for land bank acquisitions.

International Expansion: Brazil, San Jose dos Campos Affordable Entry- Level Project

During the first quarter of 2009, the Company initiated operations in Brazil with the construction of a 1,300-unit affordable entry-level development at San Jose dos Campos, northeast of Sao Paulo. We have received purchase applications in respect of approximately 46 percent of the project's first stage (comprised of 330 units) as construction of infrastructure and homes in the first stage continues. During the fourth quarter of 2009, we collected the first advances from customers in respect of this project through the Caixa Economica Federal (Caixa), a Brazilian government-sponsored home finance agency.

International Expansion: Indian Joint Venture

On March 22, 2010, the Company, through its subsidiary Homex India Private Limited, entered into a Memorandum of Understanding ("MOU") with Puravankara Projects Limited ("Puravankara"), an Indian private limited company. Pursuant to the MOU, Homex and Puravankara have agreed to use their best efforts to form a non-exclusive joint venture company to undertake

projects in the affordable entry-level housing segment in India. The first project developed by the joint venture company is expected to consist of 1,323 units in the metro area of Chennai, in southern India.

Tourism Division

Homex has pursued a conservative strategy for its tourism division by launching the first phase of its development in Los Cabos. We plan to launch sales of our Cancún properties in the fourth quarter of 2010, subject to the current market conditions. To improve the Company's profitability and product offering in its tourism division, Homex reduced the size of the initial phases, increased the density of the projects and retained a leading U.S.-based firm that specializes in high-end properties in Mexico to undertake all sales efforts. During the third quarter of 2009, marketing efforts in California and Arizona have resulted in purchase applications for ten units in Los Cabos. Overall, we retain a positive outlook for this division in 2010, as Mexico becomes a top destination for Americans living outside the U.S.

Our Relationship with Equity International Properties, Ltd.

Beginning in 2002, EIP became a major investor in Homex. However, EIP has been reducing its ownership position in the Company. On February 1, 2008, EIP sold 5.1% (17.1 million common shares) of Homex common stock to the de Nicolás family, who are Homex's founders. On April 25, 2008, pursuant to the liquidation plans for EIP's investment fund, EIP decided to sell the remainder of its stake in Homex, and sold approximately 11.0 million common shares in private transactions. As of March 31, 2010 EIP had an ownership interest equivalent to 0.97% of the Company's common shares.

Homex' Information Sharing Project with INFONAVIT

Homex has implemented an electronic file capture system with INFONAVIT which enables the Company to upload customer information to INFONAVIT's webpage directly from Homex' sales offices. Through this system, the Company is able to directly upload customers' mortgage files to create a more expedited mortgage authorization process for its clients. The Company will also realize significant process efficiencies including a faster collection process from INFONAVIT.

Fovissste's Factoring Program with NAFIN

During the third quarter of 2009, FOVISSSTE implemented a factoring program with Mexico's National Development Bank (NAFIN), which provided FOVISSSTE with a funding source to complement its housing programs. Pursuant to this program, Homex is able to collect payments directly from NAFIN at an average 4% discount rather than following the regular payment process from FOVISSSTE. Homex is among the first home developers in Mexico to benefit from participation in this program. The Company will continue to work closely with FOVISSSTE in connection with this program, which will help Homex to realize important efficiencies in the collection process with this entity.

Business Strengths

Standardized Business Processes

We have developed and refined scalable and standardized business processes that allow us to enter new markets rapidly and efficiently. We have designed proprietary information technology systems that are intended to integrate and monitor our operations, including land acquisition, construction, payroll, purchasing, sales, quality control, financing, delivery, and maintenance. Our systems connect every one of our branch locations and help us monitor and control the home building process, administer our customer relations, and oversee the financing process for our customers. This standardized model drives our growth, geographic diversification, and profitability, and is an integral component of our culture. During 2009, our proprietary information technology systems were successfully implemented at our pilot project at San Jose Dos Campos, Brazil.

Efficient Working Capital Management

Our standardized processes allow us to time the construction and delivery of our homes and payment to our suppliers efficiently, which has allowed us to reduce our borrowing needs and minimize working capital requirements. We do not commence construction on a development stage until prospective buyers representing at least 10% of the planned number of homes in that stage have qualified to receive mortgage financing and until December 31, 2009 we did not recognize revenue on a given home until all the criteria under the percentage-of-completion method had been met. We seek to maintain a construction period of less than 10 weeks for affordable entry-level housing and less than 16 weeks for middle-income housing by using our systems to maximize the efficiency

of our standardized methods. This process allows us to maximize our working capital by minimizing overhead costs and coordinating payables with receivables, which reduce our borrowing needs, minimizing our costs.

Geographic Diversification

We believe that we are one of the most geographically diversified housing development companies in Mexico. As of December 31, 2009, our operations included 140 developments in 34 cities located in 21 Mexican states, which represent 76.5% of Mexico's population, according to the Mexican Institute of Statistics, Geography and Computer Sciences, or INEGI (*Instituto Nacional de Estadistica, Geografia e Informática*). Many of our developments are located in markets where none of our major competitors currently operate. In 2009, 25% of our revenues originated in the state of Jalisco, and 21% in the Mexico City Metropolitan Area, the largest city in Mexico. The remaining revenues originated in 32 other cities. We believe that this geographic diversification reduces our risk profile as compared to our less-diversified competitors.

Experienced and Committed Management Team

Eustaquio Tomás de Nicolás Gutiérrez, our Chairman, co-founded Homex's predecessor in 1989, and Gerardo de Nicolás Gutiérrez, our CEO, joined us in 1993. Our senior management team is comprised of executives with an average of 16 years of experience in their respective areas of responsibility. Senior management owns an aggregate of approximately 29.45% of our common shares. Consistent with our standardized business processes and geographic diversification, we delegate significant managerial responsibility to our seasoned team of branch managers. Upon completion of a development, we typically relocate our branch managers to another development in order to capitalize on their significant experience.

Focus on the Affordable Entry-Level Segment

Our affordable entry-level segment continues to succeed primarily due to the availability of mortgage financing provided by the main mortgage suppliers in Mexico. In 2009, INFONAVIT and FOVISSSTE provided mortgage financing for 447,481 and 100,082 mortgages throughout Mexico, respectively. Additionally, we continue to experience high demand for affordable entry-level homes in Mexico due to the large deficit of housing stock, a growing young population, high rates of urban growth, new household formation, and a decreasing number of occupants per home. In Mexico, ninety percent of the population earns a monthly income of approximately Ps.6,000 and we believe that an entry-level home valued at Ps.300,000 is an affordable option for this population. Our focus and expertise in the affordable entry-level segment has enabled us to increase our market share. As of December 31, 2009 our market share in the affordable entry-level segment had remained relatively stable at 32.2% compared to 32.4% during the previous year. In addition, 91.2% of the homes that we sold during 2009 fell into the affordable-entry level category.

Business Strategies

Maintain a Conservative Financial Position

We operate our business with the goal of reducing our exposure to interest rate and financing risk. We begin construction only when an approved homebuyer has qualified for a mortgage and, if applicable, made a down payment, thereby reducing our working capital needs. We believe the resulting financial flexibility enhances our ability to respond quickly to market opportunities and lessens any negative effects that might result from a downturn in the economy.

Strategic Growth in Tourism Housing

On February 7, 2008 the Company announced plans to strengthen its position in the tourism market. The Company plans to achieve this goal by developing communities in key tourist destinations within Mexico targeted to potential customers in the United States and Canada. See "Business—Our Products."

The first stage of development will include launching sales of two "Las Villas de Mexico" developments in the cities of Cancún and Los Cabos. These private communities, with superior product and service offerings, will reflect the architecture and culture of Mexico adapted to the customs and living traditions of our target markets. The developments will include residential villas, townhouses, and apartments.

In October 2008, the Company began construction of initial infrastructure and model homes at Cancún and Los Cabos and has commenced sales efforts for the first stage of the development in Los Cabos. Nonetheless, we anticipate a reduction in potential customers for our tourism market due to softer demand from our targeted customers in the United States and Canada as a result of the

economic slowdown. As a result of the expected decrease in demand, in 2008 the Company adjusted its strategy and cut costs in order to remain profitable by improving and expanding its internal sales team and shifting to performance-based compensation for these employees, as well as subcontracting out a portion of its sales employees to subcontractors whose compensation is also performance-based. In addition, the Company has reduced the number of its administrative personnel, streamlining the phases for approval of customer financing and increasing the density of our tourism projects. During 2009, Mexico has become more attractive to foreigners and demand in the tourism segment has increased as a result of the sharp decline in the value of the Peso compared to the U.S. Dollar, Canadian Dollar and Euro during the final quarter of 2008.

Tourist developments did not see significant growth during 2009. As of December 31, 2009 and as a result of marketing efforts in California and Arizona, the Company has signed purchase applications for ten units at its Los Cabos project and is currently waiting for mortgage financing to be obtained by these customers before recognizing revenues in respect of these units.

Maintain Appropriate and Balanced Land Reserves

Our ability to identify, acquire and improve land is critical to our success. Because the success of our operations depends, among other things, on managing our land reserves efficiently, we continually review our portfolio and seek new development opportunities. As of December 31, 2009, the Company had land inventory for 5.4 years of future home deliveries by pursuing land investment opportunities. For 2010, we anticipate minimizing investments by following a conservative replacement strategy for land bank acquisitions. We target having an average land inventory equal to 2 to 3 years of future home deliveries.

We generally purchase large parcels of land in order to amortize our acquisition and infrastructure costs over a large number of homes, minimize competition, and take advantage of economies of scale. We had total land reserves under title of approximately 77.2 million square meters, as of December 31, 2009, which include primarily land reserves in Mexico and approximately 750,441 square meters of land reserves for our operations in Brazil. We estimate we could build approximately 348,940 affordable entry-level homes, approximately 28,810 middle-income homes and approximately 1,404 homes targeting the tourism market on our land reserves.

Continue to Build and Contribute to Successful Communities

We seek to foster brand loyalty by enhancing the quality and value of our communities through building spaces for schools, day-care facilities, parks and churches, and by providing other social services to residents of the housing we develop. We are committed to fulfilling our customers' needs by responding to and meeting their demands. In 2008, we responded to our clients' needs by launching a customization program that allows our clients to choose from a full array of custom options, adding a personal touch to clients' homes. At the same time, we seek to become the best employer to our employees through training and educational opportunities. We seek to hire and retain talented employees and invest in training our workforce at all levels by offering programs such as middle-school equivalency courses for our construction laborers. We are committed to becoming the best customer to our suppliers by offering various payment alternatives and opportunities for cooperative growth, and through our factoring structure and other initiatives, including electronic ordering and payment systems. We believe that these factors make us a preferred home builder, employer and customer and ultimately enhance our overall business.

Mold Construction System

During 2007, the Company acquired cutting-edge construction technology based on aluminum molds that it has used in some, but not all, of its projects. This new technology has improved the efficiency of the construction process. Among the advantages of the new molds are:

- shorter construction time;
- better quality and reduced reprocessing;
- the ability to re-use the same mold for several prototypes of homes, with an estimated life of 2,000 usages per mold;
- versatility, because it permits construction ranging from simple floors to apartment buildings using the same system;
- labor savings;
- compatibility among international suppliers;

- eco-friendliness because, unlike traditional construction methods, mold construction does not utilize timber and therefore reduces our carbon footprint and the impact of our operations on deforestation; and

- durability, due to the use of concrete.

During the year ended December 31, 2009 we used this technology in the construction of 30,133 homes. The Company intends to continue using this technology in the future.

Our Markets

We operate in geographically diverse markets throughout Mexico, from Tijuana in the north to Tuxtla in the south, including more than 140 developments in 21 states and 34 cities as of December 31, 2009, which states represent 76.5% of Mexico's population, according to INEGI. For the year ended December 31, 2009, 25% of our revenues originated in the state of Jalisco and 21% in the Mexico City Metropolitan Area, the largest city in Mexico. The remaining revenues originated in 32 other cities. As a diversified homebuilder, our national footprint covers: (i) capital cities, where we benefit from a stable demand from government employees; (ii) industrial cities, including Puebla, Monterrey, Guanajuato, Saltillo and Chihuahua, where we benefit from Mexico's export-oriented economy; and (iii) tourism and service-oriented cities. During 2009, México's service sector accounted for 62.5% of the country's GDP, as the industry employs approximately 35.0% of the active population. Our geographic diversity within Mexico has enabled the Company to mitigate our risk exposure to any one region.

We seek to continue operations in markets where we have a strong presence and to expand into underserved markets where demand for housing is high. However, we do not anticipate expanding into any new markets in Mexico during 2010. Rather, we intend to take a conservative approach and focus on consolidating our presence in the markets where we have existing operations.

During the first quarter of 2009, the Company initiated operations in Brazil with the construction of a 1,300-unit affordable entry-level development in San Jose dos Campos, northeast of Sao Paulo.

Total Homes Sold

The following table sets forth information on our historical sales by country and state. During 2006, 90.5% and 9.5% of the homes we sold were affordable entry-level and middle-income, respectively, during 2007, 90.4% and 9.6% of the homes we sold were affordable entry-level and middle-income, respectively, during 2008, 90.8% and 9.2% of the homes we sold were affordable entry-level and middle-income, respectively, and during 2009, 91.2% and 8.8% of the homes sold were affordable entry-level and middle-income, respectively.

Table of Contents

In 2009, the Company recognized revenues outside Mexico in connection with 102 affordable entry-level homes in San Jose dos Campos, northeast of Sao Paulo, Brazil.

	Years Ended December 31,							
	2009		2008		2007		2006	
	Affordable entry-level	Middle-income	Affordable entry-level	Middle-income	Affordable entry-level	Middle-Income	Affordable entry-level	Middle-income
Mexico								
Baja California	1,203	619	3,509	355	2,810	387	2,170	423
Baja California Sur	3,319	452	2,165	520	2,514	733	1,188	178
Chiapas	2,350	217	2,127	297	1,071	287	1,369	192
Chihuahua	636	34	219	122	188	62	481	96
Coahuila	1,904	—	641	—	—	—	—	—
Durango	1,530	—	—	—	—	—	—	—
Guanajuato	21	133	453	32	1,236	—	209	134
Estado de Mexico	10,879	1,208	19,842	1,688	15,815	1,224	15,666	554
Guerrero	324	100	1,030	686	956	467	1,321	5
Hidalgo	—	15	—	53	—	263	—	161
Jalisco	12,739	1,507	7,745	769	8,090	582	9,623	1,147
Michoacán	765	36	983	1	890	—	646	323
Morelos	1,971	141	—	—	—	—	—	—
Nuevo Leon	5,761	21	3,704	30	4,532	—	2,834	—
Oaxaca	—	—	—	—	64	—	467	—
Puebla	1,686	—	942	—	2,360	—	—	82
Querétaro	1,341	—	1,284	—	—	—	—	—
Quintana Roo	88	293	331	—	—	—	—	—
Sinaloa	717	77	3,442	174	1,641	160	1,356	331
Sonora	781	105	535	292	341	379	375	153
Tamaulipas	6	46	621	—	714	58	427	306
Veracruz	4,741	111	2,636	270	3,468	380	1,808	107
Subtotal	52,762	5,115	52,209	5,289	46,690	4,982	39,940	4,192
Brazil	102	—	—	—	—	—	—	—
Total	52,864	5,115	52,209	5,289	46,690	4,982	39,940	4,192

THE MEXICAN HOUSING MARKET

We have obtained the following information from public sources, including publications and materials from the Mexican Ministry of Social Development, or SEDESOL (*Secretaría de Desarrollo Social*), the Mexican Population Council, or CONAPO (*Consejo Nacional de Población*), INEGI, INFONAVIT, SHF, the Mexican Home Building and Development Industry Chamber of Commerce, or CANADEVI (*Cámara Nacional de la Industria de Desarrollo y Promoción de la Vivienda*), CONAVI (*Comisión Nacional de Vivienda*) and SOFTEC, S.C. Although we believe our sources and estimates are reliable, we have not independently verified the information or data from third parties and cannot guarantee the accuracy or completeness of such information from third parties or the information and data we have obtained ourselves.

General

The housing market in Mexico is influenced by several social, economic, industrial, and political factors, including demographics, housing supply, market segmentation, government policy, and available financing.

Demographics

National demographic trends drive demand for housing in Mexico. These trends include:

- sustained growth of a relatively young population;
- a high rate of new household formation;
- a high urban area growth rate; and
- a decrease in number of occupants per home.

According to INEGI, Mexico had a population of approximately 107.9 million in 2009 and estimates that this will grow to 108.8 million in 2011. CONAPO estimates that there will be approximately 28.1 million households in Mexico in 2010 and that there will be approximately 28.7 million households by year-end 2011, approximately 32.9 million by year-end 2018 and approximately 34 million by year-end 2020.

Mexico experienced a period of particularly high population growth during the 1970s and 1980s. The children born during this boom are contributing to the current increased demand for housing. The target consumer group for our homes is typically between 25 and 50 years old. In 2009, the 20-50 year-old age group represented approximately 45.6 million people or 42% of Mexico's population. CONAPO estimates that by 2020, this age group will represent 44.3 million or 38.0% of Mexico's population. The size stability of this group is expected to contribute to increased housing demand in Mexico.

Housing Supply

In 2009, CONAVI's housing statistics indicated there was a shortage of 8.9 million homes in Mexico. This figure included the need for:

- 1.7 million new homes to accommodate multiple households currently living in a single home and households living in homes that must be replaced; and
- 7.2 million substandard homes in need of extensive repair and possible replacement.

CONAVI estimates that the growth of the Mexican population will generate a sustained demand for new homes of at least 565,000 units per year into the near future. To address the immediate shortage of 8.9 million homes as well as the anticipated new demand, the Mexican government committed to financing and/or building at least 1.1 million units in 2010.

Instituto de Vivienda del Distrito Federal (INVI)

INVI is a public, decentralized institution for the public administration in the Federal District (*Distrito Federal*), legally autonomous with its own working capital; its functions are the design, proposal, promotion, coordination, execution and evaluation of policies and housing programs focused mainly on families with limited economic resources, all of which is regulated within the General Development for the Federal District Program (*Programa General de Desarrollo del Distrito Federal*) derived from the Housing Law for the Federal District (*Ley de Vivienda del Distrito Federal*).

The mission of INVI is to satisfy the need for housing of families with limited economic resources located in the Federal District through the granting of mortgages for affordable entry-level homes, with the goal of creating 192,544 new housing units in the years 2007-2012. For the year ended December 31, 2009, INVI had granted 3,571 mortgages for new homes, and 14,487 credits for home improvements.

Market Segments

In general, Mexico's developer-built (as opposed to self-built) housing market is divided into four segments according to cost: affordable entry-level, middle-income, residential and tourism. The developer-built housing market includes homes built by contractors and developers, which are generally financed by mortgage providers. These homes are built with official permits, have municipal services, and are located on land that is registered and titled by the homebuyer. Developers must obtain clear title to the land, proper zoning permits and any necessary financing commitments from lenders in addition to installing infrastructure.

Mexico's developer-built housing market is categorized in the table below:

Housing Market Segments

Segment	Cost	Size	Characteristics
Affordable entry-level	Between Ps.195,000 and Ps.540,000 (US$14,950-US$41,399)	45 m2-76 m2 (484 sq. ft. - 818 sq. ft.)	Kitchen; living, dining area; 1-3 bedrooms; 1 bath; parking; titled; all utilities available
Middle-income	Between Ps.541,000 and Ps.1,885,000 (US$41,476-US$144,514)	76 m2-172 m2 (818 sq. ft.-1,851 sq. ft.)	Kitchen, family room, living, dining room; 2-4 bedrooms; 2-4 baths; 1-4 parking; service quarters; titled; all utilities available
Residential	More than Ps.1,885,000 (US$144,514)	more than 172 m2 (1,851 sq. ft.)	Kitchen; family room; living room; dining room; 3-4 bedrooms; 3-5 baths; 3-6 parking; service quarters; titled; all utilities available
Tourism	Between US$450,000 and US$750,000	Between 1,500 sq. ft. and 2,150 sq. ft.	Kitchen; family room; living room; dining room; 3-4 bedrooms; 3-5 baths; 3-6 parking; service quarters; titled; all utilities available

Government Policy and Available Financing

The size of the developer-built market depends to a great extent on the availability of mortgage financing. Over the last 20 years, Mexico has experienced fluctuations in the availability of mortgage financing, particularly from private sector sources. As a result, the supply of affordable entry-level and middle-income housing has also remained low during this period.

During the 1980s, Mexican government policy focused on encouraging investment by the private sector, reducing development costs, and stimulating construction. Mexican Housing Funds provided mortgage loan guarantees and direct payment and savings procedures. In 1994, Mexico experienced an economic crisis that led to the devaluation of the Mexican peso and a steep rise in interest rates. Smaller housing development companies went out of business, and the industry experienced a sharp fall in home sales between 1995 and 1996 due to diminished commercial bank lending.

Following the 1994 economic crisis, government policy sought to counterbalance the shortage of available financing and the increases in interest rates that resulted by focusing primarily on providing mortgages and construction financing via Mexican Housing Funds in the affordable entry-level segment. Government funds no longer provided development or sales activities and functioned instead as true savings-and-loan programs. Legislative reforms with regard to community-owned agricultural territories (*ejidos*), which made it possible to sell these formerly restricted properties, also increased the potential supply of land available for development. During this period the government authorized the creation of sofoles, which underwrite mortgages with funds and guarantees provided by government agencies, private investment, national, foreign or development bank loans, or through the Mexican capital markets. Furthermore, the government encouraged industry growth and private sector lending by supporting consolidation in the housing development industry.

Between 1997 and 1998, home sales stabilized, growing slightly in 1997 due to improving economic conditions. During 1999 and 2000, mortgage financing increased due to stabilizing economic conditions. The level of available financing has continued to grow as a result of Mexican government policies. President Calderón's administration's goal is to finance six million mortgages during his administration. As of 2009, 4.6 million mortgages have been financed since Calderón took office in 2006, satisfying 76% of the administration's goal. President Calderón's administration has supported four objectives for the homebuilding industry, as originally set forth by President Fox:

- make more adequate land available, including infrastructure such as sewage and utilities;
- increase deregulation of the housing industry;
- encourage consolidation within the industry; and
- increase financing opportunities available to qualified homebuyers.

In conjunction with these efforts, the Mexican legislature amended existing tax regulations in order to allow individuals to deduct a portion of their mortgage loan interest payments from their personal income taxes beginning in 2003, which the administration expects will lead to increased mortgage financing activity.

Recently, the Mexican government implemented a new program to meet the housing needs of families in the very low end of the economic spectrum, a sector of the population whose monthly income would otherwise be insufficient for them to be able to afford the lower valued homes in the market. This program demonstrates the commitment of Mexican federal government to improving the quality of life for families in Mexico by providing affordable housing.

The actions taken by President Calderón's administration to accelerate the housing and mortgage supply in Mexico has resulted in the emergence of an active housing industry supported by solid private and public institutions. The developer-built market has continued to expand due to higher levels of available mortgage financing, especially through Mexican Housing Funds such as INFONAVIT, SHF and FOVISSSTE. According to CONAVI, from 2000 to 2009 mortgage providers in Mexico granted 5,373,941 mortgages, a 350.1% growth from 331,880 in 2000 to 1,493,747 in 2009. For the year ended December 31, 2009, a total of 1,493,747 mortgages were granted by all public and private entities involved in the Mexican housing market, according to CONAVI.

President Calderón has indicated that he will continue to support and promote the housing industry on three main lines: urban development, very affordable housing and home improvement. His administration's goal is for the Mexican Housing Funds to provide six million mortgages by 2012.

In early 2009, the Mexican federal government announced a stimulus bill, the "National Agreement in Favor of Personal Finance and Employment" (*Acuerdo Nacional en Favor de la Economía Familiar y el Empleo*), that contains assistance for the homebuilding industry. Under the bill, the government increased aid from Ps.5.2 billion to Ps.7.4 billion for a federal housing subsidy program designed to provide assistance to low-income families. In addition, the Mexican federal government, homebuilders and suppliers signed a separate agreement, the "National Housing Program" that confirms the housing industry's importance to the Mexican economy during the current recession and economic slowdown.

Changes in the availability of mortgage financing from government agencies could adversely affect us. See "Item 3. Key Information—Risk Factors—Risk Factors Related to Our Business—Decreases in the Amount of Mortgage Financing Provided by Mexican Housing Funds on Which We Depend, or Disbursement Delays, Could Result in a Decrease in Our Sales and Revenues."

Sources of Mortgage Financing

Principal sources providing mortgage financing for Mexico's housing market are:

- mortgage providers financed by mandatory employer or member contributions to public funds, including INFONAVIT & FOVISSSTE, serving private and public sector employees, respectively, and;
- SHF, which provides financing to credit-qualified homebuyers through financial intermediaries such as commercial banks, sofoles and sofomes through funds from the World Bank, the Mexican government, and its own portfolio;
- commercial banks and sofoles using their own funds; and
- direct subsidies from public housing agencies and state housing trusts, including the Mexican Fund for Popular Housing, or FONHAPO (*Fideicomiso Fondo Nacional de Habitaciones Populares*).

According to CONAVI, these mortgage providers originated 1,493,747 home mortgages in 2009 from which 634,726 mortgages were granted for new homes.

INFONAVIT

INFONAVIT was established by the Mexican government, labor unions and private sector employees in 1972 as a social service entity to administer the National Housing Fund for the benefit of private sector employees. INFONAVIT provides financing, primarily for affordable entry-level housing, to credit-qualified homebuyers. INFONAVIT makes loans for home construction, acquisition or improvement, to workers whose individual monthly earnings are generally less than five times the minimum monthly wage. It is funded through payroll contributions by private sector employers on behalf of their employees equal to 5.0% of their employees' gross wages.

Homebuyers qualify for INFONAVIT loans according to a point system whereby points are awarded based on income, age, amount of monthly contributions, and number of dependents, among other factors. The total loan amount may equal 100% of the cost of a home, up to a maximum of between 300 and 350 times the *Salario Mínimo General Mensual del Distrito Federal*, the minimum monthly general wage in Mexico City ("SMG"), depending on geographical region. As of December 31, 2009, the daily minimum wage in the Federal District was Ps.54.80 (US$4.20). Repayment is calculated based on the borrower's wages, for a term of up to 30 years, and is made by direct wage deductions by employers. INFONAVIT generally grants loans at variable annual interest rates, which are indexed to inflation and based on a borrower's income.

INFONAVIT has a program called Apoyo INFONAVIT that is directed at assisting higher-income borrowers obtain mortgage financing. Apoyo INFONAVIT customers can use the amounts contributed via payroll deductions to their INFONAVIT accounts as collateral for mortgage loans held by private sector lenders. In addition, these customers can apply their monthly INFONAVIT contributions toward the monthly mortgage payments owed to private sector lenders.

In 2007, INFONAVIT inaugurated a new program called Cofinanciamiento, or Cofinavit, which is meant to assist high-income borrowers in a manner similar to the Apoyo INFONAVIT program. This new program enables Cofinavit customers to obtain a mortgage loan granted by INFONAVIT in conjunction with a commercial bank or a sofol. In addition, the customers can use their individual contributions in their INFONAVIT accounts as part of the financing or as collateral for the mortgage loan. Apoyo INFONAVIT and Cofinavit do not have a maximum limit on the value of the home to be financed.

INFONAVIT also recently introduced a new program called “INFONAVIT Total” targeted at workers who qualify for the traditional INFONAVIT program. Through INFONAVIT Total, the loan recipient agrees to a partial assignment of the INFONAVIT mortgage loan to a commercial bank. The terms of the INFONAVIT Total mortgage loan are substantially equal to the traditional INFONAVIT loan, and INFONAVIT continues to administer and service the loans under this program, yet INFONAVIT shares the funding burden and the economic risks and benefits of the portfolio with the commercial bank participating in the program.

In addition, during late 2004 and early 2005, INFONAVIT initiated a new mortgage financing system, enabling it to expedite the issuance of mortgages in response to public demand by reducing documentation necessary for initial processing thereby helping it to achieve its year-end goals. In addition, this new system enhances transparency and quality of service in connection with mortgage services.

Early in 2009, INFONAVIT launched a guarantee program (*Garantía INFONAVIT*) designed to provide assistance to borrowers who have lost their job, borrowers who have had their wages decreased, and borrowers suffering economic difficulties due to age or sickness. The program provides mortgage relief to borrowers who have lost their jobs by: (1) allowing for a one-year grace period with no interest or principal payment; (2) providing partial unemployment insurance, where borrowers pay a minimum required payment of 10.64 times the daily minimum wage in Mexico City and receive a 50% discount on their accrued interest payments; and (3) providing a payment protection program, where borrowers pay a minimum fee of 2% of their monthly mortgage and are protected for up to 6 months every 5 years. The guarantee program also provides relief to borrowers who have had their wages reduced by allowing these borrowers to take advantage of mortgage payment reductions of up to 25% monthly, reductions corresponding to the borrowers’ new salary, and other adjustments depending on the borrowers’ individual circumstances. Additionally, the guarantee program provides assistance to borrowers seeking to prepay their mortgages by offering a 30% discount for prepayment of mortgages entered into prior to July 31, 1995, a 10% discount for mortgages in good standing that are at least two years old.

INFONAVIT provided approximately 30.0% of all home mortgage financing in Mexico during the year ended December 31, 2009.

INFONAVIT has made a commitment to provide 475,000 new mortgages in 2010. In addition, this agency has agreed to guarantee mortgage loans granted to employees by commercial banks and sofoles in the case of job loss. INFONAVIT expects to continue to modernize its operations and increase available financing by focusing on reducing payment defaults, participating more closely with the private sector, and implementing a voluntary savings program. INFONAVIT has also recently begun securitizing its loan portfolio in order to contribute to the growth of the secondary mortgage market in Mexico and expand its available sources of funds.

The forecasted INFONAVIT lending goal for 2010-2014 period has been recently announced as follows:

Year	Mortgages
2010	475,000
2011	480,000
2012	505,000
2013	540,000
2014	570,000

FOVISSSTE

The Mexican government established FOVISSSTE in 1972 as a pension fund on behalf of public sector employees to provide financing for affordable housing. FOVISSSTE obtains funds from Mexican government contributions equal to 5% of public sector employee wages. The Mexican government administers FOVISSSTE similarly to INFONAVIT and permits FOVISSSTE to co-finance mortgage loans with private sector lenders in order to maximize available funds.

FOVISSSTE mortgage financing is typically available for housing ranging from the affordable entry-level segment through the lower end of the middle-income segment. Eligible applicants can obtain FOVISSSTE mortgage loans to purchase new or used homes, remodel or repair existing homes, finance construction of self-built homes, and make down payments on homes not financed through FOVISSSTE. FOVISSSTE loans are granted based on seniority within the public sector and allocated on a first-come first-served basis that also takes into account wages, number of dependents, and geographic location. Once the program establishes a number of approved applicants, it allocates mortgage loans by state based on historical demand.

FOVISSSTE generally grants loans at variable interest rates, indexed to inflation, for a maximum amount of approximately Ps.706,426 (US$54,158). Repayment is calculated based on the borrower's wages, for a term of up to 30 years, and is made by direct wage deductions.

FOVISSSTE has announced that it is seeking to increase the total number of mortgages it grants. During 2009, FOVISSTE granted more than 100,000 mortgages. FOVISSSTE provided approximately 6.7% of all home mortgage financing in Mexico during the year ended December 31, 2009.

FOVISSSTE's forecasted lending goal for 2010 is to grant at least 100,000 mortgages.

SHF

SHF was created in 2002 as a public sector development bank. SHF obtains funds from the World Bank, the Mexican government, and SHF's own portfolio and provides financing through intermediaries such as commercial banks and sofoles. In turn, financial intermediaries administer SHF-sponsored mortgage loans, including disbursement and servicing.

Traditionally, SHF has been an important source of construction financing for housing developers by providing loans to commercial banks, sofoles and sofomes (which in turn make direct bridge loans to developers). As of September 1, 2004, however, SHF provided funding for bridge loans only for homes with a purchase price of up to UDI 166,667 (approximately Ps.723,362 or US$55,457 as of December 31, 2009). In lieu of funding bridge loans for homes with a higher purchase price of up to UDI 500,000 (approximately Ps.2,170,083 or US$166,370 as of December 31, 2009), SHF will provide guarantees to support efforts by commercial banks and sofoles to raise capital for the financing of bridge loans to build such homes.

In addition, SHF makes financing available to commercial banks and sofoles for the purpose of providing individual home mortgages for affordable entry-level and middle-income homes. Historically, SHF has only financed a total amount equal to 80% to 90% of a home's value, generally for a maximum of approximately UDI 500,000 (approximately Ps.2,170,083 or US$166,370 as of December 31, 2009). Beginning in 2005, however, in order to maximize the availability of affordable entry-level mortgages, SHF has replaced its financing of mortgages for homes with a purchase price greater than UDI 150,000 (approximately Ps.651,025 or US$49,911 as of December 31, 2009) with credit enhancements and loan guarantees for commercial banks and sofoles to support their capital-raising efforts for the financing of such individual mortgage loans. In terms of total homes financed, SHF provided approximately 3.1% of all home mortgage financing in Mexico during the year ended December 31, 2009.

In connection with its mortgage financing operations, SHF also took an active role in issuing mortgage backed securities (*Bonos Respaldados Por Hipotecas* or "BORHIS") as well as market making in these securities during 2009. In addition, SHF reviews issuances of BORHIS to ensure that they comply with market eligibility requirements and criteria, and provides information and analysis regarding historical information, risk of default, and market evolution concerning BORHIS issuances. By engaging in market-making activities and providing mortgage financing to underserved segments of the population, SHF also provided liquidity to the Mexican housing market. Additionally, SHF has committed to focus its strategy on the promotion of Self-Sustainable Housing Environments (*Desarrollos Urbanos Integrales Sustentales* or "DUIS") and in the re-population of urban areas.

Commercial Banks, Sofoles and Sofomes

Commercial banks generally target the middle-income and residential markets while sofoles generally target the affordable entry-level housing market and a portion of the middle-income housing market using SHF financing, and the balance of the middle-income housing market as well as the residential housing market using other sources of funding. Sofoles and sofomes provide mortgage loans to borrowers using funds from securities offerings on the Mexican stock market, loans from Mexican and foreign lenders, their own portfolios, and public agencies such as SHF. They are not allowed to accept deposits from the public.

Although commercial banks, sofoles and sofomes provide mortgage financing directly to homebuyers, the financing is commonly coordinated through the home builder. In order to obtain funding for construction, a home builder must submit proposals, including evidence of title to the land to be developed, architectural plans, necessary licenses and permits, and market studies demonstrating demand for the proposed housing. On approval, lenders provide construction financing and disburse funds at each stage of the housing development.

Commercial bank, sofol and sofom mortgage loans generally mature in 10 to 30 years, and payments are sometimes adjusted for increases in the monthly minimum wage and rates of inflation.

Commercial banks, sofoles and sofomes provided approximately 9.7% of all home mortgage financing in Mexico during the year ended December 31, 2009.

Other Public Housing Agencies

Other public housing agencies such as FONHAPO, CONAVI and OREVIS (*Organismos Estatales de Vivienda*), operate at the federal and local levels and target mainly non-salaried workers earning less than 25 times the minimum annual wage, often through direct subsidies. These agencies lend directly to organizations such as state and municipal housing authorities, housing cooperatives, and credit unions representing low-income beneficiaries, as well as to individual borrowers. Financing is made available to both the self-built and developer-built markets. The total amount of available funds depends on the Mexican government budget.

Other public housing agencies provided approximately 50.5% of all mortgage financing in Mexico during the year ended December 31, 2009.

Competition

The Mexican home development and construction industry is highly fragmented and includes a large number of regional participants and a few companies with a more national market presence, including publicly traded companies like Corporación GEO, S.A.B. de C.V., Consorcio ARA, S.A.B. de C.V, SARE, S.A.B. de C.V. and URBI Desarrollos Urbanos, S.A.B. de C.V.

All things considered, we estimate that approximately 1,159 different companies operate new home developments in Mexico. The following table sets forth the approximate operating information of the largest home builders in Mexico with which we compete based on public information and our estimates:

Competitor	2009 Home Sales	2009 Sales (millions of Ps.)	Location in Mexico
GEO	56,537	19,211	National
URBI	42,100	13,046	North, Mexico City and Guadalajara areas
ARA	17,467	7,113	National
SARE	6,021	2,766	Mexico City region

Source: Companies' 2009 fourth quarter financial releases.

We believe that we are well-positioned to capture future growth opportunities in the affordable entry-level and middle-income housing segments because of our principal business strengths and strategies, as described above.

Seasonality

The Mexican affordable entry-level housing market experiences significant seasonality during the year, principally due to the operational and lending cycles of INFONAVIT and FOVISSSTE. The programs, budgets, and changes in the authorized policies of these mortgage lenders are approved during the first quarter of the year. Payment by these lenders for home deliveries is slow at the beginning of the year and increases gradually through the second and third quarters with a rapid acceleration in the fourth quarter. We build and deliver affordable entry-level homes based on the seasonality of this cycle because we do not begin construction of these homes until a mortgage provider commits mortgage financing to a qualified homebuyer in a particular development. Accordingly, we also tend to recognize significantly higher levels of revenue in the third and fourth quarters and our debt levels tend to be highest in the first and second quarters. We budget the majority of our purchases for the second half of the year to coincide with peak cash flows. We anticipate that our quarterly results of operations and our level of indebtedness will continue to experience variability from quarter to quarter in the future. Mortgage commitments from commercial banks, sofoles and sofomes for middle-income housing are generally not subject to significant seasonality. We do not expect significant changes in the overall seasonality of our results.

Table of Contents

Marketing

We develop customer awareness through our marketing and promotion efforts and referrals from satisfied customers. Through surveys we conduct through our marketing department and with sales agents, we gather demographic and market information to help us gauge the feasibility of new developments. We use these surveys to target groups of customers who share common characteristics or have common needs and offer packages of services, including housing models and financing sources, tailored to these groups.

We conduct advertising and promotional campaigns principally through print media, including billboards, fliers, and brochures designed specifically for the target market, as well as local radio and television. Moreover, we complement these campaigns with additional advertising efforts, including booths at shopping centers and other high traffic areas, to promote open houses and other events. In some locations, we work with local employers and other groups to offer our homes to their employees or members and rely on positive word-of-mouth from satisfied customers for a large percentage of our sales. We also employ specially-trained salespeople to market our middle-income homes.

Sales

In general, we make sales either at sales offices or model homes. Using data we gather through our marketing efforts, we open sales offices in areas where we identify demand. As of December 31, 2009, we operated 127 sales offices, one in each of the developments we have established. Similarly, once we have purchased land and planned a development in regions we have identified as underserved, we build and furnish model homes to display to prospective customers. We have sales offices in each of our branches where trained corporate sales representatives are available to provide customers with relevant information about our products, including financing, technical development characteristics, and information about our competitors and their products. We provide the same information through trained corporate sales representatives at model homes. During 2005, we changed our method of compensating our sales agents to an exclusively performance-based commission method, typically 1.8% of the total home price.

We provide our customers with assistance through our sales departments from the moment they contact us, during the process of obtaining financing, and through the steps of establishing title to their new home. We have specialized sales areas in each of our offices that advise customers on financing options, collecting necessary documentation, and applying for a loan. We also help to design down payment plans tailored to each customer’s economic situation. Once houses are sold and delivered, our specialized teams are available to respond to technical questions or problems during the two-year warranty period following the delivery.

Customer Financing

We assist qualified homebuyers in obtaining mortgage financing by participating in all the stages of applying for and securing mortgage loans from housing funds, commercial banks Sofomes and Sofoles.

For sales of affordable entry-level homes, the process of obtaining customer financing generally occurs as follows:

- a potential homebuyer enters into an agreement by signing a purchase application and furnishes the necessary documentation to us;
- we review the documentation to determine whether all the requirements of the relevant mortgage provider have been met;
- we create an electronic credit file for each homebuyer and submit it to the relevant mortgage provider for approval;
- we supervise and administer each client file via our database through all the phases of its processing and arrange for signing the required documentation once approval has been obtained;
- the homebuyer makes any required down payment;
- once the home has been completed, the homebuyer signs the deed of transfer of title and the mortgage agreement; and
- we deliver the home to the homebuyer and register the title.

For sales of middle-income homes, the process of obtaining customer financing occurs as above, except that we collect a down payment of between 10% to 25% of a home’s total sale price immediately following the homebuyer’s execution of the purchase application, and the homebuyer signs the deed of transfer of title and the mortgage agreement when the home is at least 95% complete.

In all cases, the procedures and requirements for obtaining mortgage financing are determined by the mortgage provider.

We have not experienced and do not expect to experience losses resulting from rejections by homebuyers of their purchase applications because we generally have been able to locate other buyers immediately in these cases. However, we cannot guarantee that we will be able to continue to find replacement buyers in the future.

The purchase price of the homes we sell is denominated in pesos and is subject to an upward adjustment for the effects of inflation, except for the purchase price of homes in our tourism division which is denominated in US dollars. In cases where the price of a home is subject to adjustment and increases due to inflation, any difference is payable by the homebuyer.

Design

Most of the designs that we use in our construction are developed internally. Our architects and engineers are trained to design structures that maximize efficiency and minimize production costs. Our standardized modular designs, which focus on quality and size of construction, allow us to build our homes quickly and efficiently. By allowing our customers to upgrade finishing details on a custom basis after homes are delivered, we experience savings that allow us to build larger homes than our competitors.

We use advanced computer-assisted design systems and combine market research data in order to plan potential developments. We believe that our comprehensive design and planning systems, which are intended to reduce costs, maintain competitive prices, and increase sales, constitute a significant competitive advantage in the affordable entry-level housing market. In order to further enhance the residential nature of our communities, we often design our developments as gated communities, install infrastructure for security surveillance, and arrange street layouts to foster road safety. We continue to invest in the development of design and planning construction systems to further reduce costs and continue to meet clients' needs.

Construction

We manage the construction of each development directly, coordinate the activities of our laborers and suppliers, oversee quality and cost controls, and ensure compliance with zoning and building codes. We have developed efficient, durable, and low-cost construction techniques, based on standardized tasks, which we are able to replicate at all of our developments. We pay each laborer according to the number of tasks completed. We generally subcontract preliminary site work and infrastructure development such as roads, sewage and utilities. Currently, we also subcontract the construction of a limited number of multi-unit middle-income apartment buildings in the Mexico City Metropolitan Area.

Our designs are based on modular forms with defined parameters at each stage of construction, which are closely controlled by our central information technology systems. Our methods result in low construction costs and high quality products. We use substantially similar materials to build our middle-income homes, with higher quality components for certain finishing details and fixtures.

During 2007, the Company acquired cutting-edge construction technology based on aluminum molds; this new technology will improve the efficiency of the construction process. Among the advantages are the shorter construction time; better quality and reduced reprocessing; re-use of the same mold for several prototypes of homes, with an estimated life of 2,000 usages per mold; versatility, because the molds permit construction ranging from simple floors to apartment buildings using the same system; labor savings; compatibility among international suppliers; eco-friendliness because, unlike traditional construction methods, mold construction does not utilize timber; and durability, due to the use of concrete. As of December 31, 2009 we used this technology in the construction of 30,133 homes.

Materials and Suppliers

We maintain strict control over our building materials through a sophisticated electronic barcode identification system that tracks deliveries and monitors all uses of supplies. In general, we reduce costs by negotiating supply arrangements at the corporate level for the basic materials used in the construction of our homes, including concrete, concrete block, steel, windows, doors, roof tiles, and plumbing fixtures. We take advantage of economies of scale in entering into agreements for materials and services in every situation and seek to establish excellent working relationships with our suppliers. In order to better manage our working capital, we also arrange lines of credit for many of our suppliers through a factoring program sponsored by Nacional Financiera, S.N.C., or NAFINSA, a Mexican government-owned development bank, as well as certain additional financial institutions. We guarantee a portion of the financing provided to some of our suppliers for materials we buy from them during construction and repay these lenders

directly with funds received when homes are delivered, which allows us to ensure suppliers are paid on time while minimizing our need to secure construction financing.

Our main suppliers include Cemex, S.A. de C.V., Lámina y Placa Comercial, S.A. de C.V., Aceros Turia, S.A. de C.V., Aceros de Toluca, S.A. de C.V., Electroferretera Orvi, S.A. de C.V., Distribuidora Jama, S.A. de C.V., KS Tubería, S.A. de C.V., Prefabricados y Sistemas, S.A. de C.V., Industrial Bloquera Mexicana, S.A. de C.V., Sanitarios Azulejos y Recubrimientos, S.A. de C.V., Mexicana de Laminación, S.A. de C.V., Coacero, S.A. de C.V., Aceros el Arbol, S.A. de C.V., Grupo Forestal el Nayar, S.A. de C.V., Materiales para Construcción los Grandes, S.A. de C.V., Distribuidora de Acero Comercial, S.A. de C.V., Armasel, S.A. de C.V., Distribuidora Tamex, S.A. de C.V., Masonite de México, S.A. de C.V., Termoplásticos del Centro, S.A. de C.V. and Logística Distribución y Servicios, S.A. de C.V.

Substantially all of the materials that we use are manufactured in Mexico and are delivered to our sites from the supplier's local facilities on a time-efficient basis designed to keep low levels of inventory on hand. Our principal materials and supplies are readily available from multiple sources and we have not experienced any shortages or supply interruptions.

Labor

As of December 31, 2009 we had a total of approximately 12,295 employees, of whom 11,854 were employed in Mexico, 19 were employed in India and 422 in Brazil. Our total employees for the years ended 2008 and 2007 were 17,280 and 15,127, respectively. For the year ended December 31, 2008, we had 29 employees in India. The Company did not have any employees outside Mexico for the year ended December 31, 2007. Approximately 42% of our employees as of December 31, 2009 were administrative and managerial personnel.

We hire local labor forces for specific housing developments in each region that we operate in, as well as experienced in-house personnel for supervisory and highly skilled work. We have an efficient information technology system that controls payroll costs. Our systems, using bar-coded identification cards, track the number of tasks completed by each employee according to the parameters of our modular construction designs, assign salaries according to tasks and homes completed, and award incentives for each stage of the development based on team performance. We also streamline governmental and social security costs for our workforce using a strict attendance control system that captures information fed via our system through workers' identification cards.

We have implemented programs throughout Homex to assist our employees in obtaining elementary and middle-school equivalency degrees. We believe that these programs enhance our ability to attract and retain high quality employees. In 2004, 2005, 2007 and 2008 we were named as one of the top 100 "Great Places to Work" in Mexico by the Great Place to Work Institute, which is based in the United States.

As of December 31, 2009, all of our construction employees were members of a national labor union of construction workers. The economic terms of our collective bargaining agreements are negotiated on an annual basis. All other terms and conditions of these agreements are negotiated every other year. We believe that we have an excellent working relationship with our workforce. We have not experienced a labor strike or any significant labor-related delay to date.

Customer Services and Warranties

The Company holds insurance that covers defects, hidden or visible, during construction and which also covers the warranty period provided by the Company to homebuyers. As mentioned in Note 25 to the Company's consolidated financial statements, we provide a two-year warranty to all of our customers. This warranty could apply to damages derived either from our operations or from defects in materials supplied by third parties (such as electrical installations, plumbing, gas, waterproofing, etc.) or other circumstances outside our control.

For manufacturing defects, we do not recognize a warranty accrual in our consolidated financial statements since we obtain a security bond from our contractors that covers the claims related to the quality of their work. We withhold a guarantee deposit from them, which is reimbursed to our contractors once the warranty for manufacturing defects period expires. Generally, the warranty period lasts for one year after the contractors complete their work and covers any visible or hidden defect. We believe that at December 31, 2009 we had no unrecorded losses with respect to these warranties.

Table of Contents

Community Services

We seek to foster brand loyalty after construction is complete, by strengthening community relations in the developments we build. As part of agreements with potential customers and governmental authorities, we donate land and build community infrastructure such as schools, day-care centers, churches, and green areas, often amounting to 10% to 15% of the total land area of the developments we construct. For a period of 18 months, we also provide for community development specialists to assist in promoting community relations in certain developments by organizing neighborhood events such as competitions for beautiful homes and gardens.

Risk Management

The Company is exposed both to general entrepreneurial risks and to industry-specific risks. Key areas of exposure are capacity and utilization risks, strategy-related risks, political risks, operational risks, procurement risks, wage policy risks, IT risks and financial and treasury management risks. The Company's risk management strategy permits the exploitation of business opportunities that present themselves as long as a risk-return ratio in line with market conditions can be realized and the associated risks are an appropriate and sustainable component value creation.

Sensible management of entrepreneurial opportunities and business risks is an integral part of the Company's corporate management and decision-making. Consequently, the Company's system for the timely detection and management of risk consists of a large number of components that are systematically embedded in the entire organization and operational structure of the Company. There is no autonomous organizational structure; instead, risk management is regarded as a primary responsibility of the managers of all business entities and of the process and project managers in the Company. One of their management responsibilities is to ensure that the staff is also integrated into the risk management system.

The Risk Management Committee ensures, on behalf of the board of directors, that risks are identified and assessed continuously across the Company's many functions and processes. The Committee reports to the board of directors and is responsible for refining and verifying the effectiveness of the Company's risk management system. The Committee develops the Company's risk policy and evaluates the Company's compliance with this policy. In addition, the Committee disseminates the Company's risk policy, determines the documentation required to comply with the policy and initiates any reviews of specific aspects of the risk management system that may be necessary by the internal audit department.

All major potential risks to the Company's profitability or continued existence are documented by a risk map. This risk map is regularly updated and extended, where appropriate. Potential interdependencies between risks are duly noted. This measure is designed to ensure that the timely detection, limitation and elimination of these risk systems are regularly reviewed and reinforced.

Over and above appropriate insurance solutions, contingency plans tailored to each individual risk situation are in place for the purpose of combating and controlling risks. An analysis of risks, together with the possibilities of limiting and overcoming them, also forms an integral part of the Company's strategy development process and is incorporated into the Company's operational planning.

Regulation

General

Our operations are subject to Mexican federal, state and local regulation as a corporation doing business in Mexico. Some of the most relevant statutes, regulations and agencies that govern our operations as a housing development company include the following:

- the Mexican General Human Settlements Law (*Ley General de Asentamientos Humanos*), which regulates urban development, planning and zoning and delegates to the Mexico City and state governments the authority to promulgate urban development laws and regulations within their jurisdiction, including the Urban Development *Law* (*Ley de Desarrollo Urbano*) of each state where we operate, which regulates state urban development.

- the Mexican Federal Housing Law (*Ley Federal de Vivienda*), which coordinates the activities of states, municipalities and the private sector within the context of the housing industry. As in effect, the Federal Housing Law seeks to encourage and promote the construction of affordable entry-level housing.

- local Building Regulations (*Reglamentos de Construcción*) and urban development plans promulgated by the states, Mexico City, and local municipalities, which control building construction, establish the required licenses and permits, and define local zoning and land-use requirements.

- the Mexican INFONAVIT Law (*Ley del Instituto del Fondo Nacional de la Vivienda para los Trabajadores*), which requires that financing provided by INFONAVIT be granted only to homebuyers of registered developers that participate in public INFONAVIT bidding processes.

- the Federal Mortgage Society Organizational Law (*Ley Orgánica de la Sociedad Hipotecaria Federal*), which encourages the development of the primary and secondary home mortgage markets by authorizing SHF to grant home mortgage loans pursuant to the Federal Mortgage Society General Financing Conditions (*Condiciones Generales de Financiamiento de Sociedad Hipotecaria Federal*), which regulate the general terms and conditions on which these loans may be granted.

- the Mexican Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*), which promotes and protects consumer rights and seeks to establish equality and legal certainty in relationships between consumers and commercial suppliers.

Environmental

Our operations are subject to the Mexican General Environmental Protection Law (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*), the Mexican General Waste Prevention and Management Law (*Ley General para la Prevención y Gestión Integral de los Residuos*), and the related regulations. The Mexican Ministry of the Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales*) and the Mexican Federal Environmental Protection Agency (*Procuraduría Federal de Protección al Ambiente*) are the Mexican federal government authorities responsible for enforcing environmental regulations in Mexico, including environmental impact studies, which are required for obtaining land-use permits, investigations and audits, as well as to provide guidelines and procedures regarding the generation, handling, disposal and treatment of hazardous and non-hazardous waste.

We are committed to conducting our business operations in a manner that minimizes their environmental impact. Our business processes include procedures that are intended to ensure compliance with the Mexican General Environmental Protection Law, the Mexican General Waste Prevention and Management Law, and the related regulations. In accordance with these laws, we build our homes with aluminum mold metal instead of wooden beams and treat waste water. We plant trees on the land of homes we sell and provide seedlings on land that we donate to our communities. Our internal teams conduct environmental studies for each project and produce environmental reports that are intended to identify environmental issues and assist in project planning in order to minimize adverse environmental effects, such as limiting the felling of trees during the process of urbanizing rural land for use in our developments. Our costs include the cost of complying with applicable environmental regulations. To date, the cost of complying and monitoring compliance with environmental regulations applicable to us has been immaterial.

Table of Contents

Significant Subsidiaries

We are a holding company and conduct our operations through subsidiaries. The table below sets forth our principal subsidiaries as of December 31, 2009.

Name of Company	Jurisdiction of Incorporation	Ownership percentage 2009	Ownership percentage 2008	Products/Services
Proyectos Inmobiliarios de Culiacán, S.A. de C.V. (“PICSA”)	Mexico	100%	100%	Promotion, design, construction and sale of entry-level, middle-income and upper-income housing
Nacional Financiera, S.N.C. Fid. del Fideicomiso AAA Homex 80284	Mexico	100%	100%	Financial services
Administradora Picsa, S.A. de C.V.	Mexico	100%	100%	Administrative services and promotion related to the construction industry
Altos Mandos de Negocios, S.A. de C.V.	Mexico	100%	100%	Administrative services
Aerohomex, S.A. de C.V.	Mexico	100%	100%	Air transportation and lease services
Desarrolladora de Casas del Noroeste, S.A. de C.V. (DECANO)	Mexico	100%	100%	Construction and development of housing complexes
Homex Atizapán, S.A. de C.V.	Mexico	67%	67%	Promotion, design, construction and sale of entry-level and middle-income housing
Casas Beta del Centro, S. de R.L. de C.V. (1)	Mexico	100%	100%	Promotion, design, construction and sale of entry-level and middle-income housing
Casas Beta del Norte, S. de R.L. de C.V.	Mexico	100%	100%	Promotion, design, construction and sale of entry-level housing
Casas Beta del Noroeste, S. de R.L. de C.V.	Mexico	100%	100%	Promotion, design, construction and sale of entry-level housing
Hogares del Noroeste, S.A. de C.V. (2)	Mexico	50%	50%	Promotion, design, construction and sale of entry-level and middle-income housing
Opción Homex, S.A. de C.V. (4)	Mexico	100%	100%	Sale, lease and acquisition of properties
Homex Amuéblate, S.A. de C.V. (4)	Mexico	100%	100%	Sale of housing-related products
Homex Global, S.A. de C.V. (3)	Mexico	100%	100%	Holding company for foreign investments
Sofhomex, S.A. de C.V. S.F.O.M. E.R.	Mexico	100%	100%	Financial services
Nacional Financiera, S.N.C. Fid. del Fideicomiso Homex 80584	Mexico	100%	100%	Employee stock option plan administration
HXMTD, S.A. de C.V. (5)	Mexico	100%	100%	Promotion, design, construction and sale of upper-income tourism housing
Homex Central Marcaria, S.A. de C.V. (5)	Mexico	100%	100%	Administration of industrial and intellectual property

(1) Casas Beta del Centro, S. de R.L. de C.V. (CBC) owns 100% of the outstanding stock of Super Abastos Centrales y Comerciales, S.A. de C.V. and 50% of the outstanding stock of Promotora Residencial Huehuetoca, S.A. de C.V. (Huehuetoca), which are engaged in the promotion, design, construction and sale of entry-level housing. Huehuetoca is fully consolidated in accordance with MFRS B-8, Consolidated or Combined Financial Statements, since the Company has control over this subsidiary. Through October 20, 2009, CBC owned 100% of the outstanding stock of Comercializadora Cántaros, S.A. de C.V. That company was sold to a third party on that date.

(2) Hogares del Noroeste, S. A. de C.V. is a 50% owned and controlled subsidiary of Desarrolladora Homex, S.A.B. de C.V., which is engaged in the promotion, design, construction and sale of entry-level and middle-income housing. This entity is fully

consolidated in accordance with the guidance included in Bulletin B-8 *Consolidated and Combined Financial Statements and Valuation of Permanent Investments*, since the Company has control of this subsidiary.

(3) Homex Global, S.A. de C.V, (Homex Global) owns the outstanding stock of the following companies:

(a) Effective March 2008, Homex Global owns 100% of the outstanding stock of Homex India Private Limited, a subsidiary located in India and engaged in the construction and development of entry-level and middle-income housing in India. This company had no significant operations during 2008 and 2009.

(b) Effective September 2007, Homex Global owned 15% of the outstanding stock of Orascom Housing Communities "S.A.E.", an associated company located in Cairo, Egypt that performs the construction and development of entry-level and middle-income housing in Egypt. Pursuant the application of MFRS C-7, Investments in Associates and Other Permanent Investments, effective January 1, 2009, this company was no longer considered an associated but other permanent investment. On December 31, 2009 the Company sold its total investment in this company to a third party.

(c) Effective February 2008, Homex Global owns 100% of the outstanding stock of Desarrolladora de Sudamérica, S.A. de C.V., a Mexican company that had no operations during 2008 and 2009.

(d) Effective November 2008, Homex Global owns 100% of the outstanding common stock of Homex Brasil Incorporacoes a Construcoes Limitada (Homex Brasil), through its subsidiaries Éxito Construcoes e Participacoes Limitada and HMX Empreendimentos Imobiliarios Limitada. Through eight subsidiaries, Homex Brasil performs construction and development of entry-level housing in Sao Paulo, Brazil. During 2009, Homex Brasil started operations in Brazil with a 1,300-unit affordable entry-level development in San Jose dos Campos, northeast of Sao Paulo. As of December 31, 2009 the Company had recognized revenues of Ps.62,178 from its Brazilian operations.

(4) These companies were incorporated in 2007; however, they had no significant operations during 2007, 2008 and 2009.

(5) These companies were incorporated in 2008; however, they had no significant operations during 2008 and 2009.

ITEM 4A. Unresolved Staff Comments.

Not applicable.

ITEM 5. Operating and Financial Review and Prospects.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our audited consolidated financial statements and their accompanying notes included elsewhere herein. Our consolidated financial statements and other financial information included in this annual report, unless otherwise specified, are stated in pesos for the years ended December 31, 2009 and December 31, 2008 and in constant pesos as of December 31, 2007 for the year ended December 31, 2007. Our consolidated financial statements have been prepared in accordance with Mexican Financial Reporting Standards (MFRS), which differ in certain respects from US GAAP as described in Notes 28 and 29 to our audited consolidated financial statements.

This annual report contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this annual report, particularly in "Forward-Looking Statements" and "Item 3. Key Information."

Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with MFRS, which require that we make certain estimates and use certain assumptions that affect the amounts reported in our consolidated financial statements and the accompanying notes. Although these estimates are based on our best knowledge of current events, actual results may differ. Our critical accounting estimates are listed below:

Goodwill and Intangible Assets

We are required to apply the purchase method of accounting for all business combinations, which requires the recognition of certain acquired intangible assets separate from goodwill. Goodwill and other intangibles determined to have an indefinite life are no longer to be amortized but are to be tested for impairment at least annually. In our allocation of the purchase price of the acquisition of Controladora Casas Beta, S.A. de C.V., we identified and allocated a value to intangible assets totaling Ps.488 million (Ps.455.3 million at historic cost) related to the Beta trademark and Ps.140.4 million (Ps.126.8 million at historic cost) related to the value of the backlog which represents the houses under construction as of the date of the Beta acquisition. As of December 31, 2009, the net book value of the Beta trademark was Ps.45.5 million. The backlog has been completely amortized as of December 31, 2009 and 2008. The valuation of these intangible assets required us to use our judgment. We also recorded goodwill related to the acquisition of Controladora Casas Beta, S.A. de C.V. of Ps.731.8 million. The annual impairment testing requirements require us to use our judgment and could require us to write down the carrying value of our goodwill and other intangible assets in future periods.

Revenue and Cost Recognition

Pursuant to MFRS, we have used the percentage-of-completion method of accounting for revenues and costs, which differs in certain significant respects from the ASC 360.30 (formerly FAS 66 — *Accounting for the Sales of Real Estate)* method used for the substantial majority of our revenues under accounting principles generally accepted in the United States, referred to as US GAAP. Under MFRS, applying the percentage-of-completion method, we measure the progress towards completion in terms of actual costs incurred versus estimated expenditures for each stage of a development. Also, under the percentage-of-completion method of accounting, revenues for work completed are recognized prior to receipt of actual cash proceeds. We receive consideration from the sale of a home at closing when title to the home is transferred to the homebuyer. We include revenues in excess of billings as accounts receivable on our balance sheet, and any cash proceeds we receive as advance payments prior to completion of the actual work related to the payments, including customer down payments, are included in current liabilities as advances from customers. See Note 3 to our consolidated financial statements.

The percentage-of-completion method of accounting requires us to determine on a monthly basis the percentage-of-completion of each stage of a development based on actual expenditures incurred to date versus estimated expenditures. To the extent that the actual costs of a development stage differ from the estimated costs incurred, our recognized revenues could change. In addition, to the extent that estimated revenues derived from home sales per development stage differ from revenues derived from home deliveries per development stage, our recognized revenues could change.

We apply the percentage-of-completion method to recognize revenues from our housing development subject to the following conditions:

- the homebuyer has submitted all required documents in order to obtain financing from the mortgage lender;
- the Company has established that the homebuyer will obtain the required financing from the mortgage lender;
- the homebuyer has signed a purchase application for the processing and granting of a loan to buy a property to be used as housing; and
- the homebuyer has made a down payment, where down payments are required.

Pursuant to US GAAP, we apply ASC 360.20 for the substantial majority of our revenues. The variations in the Company's gross profit, gross profit margin and ultimately operating profits arise due to the stated differences related to cost and revenue recognition between MFRS and US GAAP. In 2009, revenues under MFRS were Ps.19,425 million while revenues under US GAAP were Ps.17,616 million. In 2008, revenues under MFRS were Ps.18,850 million while revenues under US GAAP were Ps.14,885 million. Revenues under US GAAP's ASC 360.20 are recognized when all the following events occur: a) a sale is consummated; b) a

significant initial down payment is received (when applicable); and c) the earnings process is complete and the collection of any remaining receivables is reasonably assured. However, under MFRS, the Company uses the percentage-of-completion method of accounting to account for housing project revenues and costs related to housing construction. Under MFRS, progress towards completion is measured by comparing the actual costs incurred to the estimated total cost of a project. For a further discussion of revenue recognition policies under US GAAP, refer to Notes 27 and 28 to the Company's consolidated financial statements.

Total units closed and recognized as US GAAP revenue in 2009 were 46,631 units (41,679 in 2008) compared to 57,979 units sold under MFRS in 2009 (57,498 in 2008). The lower volume in units closed in 2009 compared to units sold is primarily attributable to both our continued growth and therefore higher proportion of construction-in-process, and our increased participation during 2009 in the construction of nearly-completed vertical building projects which take longer to build, sell and collect.

Total units closed of 46,631 in 2009 represents a 12% increase compared to total units closed in 2008 of 41,679. The increase is attributable to the continued growth in the Company's business, as measured by number of units closed. In 2008, units closed increased by 5% over 2007. The proportion of units sold and units closed are generally consistent when evaluated by operating segment during both 2009 and 2008. As of December 31, 2009, 11,348 units remain at various stages of completion under MFRS, and thus have yet to be recognized into revenue under US GAAP.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statements, carrying amounts and the tax bases of assets and liabilities. We regularly review our deferred tax assets for recoverability and, if necessary, establish a valuation allowance based on historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences. If these estimates and related assumptions change in the future, we may be required to record a valuation allowance against deferred tax assets resulting in additional income tax expense. Included as a component of our net deferred tax liabilities are net operating loss carry-forward assets ("NOL carry-forwards") of Ps. 2,071,753 as of December 31, 2009. We believe that it is more likely than not that such NOL carry-forwards's will be ultimately recovered, primarily through the reversal of deferred tax liabilities. Accordingly, no valuation allowance has been recognized against these NOL carry-forwards in our consolidated financial statements. See Notes 3 and 23 to our consolidated financial statements.

On December 7, 2009, a tax reform bill was approved and published which reforms, amends and annuls certain tax laws and is applicable effective January 1, 2010. This new tax law implements changes to the income tax rate (*Impuesto Sobre la Renta*, or ISR) effective as follows: (a) from 2010 to 2012, 30%; (b) for 2013, 29%; and (c) for 2014 and future years, 28%. The impact of this new tax law has been reflected in the calculation of our deferred tax assets and liabilities as of December 31, 2009.

We establish reserves to remove some or all of the tax benefit of any of our tax positions at the time we determine that it becomes evident that the tax position is "more likely than not" to not be sustainable upon challenge by the tax authorities. For purposes of evaluating whether or not a tax position is uncertain, (1) we presume the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information, (2) the technical merits of a tax position are derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position, and (3) each tax position is evaluated without consideration of the possibility of offset or aggregation with other tax positions taken.

A number of years may elapse before a particular uncertain tax position is audited and finally resolved or when a tax assessment is raised. The number of years subject to tax assessments varies depending on the tax jurisdiction and is generally five years for the countries in which the Company principally operates. The tax benefit that has been previously reserved because of a failure to meet the "more likely than not" recognition threshold would be recognized in our income tax expense in the first period in which: (1) the tax position meets such threshold, (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the relevant taxing authority to examine and challenge the tax position has expired.

We have taken certain positions in our annual tax returns which are classified as uncertain tax positions for financial reporting purposes. Specifically, uncertain tax positions currently outstanding relate to our interpretation of the Mexican Income Tax Law (MITLA) related to the inclusion of certain debts in the calculation of the inflation adjustment, and the deduction of land by real estate developers. As of December 31, 2008, amounts related to uncertain tax positions totaled Ps. 102,969. As of December 31, 2009, uncertain tax positions resulted in Ps. 421,843 in deferred tax assets which have been provided for through a full valuation allowance, and an additional current liability in the amount of Ps. 248,781 in our consolidated financial statements.

Table of Contents

OPERATING RESULTS

The following table sets forth selected data for the periods indicated, stated in nominal pesos for the years ended December 31, 2009 and 2008, and in constant pesos for the year ended December 31, 2007. The table also sets forth the data as a percentage of our total revenues:

	2009	2008	2007
	(in thousands of Mexican pesos (Ps.))		
MFRS:			
Revenues	Ps. 19,425,182	Ps. 18,850,496	Ps. 16,222,524
Cost of sales	13,748,416	13,473,257	11,041,456
Gross profit	5,676,766	5,377,239	5,181,068
Selling and administrative expenses	2,506,756	2,377,646	1,798,429
Income from operations	3,170,010	2,999,593	3,382,639
Other income (expenses), net	49,475	(109,926)	209,223
Net comprehensive financing cost (1)	206,566	558,485	278,904
Income tax expense	1,182,992	712,175	951,280
Net income	Ps. 1,829,927	Ps. 1,619,007	Ps. 2,361,678

	(as a percentage of sales)		
MFRS:			
Revenues	100.0%	100.0%	100.0%
Cost of sales	70.8%	71.5%	68.1%
Gross profit	29.2%	28.5%	31.9%
Selling and administrative expenses	12.9%	12.6%	11.1%
Income from operations	16.3%	15.9%	20.8%
Other (expenses) income, net	0.3%	(0.6)%	1.2%
Net comprehensive financing cost	1.1%	3.0%	1.7%
Income tax expense	6.1%	3.7%	5.8%
Net income	9.4%	8.6%	14.6%

(1) Represents interest income, interest expense, monetary position gains and losses (for 2007), foreign exchange gains and losses and valuation effects of derivative instruments.

Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008 - MFRS

Revenues

Total housing revenues in 2009 increased 3.0% to Ps.19,425.2 million from Ps.18,850.4 million in 2008, driven both by increased sales volume and higher average prices in the affordable entry-level segment. Affordable entry-level homes represented 77.4% of total revenues in 2009 compared to 76.5% in 2008. Middle-income homes represented 21.8% of total revenues in 2009 compared to 23.0% in 2008. In 2009, other revenues increased to Ps.165.1 million, compared to Ps.100.0 million in 2008. The increase is mainly due to construction service contracts we entered into with the Mexican federal government.

Units sold in 2009 increased 0.84% to 57,979 homes, from 57,498 homes in 2008 primarily due to the Company's focus on affordable entry-level and low-cost products and the availability of mortgage financing in this segment through INFONAVIT and others. Affordable entry-level sales volume increased to 52,864 homes in 2009 or 91.2% of total sales volume compared to 90.8% in 2008. Middle-income sales volume decreased 3.3% to 5,115 homes in 2009 compared to 5,289 homes in 2008, reflecting the Company's strategy to reduce its exposure to the middle-income segment in light of current economic conditions.

Gross Profit

Gross profit increased to 29.2% in 2009 from 28.5% in 2008, due to the effects of MFRS D-6. Pursuant to the application of MFRS D-6, which was implemented in 2007, the Company is required to capitalize a portion of its CFC, which includes interest expense, exchange gains and losses and monetary position gains and losses and to apply capitalized CFC to cost of sales as the related inventory is sold in future periods.

During the year ended December 31, 2009, the Company's capitalized CFC that was applied to cost of sales decreased 31% to Ps.670.1 million compared to Ps.976.7 million during the same period in 2008 primarily as a result of:

a) a 46% increase in capitalized interest expense to Ps.669.2 million during the year ended December 31, 2009 from Ps.459.4 million as of December 31, 2008. The increase in capitalized interest expense that was applied to cost of sales was partially driven by the recognition of previous years' capitalized interest expense on inventory pursuant to the application of MFRS D-6 and a 29% increase in the Company's total debt position in 2009; and

b) capitalized foreign exchange gain applied to cost of sales of Ps.2.3 million, compared to a loss of Ps.538.8 million during the same period in 2008. The gain was a result of the appreciation of the Mexican peso relative to the U.S. dollar during 2009.

Costs of sales increased by 2.0% for the year ended December 31, 2009 to Ps.13,748.4 million from Ps.13,473.2 million for the same period in 2008, due primarily to higher CFC capitalization applied to cost of sales during 2009 as explained above. On a pro-forma basis (without considering the application of MFRS D-6 in 2008 and 2009) Homex' gross margin in 2009 was 32.7%, compared to 33.7% in 2008. The decrease in gross margin was mainly driven by a decline in the percentage of our total revenues generated from sales of middle-income homes, from 23.0% in 2008 to 21.8% in 2009.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 5.4% to Ps.2,506.8 million in 2009 compared to Ps.2,377.6 million in 2008. As a percentage of total revenues, SG&A expenses increased 0.3% to 12.9% in 2009 compared to 12.6% in 2008. The increase in SG&A was primarily a result of the addition of personnel in our tourism and international divisions, an expense which was not offset by additional revenue contributions from those divisions.

Income from Operations

In 2009, income from operations increased by 5.7% to Ps.3,170.0 million compared to Ps.2,999.6 million in 2008. On a pro-forma basis (without considering the application of MFRS D-6), the Company's operating margin in 2009 decreased 133 bps to 19.8% compared to 21.1% in 2008. The lower margin was mainly a result of affordable entry-level housing generating a higher percentage of our revenue, as well as higher selling general and administrative expenses.

Net Comprehensive Financing Cost

Net comprehensive financing cost (comprised of interest income, interest expense, foreign exchange gains and losses, valuation effects of derivative instruments and monetary position gains and losses) decreased to Ps.206.5 million in 2009 compared to Ps.558.4 million in 2008, substantially as a result of the following:

a) net interest expense increased to Ps.199.6 million in 2009 from Ps.80 million in 2008, primarily due to an increase in the Company's total debt of 29 percent;

b) the Company had a foreign exchange gain of Ps.59.5 million in 2009 compared to a foreign exchange loss of Ps.164.8 million in 2008, which was caused by the appreciation of the Mexican peso relative to the US dollar.

c) the net valuation effects of financial instruments decreased from Ps.313.9 million in 2008 to Ps.66.4 million in 2009, partially due to the cancellation of a foreign currency derivative transaction in October 2008 and the fact that certain financial instruments entered into in 2009 qualified for "hedge accounting" treatment, while certain of the Company's previous financial instruments did not qualify for such accounting treatment.

Foreign Exchange exposure and currency derivatives

As of December 31, 2009, Homex's US Dollar denominated debt was mainly limited to two US$250 million bonds issued in 2005 and 2009 with single principal payments due at maturity in 2015 and 2019, respectively. In connection with its US$250 million bond maturing in 2015, the Company entered into an interest-only swap to hedge the foreign exchange risk in respect of the interest payable on this debt at an average rate of Ps.13.89 per U.S. dollar through 2012. In connection with its US$250 million bond maturing in 2019, the Company entered into a principal-only swap to hedge the foreign exchange risk associated with the principal amount of this debt at a rate of Ps.12.93 per U.S. dollar through 2019 and at an average weighted cost of 3.87%. In addition, the Company entered into an interest-only swap to hedge the foreign exchange risk in respect of the interest payable on this debt at an average rate of Ps.11.67 per U.S. dollar through 2012.

The net valuation effects of financial instruments for the years ended December 31, 2009, 2008 and 2007, were Ps.66,451, Ps.313,962 and Ps.(147,977), respectively.

Income Tax Expense

Income tax expense increased by 66.1% to Ps.1,182.9 million in 2009 compared to Ps.712.2 million in 2008. The increase was primarily a result of the application of IMFRS 18, which spells out the effects of the 2010 tax reform. As a result of the income tax reform, the effective ISR rate increased to 39.3 percent in 2009 compared to 31.0 percent in 2008. As a result, the Company registered an additional income tax charge in the consolidated statement of income of Ps.78.6 million related to a change in the ISR rate applied to deferred tax assets and liabilities. For more information on the effects of IMFRS 18, see "Item 5. Operating and Financial Review and Prospects—New Accounting Pronouncements."

Net Income of controlling interest

Net income of controlling interest increased 13% to Ps.1,830 million in 2009 compared to Ps.1,619 million in 2008, as a result of the factors described above.

Results of Operations for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007 — MFRS

Revenues

Total housing revenues in 2008 increased 16.2% to Ps.18,850.4 million from Ps.16,222.5 million in 2007, primarily due to higher affordable-entry level sales volume and higher average prices in the middle-income segment, where average prices increased 4.6% to Ps.817,000 as of December 31, 2008 from Ps.781,000 in the same period in the previous year. Affordable entry-level homes represented 77.0% of total revenues in 2008 compared to 77.3% in 2007. Middle-income homes represented 23.0% of total revenues in 2008 compared to 22.6% in 2007. In 2008, other revenues (included in revenues above) decreased 34.9% to Ps.100 million, compared to

Ps.153.6 million in 2007, mainly due to increased internal use of our prefabricated construction materials, ready-mix concrete and concrete blocks, consequently leading to lower sales of these products to third parties.

Units sold in 2008 increased 11.3% to 57,498 homes, from 51,672 homes in 2007 primarily due to the Company's focus on affordable-entry level and low-cost products and the availability of mortgage financing in this segment through INFONAVIT and FOVISSSTE. Affordable entry-level sales volume increased to 52,209 homes in 2008 or 90.8% of total sales volume compared to 90.4% in 2007. Middle-income sales volume increased 6.2% to 5,289 homes in 2008 compared to 4,982 homes in 2007 primarily due to the availability of mortgages for this segment through co-financing products from INFONAVIT, FOVISSSTE and commercial banks.

Gross Profit

Gross profit decreased to 28.5% in 2008 from 31.9% in 2007, due to the effects of MFRS D-6. Pursuant to the application of MFRS D-6 in 2007, the Company is required to capitalize its CFC, which include the interest expense, exchange loss and monetary position (until December 31, 2007). In 2008, the Company's foreign exchange loss increased 970% to Ps.714 million compared to a foreign exchange gain of Ps.82 million in 2007, which was caused by the depreciation of the Mexican peso relative to the U.S. dollar. Likewise, interest expense increased 28% to Ps.765 million in 2008 compared to Ps.597 million in 2007. The increase in our capitalization during 2008 ultimately caused the Company's CFC to increase 721% to Ps.977 million compared to Ps.119 million in 2007.

Costs of sales increased by 22.0% in 2008 to Ps.13,473.3 million from Ps.11,041.5 million in 2007, due primarily to higher CFC capitalization in 2008 as explained above. As a percentage of total revenues, gross profit decreased 3.4% to 28.5% in 2008 from 31.9% in 2007, primarily due to higher CFC capitalization in 2008. In 2008, the Company's gross margin measured without considering the application of MFRS D-6 increased 1.0% to 33.7% compared to 32.7% in 2007. The higher margin was mainly due to the increased implementation of aluminum molds in the Company's projects.

Selling, General and Administrative Expenses

SG&A expenses increased by 32.3% to Ps.2,378 million in 2008 compared to Ps.1,798 million in 2007. As a percentage of total revenues, SG&A expenses increased 1.6% to 12.6% in 2008 compared to 11.0% in 2007. The increase in SG&A as a percentage of sales was primarily due to severance payments the Company made in connection with a restructuring of our personnel. Further, the Company expanded its marketing efforts, including a nation-wide brand recognition campaign, and the addition of a marketing consultant to apply a new sales technique designed to increase the Company's market share.

Income from Operations

In 2008, income from operations decreased by 11.3% to Ps.2,999.6 million compared to Ps.3,382.6 million in 2007. Including the non-cash items, income from operations as a percentage of revenues was 15.9% in 2008 compared to 20.8% in 2007, as a result of the increase in SG&A explained above.

Net Comprehensive Financing Cost

Net comprehensive financing cost (comprised of interest income, interest expense, foreign exchange gains and losses, valuation effects of derivative instruments and monetary position gains and losses for 2007) increased to Ps.558 million in 2008 compared to Ps.279 million in 2007. The increase is primarily due to the depreciation of the Mexican peso relative to the U.S. dollar, which resulted in a significant increase in the cost of servicing our foreign currency-denominated debt. In 2008, we also incurred a non-recurring loss of Ps.314 million in connection with a foreign-exchange derivative transaction. This foreign-exchange derivative transaction has been terminated as of December 31, 2008. As a percentage of revenues, net CFC increased 1.3% to 3.0% in 2008 compared with 1.7% in 2007.

Net interest expense decreased to Ps.80 million in 2008 from Ps.205 million in 2007. The decrease was primarily due to a reduction in interest expense in connection with the capitalization of CFC previously expensed on a current basis, as well as an increase of 12.2% in interest income to Ps.157 million in 2008 compared to Ps.140 million in 2007.

Foreign exchange loss increased 511% in 2008 to Ps.165 million compared to Ps.27 million in 2007. The increase is due to the depreciation of the Mexican peso relative to the U.S. dollar, which resulted in a significant increase in the cost of servicing our foreign currency-denominated debt.

Foreign Exchange Exposure and Currency Derivatives

As of December 31, 2008, Homex' U.S. dollar-denominated debt was mainly limited to a US$250 million bond issued in 2005, with a single principal payment at maturity in 2015. The Company has an interest-only swap that effectively minimizes short and mid-term exchange risk in interest payments. As of December 31, 2008 the fair value of this instrument was a favorable asset position of Ps.66 million. See "—Item 11. Quantitative and Qualitative Disclosures about Market Risk."

During 2008, the Company had a net liability in foreign currency originated by its operations, short and long-term liabilities. Due to such obligations, during 2008 the Company entered into hedging derivative financial instruments that were expected to mitigate the risks associated with the exchange loss in the acquisition of foreign currencies. However, due to the devaluation of the Mexican peso, the Company decided to cancel these derivative instruments in October 2008. During 2008, the Company's statement of income reflects a loss of Ps.404.6 million related to these instruments.

The net accumulated effect in the statement of income of the principal-only swap and the interest-only swap for the year ended December 31, 2008 was Ps.(90.6) million.

The net valuation effects of financial instruments for the years ended December 31, 2008, 2007 and 2006, were Ps.314 million, Ps.(148) million and Ps.102 million, respectively.

Income Tax Expense

Income tax expense decreased by 25.1% to Ps.712.2 million in 2008 compared to Ps.951.3 million in 2007, due principally to decreased income before taxes. The income tax effective rate increased to 31% in 2008 compared to 29% in 2007. The increase in the income tax effective rate between 2008 and 2007 is mainly a result of a recovery of VAT taxes during 2007 for Ps.395 million that generated non-taxable income.

Net Income of controlling interest

Net income of controlling interest decreased by 29.2% to Ps.1,580.9 million in 2008 from Ps.2,233.1 million in 2007 as a result of the factors described above.

Results of Operation —Years ended December 31, 2008 and 2009 —US GAAP

As disclosed in Note 28 to the Company's consolidated financial statements, the primary differences between the Company's financial statements prepared under MFRS and US GAAP relate to revenue and cost recognition for construction projects, although certain smaller differences exist for other accounts.

In 2009, revenues under MFRS were 19,425 million while revenues under US GAAP were Ps.17,616 million. In 2008, revenues under MFRS were Ps.18,850 million while revenues under US GAAP were Ps.14,885 million. Revenues under US GAAP's ASC 360.20 are recognized when all the following events occur: a) a sale is consummated; b) a significant initial down payment is received (when applicable); and c) the earnings process is complete and the collection of any remaining receivables is reasonably assured. However, under MFRS, the Company uses the percentage-of-completion method of accounting to account for housing project revenues and costs related to housing construction. Under MFRS, progress towards completion is measured in terms of comparing the actual costs incurred to the estimated total cost of a project. For a further discussion of revenue recognition policies under US GAAP, refer to Note 28 to the Company's consolidated financial statements.

Total units closed and recognized as US GAAP revenue in 2009 were 46,631 units (41,679 in 2008) compared to 57,979 units sold under MFRS in 2009 (57,498 in 2008). The lower volume in units closed in 2009 compared to units sold is primarily attributable to both our continued growth and therefore higher proportion of construction-in-process, and our increased participation during 2009 in the construction of nearly-completed vertical building projects which take longer to build, sell and collect. Total units closed of 46,631 in 2009 represents a 12% increase compared to total units closed in 2008 of 41,679. The increase is attributable to the continued growth in the Company's business. In 2008, units closed increased by 5% over 2007. The proportion of units sold and units closed are generally consistent when evaluated by operating segment during both 2009 and 2008. As of December 31, 2009, approximately 11,348 units remain at various stages of completion under MFRS, and thus have yet to be recognized into revenue under US GAAP.

Gross profit margins were 29.2% for MFRS in 2009, compared to 28.1% for US GAAP. Gross profit margins were 28.5% for MFRS in 2008, compared to 30.1% for US GAAP. During 2009, the primary difference between gross profit margins under MFRS and US GAAP is attributable to a lower proportion of middle-income revenues under US GAAP, as middle-income projects, which include vertical building projects, take longer to build and collect. During 2008, the primary difference between gross profit margins under MFRS and US GAAP was attributable to the differences in accounting policies with respect to the capitalization of CFC. MFRS provides for the capitalization of foreign exchange gains and losses on borrowings. However, US GAAP only provides for the capitalization of interest costs. In 2008, foreign exchange losses were capitalized into construction inventory. When the underlying projects were sold, greater amounts of CFC were recognized in cost of sales, which had the effect of reducing gross profit margins in 2008 compared to 2007 under MFRS. The capitalization of CFC in 2008 also resulted in reduced gross profit margins under MRFS as compared, to US GAAP.

As disclosed in Note 26 to the Company's consolidated financial statements, IMFRS 14 was adopted on January 1, 2010, with retrospective application to prior accounting periods presented with its 2010 consolidated financial statements. While differences in revenue recognition might still exist between MFRS and US GAAP upon the adoption of INIF 14, it is anticipated that the Company's MFRS revenue recognition will more closely approximate its US GAAP revenue recognition at that time.

Selling, general and administrative expenses are not significantly impacted by the differences between MFRS and US GAAP. Accordingly, fluctuations in US GAAP SG&A expenses during 2009 and 2008 are consistent with those described for MFRS discussed above.

CFC are different between MFRS and US GAAP for the reasons discussed above. These differences could result in periodic fluctuations in gross profit margins and CFC levels between the two accounting frameworks.

The Company's effective tax rate is not significantly impacted by the differences between MFRS and US GAAP. The Company's effective tax rate under MFRS was 39% in 2009 compared to 41% under US GAAP and 31% under MFRS in 2008 compared to 32% under US GAAP.

Refer to Note 28 to the Company's consolidated financial statements for a complete reconciliation of net income between MFRS and US GAAP.

For information regarding governmental policies, see "Item 4. Information on the Company—The Mexican Housing Market."

LIQUIDITY AND CAPITAL RESOURCES

We have experienced, and expect to continue to experience, substantial liquidity and capital resource requirements, principally to finance development and construction of homes and for land inventory purchases.

Adverse economic conditions in the U.S. mortgage banking sector are currently affecting the homebuilding industry in the U.S. Recently, these negative conditions have impacted the financial positions of a majority of U.S. homebuilders. Our domestic mortgage system, as explained herein, differs from that of the U.S. The Mexican housing market differs from the U.S. housing industry in several significant respects. The housing market in Mexico is in an early stage of development compared to the U.S. housing industry, which, according to some economists, has been subjected to heightened price speculation that has led to an excess supply of housing and a lack of liquidity stemming from earlier excessive mortgage lending activity. The Mexican housing market on the other hand is characterized by a large deficit of housing stock driven in part by a growing young population, high rates of urban growth, new household formation, and a decreasing number of occupants per home. Additionally, the Mexican government has implemented housing policies and created agencies designed to address the housing deficit by making funds available to a large segment of the population. As a result, in the past few years, a significant market for companies like Homex in the affordable entry-level segment has emerged. Accordingly, Homex does not believe that the housing market in Mexico is suffering from the same impairment and liquidity issues currently facing the U.S. housing industry. Moreover, while it may be reasonably possible that the impairment and liquidity issues currently facing the U.S. housing industry may deteriorate further, Homex does not have any current reason to believe these specific problems will materially affect its operations and liquidity directly. However, no assurances can be given that impairment or liquidity issues in the United States will not affect our operations and liquidity in the future, or that impairment or liquidity issues will not arise in Mexico.

As of December 31, 2009, we had Ps.3,122.1 million of cash and cash equivalents and Ps.10,093.9 million of outstanding indebtedness for money borrowed (none of which was construction financing provided by sofoles for developments under construction), as compared to Ps.1,140.1 million of cash and cash equivalents and Ps.7,811.4 million of outstanding indebtedness as of December 31, 2008.

Table of Contents

Although we do not commence construction of any development until the availability of mortgage financing for qualified homebuyers is determined, we do acquire land and perform licensing, permit-securing, and certain infrastructure development activities prior to receiving confirmation of the availability of mortgage financing. Historically, we have financed our development and construction activities through internally generated funds, commercial paper programs, bridge loans and long-term financing.

Our primary sources of liquidity are:

- cash flow from operations;
- financing from sellers of land and, to a lesser extent, suppliers of materials;
- commercial banks and other financial institutions; and
- down payments from homebuyers.

We believe that our working capital will be sufficient during the next 12 months to meet our liquidity requirements. The table below sets forth information regarding our outstanding debt as of December 31, 2009:

Debt Outstanding as of December 31, 2009

Homex Debt	Aggregate Lender Principal Amount (in thousands of pesos)	Interest Rate	Maturity
Senior Guaranteed Notes due 2019(1)	Ps. 3,232,500		
Senior Guaranteed Notes due 2015(2)	3,260,925		
Grupo Financiero Inbursa, S.A.			
A credit line of Ps.2,078 million granted on June 26, 2008.	2,078,000	TIIE +1.50%	June 26, 2013
Banco Nacional de México S.A.			
A line of credit of Ps.1,000 million granted on July 16, 2009.	888,738	TIIE +4.50%	July 16, 2013
GE Capital			
A line of credit granted to Aerohomex, S.A. de C.V. to purchase an executive jet for US$2.3 million on July 29, 2005.	4,520	7.40%	July 29, 2010
Banco Itau BBA, S.A.			
Seven credit lines granted by Banco Itau BBA, S.A. on May, September and October 2009 for BR$9.1 million.	68,535	6.50%	March, April, May and July 2010
Banco Fibra, S.A.			
A revolving credit line granted by Banco Fibra, S.A. on July 22, 2009 for BR$1.3 million.	9,569	9.90%	July 20, 2010
Banco ABC Brasil, S.A.			
Three credit lines granted by Banco ABC Brasil, S.A. on August, October and November 2009 for BR$12 million.	90,171	8.50%	February, October and November 2010
Banco HSBC, S.A.			
A revolving credit line granted by Banco HSBC, S.A. on November 23, 2009 for BR$1.5 million.	11,277	3.10%	November 18,2010
Financial leases provided by Bancomer, S.A. in June 2007	221,550	TIIE +0.80%	January, 2013
Financial leases provided by Bancomer, S.A. in September 2008.	44,524	TIIE +0.80%	October, 2013
Financial leases provided by Bancomer, S.A. in December 2008.	48,565	TIIE +3.50%	January, 2014
Financial leases provided by Bancomer, S.A. in March 2009.	19,481	TIIE +3.50%	April, 2014
Financial leases provided by Banco Itau, S.A. from May through October 2009.	8,534	20.60%	May through October 2012
Financial leases provided by Banco Bradesco, S.A. in November and December 2009.	18,751	14.00%	November and December 2012
Interest payable	88,234		
Total debt	Ps. 10,093,874		

(1) Issued in an aggregate principal amount of US$250 million with a coupon rate of 9.50%. We entered into a principal-only swap to hedge the foreign exchange risk associated with the principal amount of this debt at a rate of Ps.12.93 per U.S. dollar and at an average weighted cost of 3.87%.
(2) Issued in an aggregate principal amount of US$250 million with a coupon rate of 7.50%. We entered into a foreign exchange swap to hedge the foreign exchange risk associated with the principal amount of this debt at a rate of Ps.10.83 per U.S. dollar and at an average weighted cost of 2.92%. This swap was cancelled on July 5, 2008.
(3) TIIE refers to the 28-day Mexican interbank rate (*Tasa de Interés Interbancaria de Equilibrio*), which was 4.92% as of December 31, 2009.

Our total indebtedness increased to Ps.10,093.9 million as of December 31, 2009 from Ps.7,811.4 million as of December 31, 2008, mainly as a result of working capital requirements.

As of December 31, 2009, our short-term debt was Ps.379.0 million, mainly as a result of Ps.180.4 million of various revolving credit lines and financial leases granted by financial institutions in Mexico and Brazil. Our long-term debt was Ps.9,714.9 million, which includes mainly the long-term portion of our equipment lease obligations in the amount of Ps.254.7 million, a line of credit granted by Grupo Financiero Inbursa S.A. for Ps.2,078.0 million, the Senior Guaranteed Notes due 2015 in the aggregate principal amount of Ps.3,260.9 million and the Senior Guaranteed Notes due 2019 in the aggregate principal amount of Ps.3,232.5 million.

On September 28, 2005, we issued US$250 million of Senior Guaranteed Notes due 2015 with a coupon rate of 7.50%, payable semiannually.

On December 11, 2009, we issued US$250 million of Senior Guaranteed Notes due 2019 with a coupon rate of 9.50%, payable semiannually.

As of December 31, 2009, Homex' U.S. dollar-denominated debt was mainly limited to the Company's Senior Guaranteed Notes due 2015 and the Company's Senior Guaranteed Notes due 2019, both with a single principal payment at maturity. The Company has an interest-only swap that effectively minimizes short and mid-term exchange risk in interest payments on the Senior Guaranteed Notes due 2015. As of December 31, 2009, the fair value of this instrument was a favorable asset position of Ps.4.4 million.

During 2008, the Company's short and long-term net liabilities resulted in a negative foreign exchange position. As a result, the Company entered into hedging transactions, including foreign exchange derivative instruments designed to mitigate the risk associated with foreign currency exchange rates. As a result of 2008's devaluation of the Mexican peso relative to the U.S. dollar, the Company decided to cancel these derivative instruments. The Company's statement of income for the year ended December 31, 2008 reflected a loss of Ps.404,601 related to these foreign exchange derivative transactions.

The net accumulated expense in the statement of income of the interest-only swap covering the 2015 bonds and the 2019 bonds was Ps.66,451 for the year ended December 31, 2009. The net accumulated income of the principal-only swap and the interest-only swap covering the 2015 bond was Ps.(90,639) for the year ended December 31, 2008.

The net valuation effects of financial instruments for the years ended December 31, 2009, 2008 and 2007, were Ps.66,451, Ps.313,962 and Ps.(147,977), respectively.

We have not paid dividends since the inception of the Company in 1998 and we do not foresee paying dividends in the near future.

Covenants

Loan covenants require the Company and its guarantor subsidiaries to meet certain obligations. These covenants cover changes in ownership control, restrictions on incurring additional debt that does not meet certain requirements established in the loan contracts, restrictions on the sale of assets and the sale of capital stock in subsidiaries, unless they meet certain requirements, restricted payments where dividends cannot be paid or capital reimbursed to equity unless they are made between the guarantor subsidiaries. In addition, the Company cannot pledge any of its assets or properties to guarantee any additional debt until certain limits.

Financial covenants, derived from the Senior Guaranteed Notes due 2015, the Senior Guaranteed Notes due 2019, and the credit lines with Inbursa and Banamex require the Company to maintain:

- a total equity of at least Ps.11,850,000 thousand; the actual equity as of December 31, 2009 was Ps.13,222,963 thousand;
- a ratio of interest coverage (EBITDA) to the net financing expense of at least 3.0 to 1.0. The actual ratio as of December 31, 2009 was 4.7 to 1.0; and
- a ratio of leverage (liabilities with cost) to EBITDA of less than 2.50 to 1.0. The actual ratio as of December 31, 2009 was 2.3 to 1.0;

There are also restrictions applicable to additional debt based on EBITDA levels, such as EBITDA to interest expense, including payment of dividends, which should not be less than 2.25 to 1.0. The actual ratio as of December 31, 2009 was 3.9 to 1.0.

In the event the Company does not comply with any of the above provisions, there is a resulting limitation on its ability to pay dividends to its stockholders.

Included in its credit agreements with the aforementioned financial institutions, if the Company fails to comply with the terms and conditions of its covenants, an event of default may occur that may result in the amounts owing to these institutions together with interest accrued becoming due and payable. In addition, an event of default under any of the Company's credit agreements may in turn trigger events of default under the Company's other credit agreements which may result in the amounts outstanding under such agreements becoming due and payable. Acceleration or cross-default under any of our credit agreements could have a material adverse effect upon our business, financial condition, results of operations and prospects.

As of December 31, 2009 and 2008, the Company was in compliance with the financial covenants of its debt agreements.

The financial covenants of the leases from BBVA Bancomer require the Company and its subsidiaries to maintain:

- a liquidity ratio of current assets to short-term liabilities no less than 1.50 to 1.0. The actual ratio as of December 31, 2009 was 3.3 to 1.0;
- a financing ratio of total liabilities to equity no greater than 1.70 to 1.0. The actual ratio as of December 31, 2009 was 1.2 to 1.0; and
- a relation of operational income to net comprehensive financing cost at a minimum level of 2.0 to 1.0. The actual ratio as of December 31, 2009 was 2.8 to 1.0.

As of December 31, 2009 and 2008, the Company was in compliance with these financial covenants.

The Company will utilize cash from operations and new debt financings to finance working capital needs throughout 2010. In 2010, the Company intends to follow a conservative strategy to improve cash generation and maintain a stable debt level while minimizing land investments and capital expenditures.

TREND INFORMATION

The current recession and economic slowdown in the U.S. and global markets is affecting the global economy and causing uncertainty in the Mexican economy that could negatively affect performance of the housing market. The recession and rising unemployment may result in softer demand for housing in Mexico, which could have a negative impact on sales and revenue. In addition, our profitability may be negatively affected by the liquidity restraints facing sofoles, sofomes and other sources of mortgage financing, as well as delays in disbursements from these agencies similar to the delays that occurred during 2009. At the same time, as a result of the current recession, commercial banks, sofoles and sofomes have implemented tighter origination criteria and restricted commercial credit lending affecting our suppliers. This could also affect the Company's profitability to the extent that the Company is unable to cut costs to compensate for softer demand and less credit from suppliers. Accordingly, we may need to adjust our business and financial models to account for the foregoing factors, which may have a negative effect on our revenues.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements as of December 31, 2009.

CONTRACTUAL OBLIGATIONS

The following table sets forth information regarding our contractual obligations as of December 31, 2009:

	Payment Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Year**	**3-5 Years**	**More than 5 Years**
			(in thousands of pesos)		
Long-term debt obligations	Ps. 9,644,235	Ps. 184,072	Ps.	Ps. 2,966,738	Ps. 6,493,425
Capital (finance) leases	361,405	106,726	251,568	3,111	
Total debt	10,005,640	290,798	251,568	2,969,849	6,493,425
Estimated interest (1)	4,547,456	806,363	1,561,383	1,320,966	858,744
Operating leases obligations (2)	148,769	49,232	99,254	283	—
Land suppliers	1,412,885	1,338,226	74,659	—	—
Total	Ps. 16,114,750	Ps. 2,484,619	Ps. 1,986,864	Ps. 4,291,098	Ps. 7,352,169

(1) In estimating interest expense we used the applicable rate (see debt table in "Liquidity and Capital Resources") as of December 31, 2009.

(2) Operating leases are calculated in the nominal bases or future cash flows at the rate as of December 31, 2009.

Contractual obligations increased by 18% from Ps.13,637,089 as of December 31, 2008 to Ps.16,114,750 as of December 31, 2009. This change was mainly due to working capital requirements.

Table of Contents

New Accounting Pronouncements

Mexican Financial Reporting Standards (MFRS)

The most relevant standards that came into force in 2009 are described below:

MFRS B-7, Business Acquisitions

This MFRS substitutes Bulletin B-7 *Business Acquisitions* and was issued by the *Consejo Mexicano para la Investigación y Desarrollo de Normas de la Información Financiera, A.C.* (the Mexican Financial Information Standards Research Development Board or "CINIF") to replace Mexican accounting Bulletin B-7 *Business Acquisitions*. This standard establishes general rules for the initial recognition of net assets, non-controlling interests and other items, as of the acquisition date.

According to this statement, purchase and restructuring expenses resulting from the acquisition process should not be part of the consideration, because these expenses are not an amount being shared by the business acquired.

In addition, MFRS B-7 requires a company to recognize non-controlling interests in the acquiree at fair value as of the acquisition date.

MFRS B-7 is effective for future acquisitions and did not have any effect on the Company's consolidated financial statements.

MFRS B-8, Consolidated or Combined Financial Statements

On December 2008, the CINIF issued MFRS B-8 Consolidated or Combined Financial Statements which replaces Mexican Bulletin B-8 *Consolidated Financial Statements* and describes general rules for the preparation, presentation and disclosure of consolidated and combined financial statements.

The main changes of this MFRS are as follows: (a) this rule defines "Specific-Purpose Entity" (SPE), establishes the cases in which an entity has control over a SPE, and when a company should consolidate this type of entity; (b) addresses that potential voting rights should be analyzed when evaluating the existence of control over an entity; and, (c) sets new terms for "controlling interest" instead of "majority interest," and "non-controlling interest" instead of "minority interest."

The adoption of this MFRS did not have any effect on the Company's consolidated financial statements.

MFRS C-7, Investments in Associates and Other Permanent Investments

MFRS C-7 was issued by CINIF on December 2008 and describes the accounting treatment for investments in associates and other permanent investments, which were previously treated within Bulletin B-8 *Consolidated Financial Statements*. This MFRS requires the recognition of a Specific-Purpose Entity, through the equity method. Also, this MFRS establishes that potential voting rights should be considered when analyzing the existence of significant influence.

In addition, this rule defines a procedure and a limit for the recognition of losses in an associate.

The adoption of this MFRS required the Company to consider the associate in Egypt as other permanent investment effective January 1, 2009, and no longer as an associate, and therefore to stop recognizing the equity method over this company.

MFRS C-8, Intangible Assets

This rule substitutes Bulletin C-8 *Intangible Assets*. The new rule defines intangible assets as non-monetary items and broadens the criteria of identification, indicating that an intangible asset must be separable; meaning that such asset could be sold, transferred, or used by the entity. In addition, intangible assets arise from legal or contractual rights, whether those rights are transferable or separable from the entity.

On the other hand, this standard establishes that preoperative costs should be eliminated from the capitalized balance, affecting

retained earnings, and without restating prior financial statements.

This amount should be presented as an accounting change in consolidated financial statements.

The adoption of this MFRS did not have any effect on the Company's consolidated financial statements.

MFRS D-8, Share-Based Payments

MFRS D-8 establishes the recognition of share-based payments. When an entity purchases goods or pay services with share-based payments, the entity is required to recognize those goods or services at fair value and the corresponding increase in equity. According to MFRS D-8, if share-based payments cannot be settled with equity instruments, they have to be settled using an indirect method considering MFRS D-8 parameters.

The adoption of this MFRS did not have a material effect on the Company's consolidated financial statements.

IMFRS 18, Effects on Recognition from the 2010 Tax Reform Bill in Income Taxes

On December 15, 2009, the CINIF published Interpretation 18 of Mexican Financial Reporting Standards (IMFRS) to provide guidance regarding the 2010 Tax Reform Bill and the corresponding accounting recognition that should be completed in the companies' financial statements.

This IMFRS establishes certain parameters for the recognition of changes in connection with the new tax reform, mainly as they concern income tax rate changes, changes to the consolidation regime (fundamentally related to tax losses), losses on stock transfers, special consolidation terms, distributed dividends not from Net Tax Profit Account (CUFIN), consolidation tax benefits and differences involving CUFIN. For more information regarding the effects of the application of IMFRS 18, see Note 23 to our audited consolidated financial statements.

The most relevant standards that came into force in 2008 are described below:

MFRS B-2, Statement of Cash Flows

In November 2007, MFRS B-2 was issued by the CINIF to replace Mexican accounting Bulletin B-12, *Statement of Changes in Financial Position*. This standard establishes that the statement of changes in financial position is substituted by a statement of cash flows as part of the basic financial statements. The main differences between both statements lie in the fact that the statement of cash flows shows the entity's cash receipts and disbursements for the period, while the statement of changes in financial position showed the changes in the entity's financial structure rather than its cash flows. In an inflationary environment, the amounts of both financial statements are expressed in constant Mexican pesos. However, in preparing the statement of cash flows, the entity must first eliminate the effects of inflation for the period and, accordingly, determine cash flows at constant Mexican pesos, while in the statement of changes in financial position, the effects of inflation for the period were not eliminated.

MFRS B-2 establishes that in the statement of cash flows, the entity must first present cash flows derived from operating activities, then from investing activities, the sum of these activities and finally cash flows derived from financing activities. The statement of changes in financial position first shows the entity's operating activities, then financing activities and finally its investing activities. Under this new standard, the statement of cash flows may be determined by applying the direct or indirect method.

The transitory rules of MFRS B-2 establish that the application of this standard is prospective. Therefore, the financial statements for 2007 include the statement of changes in financial position, as previously established by Mexican accounting Bulletin B-12.

MFRS B-10, Effects of Inflation

In July 2007, the CINIF issued MFRS B-10, *Effects of Inflation*. MFRS B-10 defines the two economic environments in Mexico that will determine whether or not entities must recognize the effects of inflation on financial information: i) inflationary, when inflation is equal to or higher than 26%; accumulated in the preceding three fiscal years (an 8% annual average); and ii) non-inflationary, when accumulated inflation for the preceding three fiscal years is less than the aforementioned accumulated 26%. Based on these

definitions, the effects of inflation on financial information must be recognized only when entities operate in an inflationary environment.

This standard also establishes the accounting rules applicable whenever the economy changes from any type of environment to another. When the economy changes from an inflationary environment to a non-inflationary one, the entity must maintain in its financial statements the effects of inflation recognized through the immediate prior year, since the amounts of prior periods are taken as the base amounts of the financial statements for the period of change and subsequent periods. Whenever the economy changes from a non-inflationary environment to an inflationary one, the effects of inflation on the financial information are recognized retrospectively, meaning that all information for prior periods must be adjusted to recognize the accumulated effects of inflation of the periods in which the economic environment was considered non-inflationary.

This standard also abolishes the use of the specific-indexation method for the valuation of imported fixed assets and the replacement-cost method for the valuation of inventories, thus eliminating the result from holding non-monetary assets.

The Interpretation 9 of MFRS establishes that comparative financial statements for years prior to 2008 must be expressed in Mexican pesos with purchasing power at December 31, 2007, which was the last date on which the effects of inflation were recognized.

The realized result from holding non-monetary assets must be reclassified to retained earnings, while the unrealized portion must be maintained as such within equity, and reclassified to results of operations when the asset giving rise to it is realized. Whenever it is deemed impractical to separate the realized from the unrealized result from holding non-monetary assets, the full amount of this item may be reclassified to the retained earnings.

The effect of the adoption of this standard on the Company's 2008 financial statements is the Company's ceasing to recognize the effects of inflation on its financial information; therefore no monetary result was determined. The accumulated monetary position as of December 31, 2007 that was Ps.346,641 thousand was reclassified to the retained earnings.

MFRS B-15, Foreign Currency Translation

MFRS B-15 incorporates the concepts of recording currency, functional currency and reporting currency, and establishes the methodology to translate financial information of a foreign entity, based on those terms. Additionally, this rule is aligned with NIF B-10, which defines translation procedures of financial information from subsidiaries that operate in inflationary and non-inflationary environments. Prior to the application of this rule, translation of financial information from foreign subsidiaries was according to inflationary environments methodology.

The Company's foreign operations are insignificant at this time and thus the impact of the adoption of this MFRS on the Company's consolidated financial statements was also insignificant.

MFRS D-3, Employee Benefits

MFRS D-3, *Employee Benefits* replaces the previous MFRS accounting Bulletin D-3, *Labor Obligations*. The most significant changes contained in MFRS D-3 are as follows:

i) shorter periods for the amortization of unamortized items such as transition obligations, with the option to credit or charge actuarial gains or losses directly to results of operations, as they accrue. As further disclosed in Note 13, during 2008 the Company prospectively changed the amortization periods for its transition liability from those of 10-22 year periods in prior years, to a four year period starting in 2008, resulting in Ps.5,559 thousand in additional labor costs being recognized in its 2008 statement of income as compared to prior periods;

ii) elimination of the recognition of an additional liability and resulting recognition of an intangible asset and comprehensive income item. As further disclosed in Note 13, upon the adoption of MFRS D-3 the Company reversed its intangible asset of Ps.30,092 thousand and additional liability of Ps.34,189 thousand resulting in a credit to shareholders equity of Ps.4,097 thousand in 2008;

iii) accounting treatment of current-year and deferred employee profit-sharing, requiring that deferred employee profit-sharing be recognized using the asset and liability method established under MFRS D-4. The Company recorded a deferred profit sharing asset of

Ps.29,667 thousand upon adoption of MFRS D-3. That asset has been adjusted to a value of Ps.26,606 thousand as of December 31, 2008. As of December 31, 2009 there was no deferred profit sharing.

iv) current-year and deferred employee profit-sharing expense is to be presented as an ordinary expense in the income statement rather than as part of taxes on profits.

The impact of the adoption of MFRS D-3 is as indicated above.

MFRS D-4, Taxes on Profit

The CINIF also issued Mexican FRS D-4, *Taxes on Profits* which replaces Mexican accounting Bulletin D-4 *Accounting for Income Taxes, asset Tax and Employee Profit-sharing*. The most significant changes attributable to MFRS D-4 are as follows:

i) the concept of permanent differences is eliminated. The asset and liability method requires the recognition of deferred taxes on all differences in balance sheet accounts for financial and tax reporting purposes, regardless of whether they are permanent or temporary;
ii) because current and deferred employee profit-sharing is now considered as an ordinary expense under MFRS D-3, it is excluded from this standard;
iii) asset taxes are required to be recognized as a tax credit and, consequently, as a deferred income tax asset only in those cases in which there is certainty as to its future realization; and
iv) the cumulative effect of adopting Mexican accounting Bulletin D-4 is to be reclassified to retained earnings, unless it is identified with comprehensive items in equity not yet taken to income.

The application of this standard is prospective in nature; therefore the comparative financial statements from prior years were not modified. The adoption of this MFRS did not have any effect on the Company's consolidated financial statements.

The most relevant standard that came into force in 2007 is described below:

MFRS D-6, Capitalization of the Comprehensive Financing Cost

MFRS D-6 establishes that entities must capitalize comprehensive financing cost (CFC), which had been optional, under Mexican accounting Bulletin C-6, *Property, Plant and Equipment*.

Capitalized CFC is defined as the amount attributable to qualifying assets that could have been avoided if its acquisition had not taken place, which in the case of Mexican peso denominated financing, includes its interest and the net monetary position, and in the case of foreign currency denominated financing, also includes any exchange gains or losses. Qualifying assets are defined as those assets acquired by an entity requiring a prolonged period of time to carry out the activities to get them ready for their intended use, that are to be sold or leased, that require a prolonged period to be acquired or readied for its sale or lease including inventories that require a period of time to take possession or to get them in conditions for their sale. The capitalization of the comprehensive result of financing starts and continues while investments for its acquisition are being made, the activities required for conditioning the asset for sale or use are underway and interest is being accrued.

MFRS D-6 establishes that the amount of capitalized CFC will be determined based on the loans that were specifically used to acquire the qualifying assets, or if such identification cannot be made, by applying the weighted average capitalization rate for financing to the weighted average number of investments in qualifying assets made during the acquisition period. Financing with imputed interest cost may be capitalized against the cost of acquired assets, since the financing is recognized at its present value.

The application of MFRS D-6 for the years ended December 31, 2009, 2008 and 2007 represented a decrease in CFC of Ps.563,154 thousand, Ps.1,250,080 thousand and Ps.179,304 thousand, respectively, although Ps.670,127 thousand (of which Ps.419,338 thousand is related to the current year CFC and Ps.250,789 thousand is related to prior years) in 2009, Ps.976,707 thousand (of which Ps.931,682 thousand is related to the current year CFC and Ps.45,025 thousand is related to prior years) in 2008 and Ps.119,286 thousand in 2007 were ultimately charged to cost of sales as the underlying projects were sold.

Table of Contents

The most relevant standards that will come into force in 2010 and 2011 are described below:

Effective in 2010

IMFRS 14, Construction, Sales and Services Agreements related to Real Estate

In December 2008 IMFRS 14 was issued by the CINIF to complement Bulletin's D-7 regulation, *Construction Agreements and Manufacturing of Certain Capital Assets*. This Interpretation is applicable to the recognition of revenues, costs and expenses for all entities that undertake the construction of capital assets directly or through sub contractors.

Due to the application of this Interpretation, effective January 1, 2010, the Company will stop recognizing its revenues, costs and expenses based on the percentage-of-completion method. At that date, the Company will begin to recognize them based on methods mentioned in this Interpretation. Revenue and cost recognition will then more closely approximate what is often referred to as a "completed contract method" in which revenues, costs and expenses should be recognized, when all of the following conditions are fulfilled:

- the entity has transferred the control to the homebuyer, in other words, the significant risks and benefits due to the property or the assets ownership;
- the entity does not keep for itself any continue participation on the actual management of the sold assets, in the usual grade associated with the property, nor does retain the effective control of the sold assets;
- the revenues amount can be estimated reliably;
- it is probable that the entity receives the economic benefits associated with the transaction; and
- the costs and expenses incurred or to be incurred related to the transaction can be estimated reliably.

This Interpretation will be adopted as of January 1, 2010, with retrospective application to prior accounting periods presented with its 2010 consolidated financial statements. We estimate that the application of IMFRS 14 to the consolidated financial statements would have had the following effects with respect to the year ended December 31, 2009:

- sales would have decreased 11.1% from Ps. 19,425.2 million to Ps. 17,277.7million;
- operating income would have decreased 17.4% from Ps. 3,170.0 million to Ps. 2,618.3 million;
- net income would have decreased 20.9% from Ps. 1,829.9 million to Ps. 1,446.9 million; and
- total equity would have decreased 15.8% from Ps. 12,988.0 million to Ps. 10,935.7 million.

In addition, the application of IMFRS 14 to the consolidated financial statements would have had the following effects as of December 31, 2009: (i) a decrease in accounts receivable for the developments in progress, (ii) an increase in inventories consisting of housing under construction, (iii) a decrease in deferred income taxes for net income attributable to housing not yet titled, (iv) an increase in prepaid expenses and other current assets for the sales commissions paid in advance and (v) a decrease in equity as indicated above.

MFRS C-1, Cash and cash equivalents

This MFRS replaces MFRS C-1, *Cash* and describes general rules for the valuation, presentation and disclosure of cash and cash equivalents items that are included in a Company's balance sheet.

The main changes of this MFRS are as follows: (a) set a new name for this MFRS, from Cash to Cash and Cash Equivalents; (b) addresses the restricted cash presentation in the financial statements; and, (c) set and defines new terms like: temporary investments, acquisition costs, cash equivalents, restricted cash, net realizable value, nominal value, and fair value.

Table of Contents

Effective in 2011 and 2012

MFRS B-5, Reporting Financial Information by Segment

This MFRS replaces MFRS B-5, *Reporting Financial Information by Segment* and establishes the criteria to identify the entity's segments to disclose as well as the disclosures about those segments. In addition, establishes disclosure requirements of certain of the Entity's information.

The main changes of this MFRS are as follows: (a) MFRS B-5 includes a managerial approach, while previous MFRS B-5, although it referred to managerial approach, required that the information to disclose were referred to identified segments based on the products or services, geographical areas and customers homogenous groups, also requiring that information would be segregated in primary and secondary information; (b) new MFRS does not require that business areas are subject to different risks amongst them, in order to qualify as operative segments, while previous MFRS B-5 did; (c) in accordance with new MFRS B-5, business areas in development stage could be catalogued as operative segment, while previous MFRS B-5 required operative segments to generate revenues; (d) MFRS B-5 requires to disclose by segments income interest and interest expense, as well as other comprehensive financial cost items, while previous MFRS B-5 did not require this information; and (e) MFRS B-5 requires to disclose the amounts of liabilities that are included in the usual information of an operative segment that the Company normally uses to make decisions, while previous MFRS B-5 did not require this and let management the option to do so or not.

International Financial Reporting Standards (IFRS)

On January 27, 2009 the Mexican Securities Commission (Comisión Nacional Bancaria y de Valores or CNBV) established through the Federation Official Gazette the requirements for the listed companies to prepare and reveal their financial information under IFRS beginning the year 2012. Likewise it was specified that early adoption for the years 2008, 2009, 2010 and 2011 is allowed.

U.S. GAAP

The United States Financial Accounting Standards Board ("FASB") released the *FASB Accounting Standards Codification*, or "ASC" for short, on January 15, 2008 and it became effective in the summer of 2009. At that time all previous US GAAP reference sources became obsolete. The ASC organizes thousands of U.S. GAAP pronouncements under approximately 90 accounting topic areas. The objective of this project was to arrive at a single source of authoritative U.S. accounting and reporting standards, other than guidance issued by the SEC. Below are references to various ASC's, and their former US GAAP references.

The most relevant US GAAP standards that came into force in each of the three years ended December 31, 2009 are described below:

Table of Contents

In 2009:

ASC 810.10 (formerly FAS 160)

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 160, "Non-controlling Interest in Consolidated Financial Statements — an amendment of ARB No. 51" ("FAS 160"). FAS 160 was codified as a component of ASC 810.10. ASC 810.10 requires non-controlling interests held by parties other than the parent in subsidiaries to be clearly identified, labeled, and presented in the consolidated statements of financial position within equity, but separate from the parent's equity.

This new guidance is effective for fiscal years beginning after December 15, 2008. The Company's US GAAP financial information included in Note 28 has been retrospectively adjusted for all periods to reflect the adoption of ASC 810.10.

ASC 805.10 (formerly FAS 141 (R))

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("FAS 141 (R)"). FAS 141 (R) was a revision of FAS 141 and was codified as a component of ASC 805.10. This new guidance requires that costs incurred to effect the acquisition (i.e., acquisition-related cost) be recognized separately from the acquisition. In addition, restructuring costs that the acquirer expected but was not obligated to incur, which included changes to benefit plans, were recognized as if they were a liability assumed at the acquisition date. This new guidance requires the acquirer to recognize those costs separately from the business combination. This new guidance is effective for the Company in 2009, and did not have any impact on the Company's consolidated financial statements, primarily as no acquisitions occurred during the year.

ASC 815.10 (formerly FAS 161)

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("FAS 161"). FAS 161 was codified as a component of ASC 815.10. This new guidance requires enhanced disclosures about an entity's derivatives and hedging activities to improve the transparency of financial reporting. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. This new guidance increases year end disclosures but did not have an impact on the Company's consolidated financial position and results of operations.

ASC 350.10 (formerly FSP FAS 142-3)

In April 2008, the FASB issued FASB Staff Position FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP FAS 142-3"). FSP FAS 142-3 was codified as a component of ASC 350. This new guidance amends the factors that should be considered in developing renewal or extension

assumptions used to determine the useful life of a recognized intangible asset. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008. This pronouncement did not have any impact on the Company's financial position and results of operation.

ASC 323.10 (formerly EITF 08-6)

In November 2008, the Emerging Issues Task Force (EITF) reached a consensus on EITF 08-6, "Equity Method Investment Accounting Considerations". EITF 08-6 was codified as a component of ASC 323.10. This new guidance provides guidance on the application of the equity method. It states equity-method investments should be recognized using a cost accumulation model. Also, it requires that equity method investments as a whole be assessed for other-than-temporary impairments. This new guidance is effective on a prospective basis for transactions in an investee's shares occurring or impairments recognized in fiscal years beginning on or after December 15, 2008. During the years ended December 31, 2009, the Company's equity method investments did not represent a significant component of its operations. Accordingly, the adoption of this EITF did not have a significant impact on its consolidated financial statements.

ASC 350.30 (formerly EITF 08-7)

In November 2008, the EITF reached a consensus on EITF 08-7 "Accounting for Defensive Intangible Assets". EITF 08-7 was codified as a component of ASC 350.30. This new guidance provides that intangible assets that an acquirer intends to use as defensive assets, intangible assets acquired in a business combination or an asset acquisition that an entity does not intend to actively use but does intend to prevent others from using, are a separate unit of account from the existing intangible assets of the acquirer. It also states that a defensive intangible asset should be amortized over the period that fair value of the defensive intangible asset diminishes. This new guidance is effective on a prospective basis for transactions occurring in fiscal years beginning on or after December 15, 2008. This new guidance did not have any impact on the Company's consolidated financial position and results of operations.

ASC 855 (formerly FAS 165)

In May 2009, the FASB issued ASC 855, "Subsequent Events". ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, ASC 855 sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. In accordance with ASC 855, an entity should apply the requirements to annual financial periods ending after June 15, 2009.

In 2008:

ASC 820.10 (formerly FAS 157)

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement." SFAS No. 157 was codified as a component of ASC 820.10. This guidance defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The statement does not require any new fair value measures.

The statement is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007 and it is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. When adopted in 2008, this guidance did not have an impact on the Company's consolidated financial position and results of operations at adoption.

Table of Contents

ASC 820.10 (formerly FSP 157-3)

In October 2008, the FASB issued FASB Staff Position 157-3, "Determining the Fair Value of a Financial Assets When the Market of that Asset is not Active" (FSP 157-3). FSP 157-3 was codified as a component of ASC 820.10. This new guidance provides an example that clarifies and reiterates certain provisions of the existing fair value standard, including basing fair value on orderly transactions and usage of management and broker inputs. This new guidance was effective immediately and did not have a material impact on financial position or results of operations of the Company.

ASC 825.10 (formerly FAS 159)

In February 2007, the FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (the "Statement" or "Statement 159"). FAS 159 was codified as a component of ASC 825.10. This guidance allows entities to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities (as well as certain nonfinancial instruments that are similar to financial instruments) at fair value (the "fair value option", or "FVO"). The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, the Statement specifies that all subsequent changes in fair value for that instrument shall be reported in earnings (or another performance indicator for entities such as not-for-profit organizations that do not report earnings).

The fair value option will mitigate some of the volatility in reported earnings that results from the use of different measurement attributes to account for financial assets and financial liabilities. By electing the fair value option, an entity can achieve consistent accounting for related assets and liabilities without having to apply complex hedge accounting provisions.

Statement 159 requires extensive disclosures whose primary objective is to facilitate comparison among entities that choose different measurement attributes for similar assets and liabilities, as well as, comparison of similar assets and liabilities for which an individual entity selects different measurement attributes.

The Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007 (January 1, 2008 for the Company). The Company did not elect the Fair Value Option for any of its financial assets or liabilities, and therefore, the adoption of ASC 825.10 in 2008 had no impact on the Company's financial position, results of operations or cash flows at adoption.

In 2007:

ASC 740.10 Income taxes (formerly FIN 48)

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) as of January 1, 2007. FIN 48 was codified as a component of ASC 740.10. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC 740.20 Income taxes, (formerly FAS 109). The adoption of FIN 48 in 2007 did not have an impact on the Company's financial statements and did not result in a cumulative adjustment to retained earnings at adoption.

The most relevant US GAAP standards that have yet to come into force are described below. The Company is currently in the process of evaluating the impact that these new pronouncements will have on its consolidated financial statements.

ASC 715.20 (formerly FSP FAS 132(R)-1)

In December 2008, the FASB issued FASB Staff Position FAS 132(R)-1, "Employers´ Disclosures about Postretirement Benefit Plan Assets" ("FSP FAS 132(R)-1"). FSP FAS 132(R)-1 was codified as a component of ASC 715. This new guidance amends previous US GAAP in that this guidance replaces the requirement to disclose the percentage of fair value of total plan assets with a requirement to disclose the fair value of each major asset category. It also clarifies that defined benefits pension or other postretirement plan assets not subject to certain disclosure requirements. This new guidance is effective for fiscal years ending after December 2009.

Table of Contents

ASC 860.10 (formerly FAS 166)

FASB Statement No. 166 “Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140” (“FAS 166”) was codified as a component of ASC 860. ASC 860 provides for removal of the concept of a qualifying special-purpose entity and removes the exception from applying variable interest entity accounting, to qualifying special-purpose entities. It also clarifies that one objective of US GAAP is to determine whether a transferor and all of the entities included in the transferor’s financial statements being presented have surrendered control over transferred financial assets. ASC 860 modifies the financial-components approach used in US GAAP and limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. ASC 860 also defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

ASC 860 requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor’s beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. Enhanced disclosures are also required by ASC 860. This new guidance must be applied as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009. This guidance must be applied to transfers occurring on or after the effective date.

ASC 810.10 (formerly FAS 167)

FAS 167 was codified as a component of ASC 810. The FASB’s objective in issuing this new guidance was to improve financial reporting by enterprises involved with variable interest entities. The Board undertook this project to address (1) the effects on certain provisions of ASC 810 (formerly FIN 46R “Consolidation of Variable Interest Entities”(“FIN 46R”)), as a result of the elimination of the qualifying special-purpose entity concept in FAS 166, and (2) constituent concerns about the application of certain key provisions, including those in which the accounting and disclosures under previous guidance do not always provide timely and useful information about an enterprise’s involvement in a variable interest. The new guidance shall be effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009. Earlier application is prohibited. The Company has not yet quantified the impact (if any) that this new standard will have on its consolidated financial statements.

ASC 505 — ASU 2010-01

In January 2010, the FASB issued ASU 2010-01, “Accounting for Distributions to Shareholders with Components of Stock and Cash.” The ASU clarifies when the stock portion of a distribution allows shareholders to elect to receive cash or stock, with a potential limitation on the total amount of cash which all shareholders could elect to receive in the aggregate, the distribution would be considered a share issuance as opposed to a stock dividend and the share issuance would be reflected in earnings per share prospectively.

Table of Contents

ITEM 6. Directors, Senior Management and Employees.

DIRECTORS AND EXECUTIVE OFFICERS

Our board of directors currently consists of nine members and is responsible for managing our business. Each director is elected for a term of one year or until a successor has been appointed. Our board of directors meets quarterly. Pursuant to Mexican law, at least 25% of the members of the board of directors must be independent, as such term is defined by the Mexican Securities Market Law. As required by New York Stock Exchange regulations, a majority of the members of our board of directors are independent.

As of the date of this annual report, the members of our board of directors are as follows:

Name	Born	Position
Eustaquio Tomás de Nicolás Gutiérrez	1961	Chairman
Gerardo de Nicolás Gutiérrez	1968	Chief Executive Officer
José Ignacio de Nicolás Gutiérrez	1964	Director
Luis Alberto Harvey MacKissack	1960	Director
Z. Jamie Behar	1957	Director
Wilfrido Castillo Sánchez-Mejorada	1941	Director
Edward Lowenthal	1944	Director
Rafael Matute Labrador	1960	Director
Dennis G. Lopez	1954	Director

Eustaquio Tomás de Nicolás Gutiérrez is Chairman of the board of directors. Before co-founding our predecessor in 1989, Mr. de Nicolás founded and managed DENIVE, a clothing manufacturing company. Mr. de Nicolás has been a Board Member of the Mexican Stock Exchange since 2005, and has served as regional Chairman and regional Vice Chairman of the Mexican Chamber of Industrial Housing Promoters and Development, or CANADEVI (Cámara Nacional de la Industria de Desarrollo y Promoción de Vivienda) and as a member of the regional advisory board of financial institutions such as BBVA Bancomer and HSBC (formerly BITAL). Currently, Mr. de Nicolás oversees our main operations, focusing on land acquisition and developing new geographical markets. Mr. de Nicolás received a B.S. in Business from Universidad Panamericana in Mexico City.

Gerardo de Nicolás Gutiérrez is the Company's Chief Executive Officer. Mr. de Nicolás served as Chief Strategic Officer and head of the Executive Committee from October 2006 to June 5, 2007. Mr. de Nicolás also served as the CEO of the Company from 1997 to September 2006. Prior to his appointment as CEO, Mr. de Nicolás served as regional manager, systems manager, and as construction supervisor. He holds an undergraduate degree in industrial engineering from Universidad Panamericana, in Mexico City and an MBA from Instituto Tecnológico y de Estudios Superiores de Monterrey in Guadalajara.

José Ignacio de Nicolás Gutiérrez is the Minister of Economic Development for the State Government of Sinaloa, was founder and Chairman of the Board of Directors from 1997 to 2007 of Hipotecaria Crédito y Casa, S.A. de C.V., Mr. de Nicolás also cofounded Homex and served as CEO from 1989 to 1997. Mr. de Nicolás is a member of the regional advisory board of Nacional Financiera (NAFIN), a Mexican government-owned development bank. He has recently been appointed member of the Board of Directors of Afore Coppel, a retirement fund administrator. In addition, Mr. de Nicolás founded and was chairman of a non-profit organization for social assistance in the state of Sinaloa from 2002 to 2005, and serves as national advisor of the Mexican Philanthropic Institute. Mr. de Nicolás received a B.S. in Finance and Administration from Universidad Panamericana, in Mexico City.

Luis Alberto Harvey MacKissack, is co-founding partner and senior managing director of Nexxus Capital, S.A. He has approximately 20 years of experience in investment banking and private equity. Before founding Nexxus, Mr. Harvey held positions at Grupo Bursátil Mexicano, Fonlyser, Operadora de Bolsa, and Servicios Industriales Peñoles, S.A. de C.V. His experience includes several private and public equity transactions and initial public offerings of several major Mexican corporations on the Mexican Stock Exchange (BMV) and international capital markets. Mr. Harvey is a member of the boards of directors of Nexxus Capital, S.A., Grupo Sports World, S.A. de C.V., Genomma Lab Internacional, S.A.B. de C.V., Harmon Hall Holding, S.D.R.L. de C.V. and Crédito Real S.A. de C.V. SOFOM, E.N.R. Mr. Harvey is also member of the investment committees of ZN Mexico Trust, ZN Mexico II, L.P. and Nexxus Capital Private Equity Fund III. Mr. Harvey received a B.S. in economics from Instituto Tecnológico Autónomo de México (ITAM) and an MBA with a concentration in finance from the University of Texas at Austin.

Z. Jamie Behar is Managing Director, Real Estate & Alternative Investments, for Promark Global Investors, Inc. (Prormark, formerly Asset Management Corp.). She manages Promark clients' real estate investment portfolios, including private market and publicly-traded securities investments, as well as their alternative investment portfolios, totaling $8.0 billion. Ms. Behar is a member of the board of directors of Sunstone Hotel Investors, Inc., a publicly listed hotel company operating in the United States, the Pension Real Estate Association (PREA), and serves on the advisory boards of several domestic and international private real estate investment entities.

Wilfrido Castillo Sánchez-Mejorada is CFO of Qualitas Cía. de Seguros, S.A.B de C.V., or Qualitas, a Mexican insurance company. Previously he served as CEO of Castillo Miranda, Contadores Públicos, a public accounting firm, and he has held senior positions in several brokerage firms. Mr. Castillo is a member of the board of directors of Quálitas Compañía de Seguros, S.A.B. de C.V , Unión de Esfuerzo para el Campo, A.C. and Grupo Financiero Aserta, S.A. de C.V.

Edward Lowenthal is president of Ackerman Management LLC, an investment management and advisory company with particular focus on real estate and other asset-based investments. Previously, Mr. Lowenthal founded and was president of Wellsford Real Properties, Inc., or WRP, a publicly-owned real estate merchant banking company that has merged with Reis, Inc., a real estate market information and analytics provider. He also founded and was trustee and president of Wellsford Residential Property Trust, a publicly-owned multi-family real estate investment trust that was merged into Equity Residential Properties Trust. Mr. Lowenthal is a member of the board of directors of several companies, including, Reis, Inc., Omega Healthcare Investors, Inc., a healthcare real estate investment trust and American Campus Communities, a publicly traded Real Estate Investment Trust which focuses solely on student housing in the United States. He also serves as non-executive Chairman of Tiburon Lockers, Inc., a privately held owner-operator of rental storage lockers for transportation, entertainment, sports and other venues.

Rafael Matute Labrador is Executive Vice-President and Chief Financial Officer of Wal-Mart de Mexico. He has been a member of the Board of Directors and the Executive Committee of the Board of Directors for Wal-Mart de Mexico, S.A.B. de C.V. since 1998. In addition, Mr. Labrador is a member of the Board of Directors for Banco Wal-Mart de Mexico. He has also been member of Consultative Boards for Nacional Financiera (NAFIN), Banorte y Banco Nacional de México (Banamex/Citibank). He has an MBA from the Instituto de Estudios Superiores de la Empresa (IESE), in Barcelona, Spain. He has attended upper management courses at IMD in Lausanne, Switzerland and at the University of Chicago Booth School of Business (GSB).

Dennis G. Lopez is Chief Investment Officer for AXA Real Estate, the leading Real Estate Investment Manager in Europe with €39.5 billion of property assets under management. Mr. Lopez is responsible for all of AXA Real Estate's Fund Management activities, overseeing a team of 95 fund management professionals. The funds comprise a broad range of real estate investment strategies including: opportunistic, value added, core-plus, core, development properties, listed funds, regulated funds and separate accounts. Mr. Lopez became a board member effective April 30, 2010. Mr. Lopez received a MBA from University of California Los Angeles (UCLA). He also received a B.S. in Business from California State University Long Beach.

Until April 30, 2010, Mathew M. Zell was a member of our board of directors. However, Mr. Zell declined to stand for reelection to the board and effective April 30, 2010, he is no longer a board member.

Secretary

The secretary of the board of directors is Jaime Cortés Rocha, who is not a member of the board of directors.

Audit Committee

Our Audit Committee consists of Wilfrido Castillo Sánchez-Mejorada (Chairman), Edward Lowenthal and Z. Jamie Behar. Effective April 30, 2010, Mr. Matthew Zell is no longer a member of our audit committee. Our board of directors has determined that Mr. Castillo has the attributes of an "audit committee financial expert" as defined by the SEC and that each member of the Audit Committee satisfies the financial literacy requirements of the New York Stock Exchange. Our statutory auditor may attend Audit Committee meetings, although he does not have the right to vote. Among other duties and responsibilities, the committee issues opinions to the board of directors regarding related party transactions; where if it deems appropriate, it recommends that independent experts be retained to render fairness opinions in connection with related party transactions and tender offers; reviews the critical accounting policies adopted by us and advises the board of directors on changes to such policies; assists the board of directors with planning and conducting internal audits; and prepares a yearly activity report for submission to the board of directors. The committee is also responsible for the appointment, retention, and oversight of the external auditing firm.

Table of Contents

Executive Committee

Our Executive Committee consists of Eustaquio Tomás de Nicolás Gutiérrez, Gerardo de Nicolás Gutiérrez, Edward Lowenthal, Luis Alberto Harvey MacKissack and Rafael Matute Labrador. Among other duties and responsibilities, the committee acts on general planning and financial matters not reserved exclusively for action by the board of directors, including appointing and removing our CEO, members of management, and any of our employees; entering into credit agreements on our behalf; and convening shareholders' meetings.

Corporate Governance and Compensation Committee

Our Corporate Governance and Compensation Committee consists of Luis Alberto Harvey Mackissack and Edward Lowenthal. Among other duties and responsibilities, the committee identifies individuals qualified to become Board Members and makes recommendations to the board of directors and shareholders regarding director nominees; develops and recommends to the board of directors a set of corporate governance principles applicable to the company; and oversees the evaluation of the Board and management. The committee also reviews and approves corporate goals and objectives relevant to CEO compensation; evaluates the CEO's performance in light of those goals and objectives; determines and approves the CEO's compensation level based on this evaluation; and makes recommendations to the Board with respect to non-CEO compensation, incentive-compensation plans and equity-based plans.

Risk Management Committee

Our Risk Management Committee consists of Eustaquio Tomás de Nicolás Gutiérrez, Gerardo de Nicolás Gutiérrez, Edward Lowenthal, Luis Alberto Harvey MacKissack, Rafael Matute Labrador, and Wilfrido Castillo Sánchez-Mejorada. The committee reviews and approves the Company's activities related to entering into hedging instruments. The committee also identifies and assesses other business risks associated with the Company's operations.

Disclosure Committee

Our disclosure committee as approved by the board of directors is comprised of the Company's top executives. This committee is chaired by the Investor Relations Officer and is comprised of the Chief Executive Officer, the Chief Financial Officer, the Manager of Financial Reporting, and the Administrative and Accounting Officer and the General Counsel. Among other duties and responsibilities, the committee establishes the criteria to identify relevant information and reviews before publishing all documents that are to be presented to the general public as well as to market analysts.

Ethics Committee

Our ethics committee, as approved by the board of directors is comprised of the Company's top executives. This committee is comprised of the Chief Executive Officer, the Executive Director of Human Resources and Corporate Responsibility, the General Counsel, the Executive Director of Internal Control and an external counsel. Among other functions, the committee acts to ensure that the Company complies with its code of ethics and determines the sanctions if certain actions are considered to be not in compliance therewith. The Committee also receives and processes complaints from the Company's personnel.

Table of Contents

Senior Management

As of the date of this annual report, our senior management is as follows:

Name	Born	Position
Eustaquio Tomás de Nicolás Gutiérrez	1961	Chairman
Gerardo de Nicolás Gutiérrez	1968	Chief Executive Officer
Carlos Moctezuma Velasco	1965	Chief Financial Officer
Ramón Lafarga Bátiz	1960	Administrative and Accounting Officer
Mónica Lafaire Cruz	1964	Vice President of Human Resources and Social Responsibility
Rubén Izábal González	1968	Vice President—Construction
Alberto Menchaca Valenzuela	1969	Vice President—Mexico Division
Daniel Leal Díaz-Conti	1952	Vice President—Sales and Marketing
Alberto Urquiza Quiroz	1962	Vice President—International Division
Fernando Ventura Peña	1969	Vice President—Tourism Division

Eustaquio Tomás de Nicolás Gutiérrez is Chairman of the board of directors. Before co-founding our predecessor in 1989, Mr. de Nicolás founded and managed DENIVE, a clothing manufacturing company. Mr. de Nicolás has been a Board Member of the Mexican Stock Exchange since 2005, and has served as regional Chairman and regional Vice Chairman of the Mexican Chamber of Industrial Housing Promoters and Development, or CANADEVI (Cámara Nacional de la Industria de Desarrollo y Promoción de Vivienda) and as a member of the regional advisory board of financial institutions such as BBVA Bancomer and HSBC (formerly BITAL). Currently, Mr. de Nicolás oversees our main operations, focusing on land acquisition and developing new geographical markets. Mr. de Nicolás received a B.S. in Business from Universidad Panamericana in Mexico City.

Gerardo de Nicolás Gutiérrez is the Company's Chief Executive Officer. Mr. de Nicolás served as Chief Strategic Officer and head of the Executive Committee from October 2006 to June 5, 2007. Mr. de Nicolás also served as the CEO of the Company from 1997 to September 2006. Prior to his appointment as CEO, Mr. de Nicolás served as regional manager, systems manager, and construction manager supervisor. He holds an undergraduate degree in industrial engineering from Universidad Panamericana, in Mexico City and an MBA from Instituto Tecnológico y de Estudios Superiores de Monterrey in Guadalajara.

Carlos Moctezuma Velasco is Homex´s Chief Financial Officer. Mr. Moctezuma had served as Investor Relations Officer since April, 2004. Mr. Moctezuma was appointed Director of Strategic Planning for the Company in December of 2007. Prior to joining Homex, Mr. Moctezuma served as Senior Manager of Finance and Investor Relations Officer in Grupo Iusacell, S.A. de C.V., a publicly traded Mexican wireless telecommunications company that was formerly a subsidiary of Verizon Communications. From 1993 to 1999, Mr. Moctezuma held various finance-related positions in Tubos de Acero de Mexico, S.A., including Manager of Investor Relations. Mr. Moctezuma is former President and co-founder of the Mexican Investor Relations Association (AMERI), having held various positions there from 2002 through 2008.

Ramón Lafarga Bátiz has been the Administrative and Accounting Officer of Homex since June 2007. Prior to this position, Mr. Lafarga served as Administrative Vice President from 1993 to 2006. His prior experience includes serving as CEO and partner in Lafarga Bátiz, Contadores Públicos, a public accounting firm, and partner and CEO of a private company specializing in computer equipment.

Mónica Lafaire Cruz is the Vice President of Human Development and Social Responsibility and President of Homex Foundation. Mónica Lafaire has served as director of Homex's regional offices and manager of the trust Homex—Nafin. She was also responsible for implementing the supply chain program with NAFIN. Besides her work at Homex, she taught finance, philosophy and management at the Universidad Panamericana. Mónica Lafaire has a degree in business administration from La Salle University.

Rubén Izábal González has served as Vice President—Construction since 1997. Prior to joining Homex, Mr. Izabal served at different construction companies, including Gomez y Gonzales Constructores, Provisur S.A. de C.V., Promotoria de Vivienda del Pacifico, S.A. de C.V., and Constructor Giza, S.A. de C.V. Currently, Mr. Izabal oversees our construction operations, with a focus on

the homebuilding process. Mr. Izabal earned an undergraduate degree in architecture from Instituto Tecnológico y de Estudios Superiores del Occidente in Guadalajara, Jalisco. Mr. Izabal also earned an associate degree in Business Management from Instituto Tecnológico de Estudios Superiores de Monterrey.

Alberto Menchaca Valenzuela has served as Vice President—Mexico Division since January 2010. Prior to becoming Vice President—Mexico Division, Mr. Menchaca served as Vice President—Affordable Entry-Level division and as Chief Operations Officer from 2007 to 2009, as Vice President—Operations from 2000 to 2006 and as finance manager from 1996 to 2000. His prior experience includes work at Banco Mexicano, InverMexico and Banca Confia. Mr. Menchaca earned an undergraduate degree in agricultural engineering from Universidad Autónoma Agraria Antonio Narro in Saltillo, Coahuila.

Daniel Leal Díaz-Conti has served as Vice President—Sales and Marketing since January 2007. Mr. Leal joined Homex from Hipotecaria Nacional, where he served as Deputy General Director of Sales and Marketing. Mr. Leal was also President of the mortgage chapter of the Mexican Association of Banks until February 2007. Mr. Leal has an undergraduate degree in economics from Universidad Veracruzana.

Alberto Urquiza Quiroz serves as Vice President—International Division. Mr. Urquiza also served as Vice president of NAFIN (Nacional Financiera), a Mexican development bank for five years, where he held several positions including Government Banking VP, Business Development VP and Mexico City Metropolitan Area VP. Prior thereto Mr. Alberto worked in Bancomer, one of the biggest banks in Mexico, for more than 15 years as Government Banking VP, Corporate Banking VP and Finance Engineer. He also owns a software company. He holds an undergraduate degree in business administration from Universidad Iberoamericana in Mexico City, an MBA from IPADE Business School and a postgraduate in Finance from Instituto Tecnológico Autónomo de México (ITAM).

Fernando Ventura Peña serves as Vice President—Tourism Division. Mr. Ventura has served as Tourism Division Project Director since October 2008. Prior to joining Homex, Mr. Ventura served as Director and Project Manager of architecture and interior design in prestigious architectural firms, such as Grupo GIA, Grupo MAC, Grupo Architech, Grupo Acción, ALESI Arquitectos and Gosselin Ingenieros Arquitectos Consultores, among others. Mr. Ventura has a degree in Engineering and Architecture from Instituto Politécnico Nacional.

Compensation of Directors and Senior Management

Each member of the board of directors is paid a fee of US$12,500 for each board meeting that he or she attends, subject to an annual cap of US$50,000. In addition, members of the audit committee are also paid an annual compensation fee of US$25,000 (the chairman of the audit committee's annual compensation is US$35,000 and members of the executive, corporate governance and compensation committees are paid an annual fee of US$5,000).

For 2009, the aggregate amount of compensation net of taxes paid to all directors, alternate directors and committee members was approximately US$510,482, which includes US$58,493 of variable compensation for directors paid during the second quarter of 2009.

For 2009, no compensation was paid to executive officers through the Long Term Executives Stock Option Plan.

We offer a bonus plan to our directors and senior management that is based on individual performance and our results of operations. This variable compensation can range from 30% to 50% of annual base compensation, depending on the employee's level.

Since late 2007, we offer a stock option plan as an incentive to key executives of the Company. The shares for the stock option plan for executives (999,200 shares) were repurchased by the Company, through a trust especially created for this purpose. In 2007, 978,298 stock options were granted to the key executives at an exercise price of greater than the market value at the grant date of Ps.98.08. During 2008, a total of 29,929 options were exercised, and 335,853 options were cancelled upon departure of the related employees. In addition, during 2009 the Company increased the stock option plan by approving the issuance of 73,232 additional stock options and granted 321,549 options at an exercise price of 43.54 Mexican pesos. None of our executives own more than 1% of stock.

The executives have the right to exercise one-third of their total options granted per year. The right to exercise the option expired after one year from the grant date or, in some cases, after 180 days from the departure of the executive from the Company. Given the condition of the equity markets in 2008 and 2009, the Company's Compensation Committee authorized the modification of the terms of the awards. Specifically, the duration of the program for options that were granted up to December 31, 2008 was extended

whereby the exercise of awards if not made in the previously specified period, could be exercised on year following but not later than December 31, 2010.

On October 27, 2009, certain modifications to the plan were made, as a result, the plan changed from a cash settled award to an equity settlement award.

The average fair value of all the stock options granted was Ps.15.63, Ps.6.02 and Ps.18.42 Mexican pesos per stock option, as of December 31, 2009, 2008 and 2007, respectively.

Compensation cost related to vested stock option awards was Ps.10,638 thousand at December 31, 2009. Total compensation cost related to vested stock option awards not yet recognized was Ps.3,687 thousand and Ps.18,019 thousand at December 31, 2008 and 2007, respectively.

EMPLOYEES

As of December 31, 2009 we had a total of approximately 12,295 employees, of whom 11,854 were employed in Mexico, 19 were employed in India and 422 in Brazil. Our total employees for the years ended 2008 and 2007 were 17,280 and 15,127, respectively. For the year ended December 31, 2008, we had 29 employees in India. Of our total employees as of December 31, 2009, approximately 42% were white-collar and 58% were blue-collar.

Share Ownership

The following table sets forth the beneficial ownership of our capital stock by our directors and senior management as of the date of this annual report. The table includes only those individuals who hold more than one percent of the outstanding shares of our capital stock.

Name	Number of Common Shares Owned	Percentage of Common Shares Outstanding
Eustaquio Tomás de Nicolás Gutiérrez	36,640,369	10.91%
Gerardo de Nicolás Gutiérrez	34,808,351	10.36%
José Ignacio de Nicolás Gutiérrez	8,363,326	2.49%
Julián de Nicolás Gutiérrez	27,480,277	8.18%

ITEM 7. Major Shareholders and Related Party Transactions.

MAJOR SHAREHOLDERS

As of December 31, 2009, there were 335,681,683 common shares issued and outstanding, with 169,680,498 shares held in the United States in the form of American Depositary Shares by six record holders. The remaining shares were held through Mexican custodians. Because certain of the shares are held by nominees, the number of record holders may not be representative of the number of beneficial holders.

On January 24, 2006, the Company completed a successful non-dilutive secondary public offering of approximately 45.6 million shares of its common stock by a group of investors controlled by Mr. Carlos Romano, the former majority investor of Beta, who sold his position in Homex as part of his overall financial strategy. Equity International Properties also sold approximately 33.0% of its position. Consequently, the public float of the Company was increased to 46.0% of the total equity of Homex.

On May 15, 2007, Mr. José Ignacio de Nicolas Gutierrez, a member of the Homex board of directors, sold a significant portion of his interest in Homex through the Mexican Stock Exchange, decreasing the percentage of shares owned by the de Nicolás family and increasing the public float of the Company to 54.0% of the total equity of Homex.

On July 26, 2007, Equity International Properties, Ltd., a shareholder of the Company, sold approximately 8.6 million common shares through the Mexican Stock Exchange. These shares represented 20% of its ownership in the Company. The public float of the Company was increased to 56.61% of the total equity of Homex.

Table of Contents

On November 8, 2007, the main shareholders of Homex, led by Mr. Eustaquio de Nicolás Gutierrez, chairman of the board of directors of Homex, acquired 6.7 million common shares of Homex from EIP Investment Holdings L.L.C., an indirect subsidiary of EIP, in a private transaction.

On February 5, 2008, the de Nicolás family acquired 17,142,857 common shares of Homex from EIP in a private transaction. On April 25, 2008, pursuant to the investment policies of EIP's investment fund, EIP sold approximately 11 million common shares of Homex in a private transaction. As of March 31, 2009, EIP had an ownership equivalent to 0.97% of the Company's common shares. See "Item 4. Information on the Company—Business Overview—Our Relationship with Equity International Properties, Ltd."

The de Nicolás family now holds 35.1% of Homex's capital. The public float remains below 64.9%.

The table below sets forth information concerning the percentage of our capital stock owned by any person known to us to be the owner of 5% or more of any class of our voting securities, our directors and officers as a group and our other shareholders as of June 29, 2010. The Company's major shareholders do not have different or preferential voting rights with respect to the shares they own.

	As of June 29, 2010	
Identity of Shareholder	**Number of Shares**	**% of Share Capital**
de Nicolás family(1)	117,777,176	35.1 %
Total(2)	335,869,550	100.0 %

(1) Held by Ixe Banco, S.A. as trustee of Trust No. F/466 for the benefit of the de Nicolás family, including Eustaquio Tomás de Nicolás Gutiérrez, José Ignacio de Nicolás Gutiérrez, Gerardo de Nicolás Gutiérrez, Julián de Nicolás Gutiérrez and Ana Luz de Nicolás Gutiérrez. Voting and dispositive control over these shares is directed by a Technical Committee comprised of Eustaquio Tomás de Nicolás Gutiérrez, José Ignacio de Nicolás Gutiérrez, Gerardo de Nicolás Gutiérrez, Julián de Nicolás Gutiérrez and Juan Carlos Torres Cisneros.

(2) Includes public shareholders that in the aggregate hold 64.9% of our share capital.

RELATED PARTY TRANSACTIONS

We have engaged, and in the future may engage, in transactions with our shareholders and companies affiliated with our shareholders. We believe that the transactions in which we have engaged with these parties have been made on terms that are no less favorable to us than those that could be obtained from unrelated third parties. We currently require that transactions with our shareholders and companies affiliated with our shareholders be approved by our board of directors after considering the recommendation of our audit committee or our corporate governance and compensation committee and, in certain cases, after an independent fairness opinion, as required by the Mexican Securities Market Law and other applicable laws.

The Company was a party to an administrative service agreement with two entities whose principal owners are officers of the Company (Serviasesorías and Administradores de la Empresa en Equipo), for which PICSA paid a 5% fee based on total expenses. The amounts paid under this agreement totaled Ps. 55,389 thousand in 2007. No amounts were paid in 2009 and 2008. As of April 1, 2007, these companies entered in a liquidation process and the employees were transferred to subsidiaries of the Company.

Financing to Related Parties

No related party transactions were reported in 2009 and 2008.

Land Purchases from Related Parties

No related party transactions were reported in 2009 and 2008.

ITEM 8. Financial Information.

See “Item 18. Financial Statements.” For information on our dividend policy, see “Item 3. Key Information—Dividends.” For information on legal proceedings related to us, see “—Legal Proceedings.”

LEGAL PROCEEDINGS

As of the date of this annual report, we are involved in certain legal proceedings incidental to the normal operation of our business. We do not believe that liabilities resulting from these proceedings are likely to have a material adverse effect on our financial condition, cash flow, or results of operations.

In July 2007, the Company entered into a Quota holders’ Agreement with Empreendimentos Imobiliarios Limitada (“E.O.M”), pursuant to which the Company agreed to contribute 67% and E.O.M. agreed to contribute 33% of the projected 4.0 million Brazilian Reals capital stock of Homex Brasil Incorporacoes and Construcoes Imobiliarios Limitada. Following disagreements with E.O.M., the Company exercised its right to withdraw from the Quota holders’ Agreement.

In November 2008, the Company reached an agreement (“Brazilian settlement”) to end the Quota holders’ Agreement entered into with E.O.M. in July 2007, and terminate all litigation that had been taking place in the previous months. The settlement of the dispute included the purchase of the 33% interest of Khafif family’s in Homex Brasil, through E.O.M., for BR$8,352,941, equivalent to approximately Ps.48,536 thousand, of which BR$5.2 million (Ps.25,030 thousand) has been paid as of December 31, 2009 (Ps.11,730 thousand was paid as of December 31, 2008). The remaining balance will be paid in two equal payments in the months of April and October of 2010. The Company has treated the step acquisition of this non-controlling interest as a transaction between entities under common control, as is appropriate under MFRS. Because E.O.M. had negligible identifiable tangible or intangible assets as of the date of the transaction, the Company has recognized the entire amount of this transaction as a settlement expense (other expense) in the statement of income for 2008 (See Note 21 to the consolidated financial statements).

The Company now operates in Brazil through its 100%-owned subsidiary.

Table of Contents

ITEM 9. The Offer and Listing.

Our common shares have been traded on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A. de C.V.*) since June 29, 2004. The ADSs, each representing six common shares, have been trading on the New York Stock Exchange since June 29, 2004. On December 31, 2009, there were 335,681,683 outstanding common shares (of which 169,680,498 were represented by 28,280,083 ADSs held by six holders of record in the United States).

The following table sets forth, for the periods indicated, the quarterly and monthly high and low closing sale prices of our common shares and ADSs as reported by the Mexican Stock Exchange and the New York Stock Exchange, respectively.

	Mexican Stock Exchange		NYSE	
	High	Low	High	Low
	(Ps.per share)		(U.S. $ per ADS) (one ADS= six common shares)	
2005				
1st Quarter	62.66	43.54	33.62	22.89
2nd Quarter	49.20	39.86	27.60	21.70
3rd Quarter	56.34	48.68	31.97	26.98
4th Quarter	58.77	49.18	32.80	27.21
2006				
1st Quarter	66.85	54.80	38.21	30.68
2nd Quarter	71.26	51.90	38.98	27.11
3rd Quarter	70.97	56.37	39.45	30.85
4th Quarter	108.16	68.23	59.90	36.97
2007				
1st Quarter	117.20	93.71	64.14	50.03
2nd Quarter	115.35	104.62	63.16	57.13
3rd Quarter	112.02	89.89	62.37	49.59
4th Quarter	105.18	82.47	57.90	44.97
2008				
1st Quarter	112.90	84.11	62.80	45.99
2nd Quarter	120.10	100.49	69.85	58.58
3rd Quarter	103.04	74.92	60.84	41.41
4th Quarter	77.60	27.17	42.51	12.05
2009				
1st Quarter	56.78	26.06	25.55	10.05
2nd Quarter	65.83	33.58	29.21	14.54
3rd Quarter	89.75	60.23	40.39	26.69
4th Quarter	95.59	69.29	43.81	31.65
2010				
January	77.51	66.82	36.63	30.65
February	67.55	56.88	31.43	26.82
March	59.36	54.13	27.94	26.08
April	64.70	58.58	31.83	28.77
May	60.66	53.35	29.75	24.50
June	57.49	54.37	26.86	25.31

On June 29, 2010 , the last reported sale price of the common shares on the Mexican Stock Exchange was Ps.54.85 per common share and the last reported sale price of the ADSs on the New York Stock Exchange was US$25.63 per ADS.

MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Operating continuously since 1907, the Mexican Stock Exchange is organized as a corporation (*sociedad anónima bursátil de capital variable*). Securities are traded on the Mexican Stock Exchange each business day from 8:30 a.m. to 3:00 p.m., Mexico City time.

Since January 1999, all trading on the Mexican Stock Exchange has been effected electronically. The Mexican Stock Exchange may impose a number of measures to promote an orderly and transparent trading price of securities, including the operation of a system of automatic suspension of trading in shares of a particular issuer when price fluctuation exceeds certain limits. The Mexican Stock Exchange may also suspend trading in shares of a particular issuer as a result of:

- non-disclosure of material events; or
- changes in the offer or demand, volume traded, or prevailing share price, that are inconsistent with the shares' historical performance and cannot be explained through publicly available information.

The Mexican Stock Exchange may reinstate trading in suspended shares when it deems that the material events have been adequately disclosed to public investors or when it deems that the issuer has adequately explained the reasons for the changes in offer and demand, volume traded, or prevailing share price. Under current regulations, the Mexican Stock Exchange may consider the measures adopted by other stock exchanges in order to suspend and/or resume trading in an issuer's shares in cases where the relevant securities are simultaneously traded on a stock exchange outside Mexico.

Settlement on the Mexican Stock Exchange is effected two business days after a share transaction. Deferred settlement is not permitted without the approval of the CNBV, even where mutually agreed. Most securities traded on the Mexican Stock Exchange are on deposit with the Mexican Securities Depository, or INDEVAL (*S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores, S.A. de C.V.*), a privately owned securities depositary that acts as a clearinghouse, depositary, and custodian, as well as a settlement, transfer, and registration agent for Mexican Stock Exchange transactions, eliminating the need for physical transfer of securities.

Although the Mexican Securities Market Law (*Ley del Mercado de Valores*) provides for the existence of an over-the-counter market, no such market for securities in Mexico has developed.

Market Regulation and Registration Standards

In 1925, the Mexican Banking Commission (*Comisión Nacional Bancaria*) was established to regulate banking activity and in 1946 the CNBV was established to regulate stock market activity. In 1995, these two entities were merged to form the CNBV. The Mexican Securities Market Law, which took effect in 1975, introduced important structural changes to the Mexican financial system, including the organization of brokerage firms as corporations (*sociedades anónimas*). The Mexican Securities Market Law sets standards for authorizing companies to operate as brokerage firms, which authorization is granted at the discretion of the CNBV by resolution of its board of governors. In addition to setting standards for brokerage firms, the Mexican Securities Market Law authorizes the CNBV, among other things, to regulate the public offering and trading of securities and to impose sanctions for the illegal use of insider information and other violations of the Mexican Securities Market Law. The CNBV regulates the Mexican securities market, the Mexican Stock Exchange, and brokerage firms through a board of governors composed of 13 members.

Effective June 28, 2006, the Mexican Securities Market Law requires issuers to increase the protections offered to minority shareholders and to bring corporate governance practices in line with international standards. Such protections and corporate governance practices have been incorporated to our bylaws. See "Item 3. Key Information—Risk Factors — Risk Factors Related to Mexico — Minority shareholders have different rights against us, our directors, or our controlling shareholders in Mexico."

To offer securities to the public in Mexico, an issuer must meet specific qualitative and quantitative requirements. In addition, only securities that have been registered with the Mexican Securities Registry pursuant to CNBV approval may be listed on the Mexican Stock Exchange. The CNBV's approval for registration does not imply any kind of certification or assurance related to the investment quality of the securities, the solvency of the issuer, or the accuracy or completeness of any information delivered to the CNBV.

In March 2003, the CNBV issued certain general regulations applicable to issuers and other securities market participants. The general regulations, which repealed several previously enacted CNBV regulations *(circulares*), now provide a single set of rules governing issuers and issuer activity, among other things. The CNBV general regulations were amended to conform to the Mexican Securities Market Law by resolution of the CNBV published on September 6, 2004, September 22, 2006, and were updated on September 19, 2008, January 27, July 22 and December 29, 2009.

The general regulations state that the Mexican Stock Exchange must adopt minimum requirements for issuers to list their securities in Mexico. These requirements relate to matters such as operating history, financial and capital structure, and distribution. The general regulations also state that the Mexican Stock Exchange must implement minimum requirements for issuers to maintain their listing in Mexico. These requirements relate to matters such as financial condition, trading minimums, and capital structure, among others. The Mexican Stock Exchange will review compliance with the foregoing requirements and other requirements on an annual, semi-annual and quarterly basis. The Mexican Stock Exchange must inform the CNBV of the results of its review and this information must, in turn, be disclosed to investors. If an issuer fails to comply with any of the foregoing requirements, the Mexican Stock Exchange will request that the issuer propose a plan to cure the violation. If the issuer fails to propose a plan, or if the plan is not satisfactory to the Mexican Stock Exchange, or if an issuer does not make substantial progress with respect to the corrective measures, trading of the relevant series of shares on the Mexican Stock Exchange will be temporarily suspended. In addition, if an issuer fails to propose a plan or ceases to follow the plan once proposed, the CNBV may suspend or cancel the registration of the shares.

Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements as well as various periodic reports with the CNBV and the Mexican Stock Exchange. Mexican issuers must file the following reports with the CNBV:

- an annual report prepared in accordance with CNBV regulations by no later than June 30 of each year (analogous to reports filed with the SEC by U.S. issuers on Form 10-K and by foreign private issuers on Form 20-F);
- quarterly reports, within 20 days following the end of each of the first three quarters and 40 days following the end of the fourth quarter (analogous to reports filed with the SEC by U.S. issuers on Form 10-Q); and
- current reports promptly upon the occurrence of material events (analogous to reports filed with the SEC by U.S. issuers on Form 8-K and by foreign private issuers on Form 6-K).

Pursuant to the CNBV's general regulations, the internal rules of the Mexican Stock Exchange were amended to implement an automated electronic information transfer system, or SEDI (*Sistema Electrónico de Envío y Difusión de Información*), for information required to be filed with the Mexican Stock Exchange. Issuers of listed securities must prepare and disclose their financial information via a Mexican Stock Exchange-approved electronic financial information system, or SIFIC (*Sistema de Información Financiera Computarizada*). Immediately upon its receipt, the Mexican Stock Exchange makes financial information prepared via SIFIC available to the public.

The CNBV's general regulations and the rules of the Mexican Stock Exchange require issuers of listed securities to file information through SEDI that relates to any act, event, or circumstance that could influence an issuer's share price. If listed securities experience unusual price volatility, the Mexican Stock Exchange must immediately request that the issuer inform the public as to the causes of the volatility or, if the issuer is unaware of the causes, that the issuer make a statement to that effect. In addition, the Mexican Stock Exchange must immediately request that issuers disclose any information relating to relevant material events, when it deems the information currently disclosed to be insufficient, as well as instruct issuers to clarify the information when necessary. The Mexican Stock Exchange may request issuers to confirm or deny any material events that have been disclosed to the public by third parties when it deems that the material event may affect or influence the securities being traded. The Mexican Stock Exchange must immediately inform the CNBV of any such requests. In addition, the CNBV may also make any of these requests directly to issuers. An issuer may defer the disclosure of material events under some circumstances, as long as:

- the issuer implements adequate confidentiality measures;
- the information is related to incomplete transactions;
- there is no misleading public information relating to the material event; and
- no unusual price or volume fluctuation occurs.

The CNBV and the Mexican Stock Exchange may suspend trading in an issuer's securities:

- if the issuer does not disclose a material event; or
- upon price or volume volatility or changes in the offer or demand in respect of the relevant securities that are not consistent with the historic performance of the securities and cannot be explained solely through information made publicly available pursuant to the CNBV's general regulations.

The Mexican Stock Exchange must immediately inform the CNBV and the general public of any such suspension. An issuer may request that the CNBV or the Mexican Stock Exchange resume trading, assuming the issuer demonstrates that the causes triggering the suspension have been resolved and that it is in full compliance with the periodic reporting requirements under the applicable law. If the issuer's request has been granted, the Mexican Stock Exchange will determine the appropriate mechanism to resume trading. If trading in an issuer's securities is suspended for more than 20 business days and the issuer is authorized to resume trading without conducting a public offering, the issuer must disclose via SEDI a description of the causes that resulted in the suspension and reasons why it is now authorized to resume trading before trading may resume.

Similarly, if an issuer's securities are traded on both the Mexican Stock Exchange and a foreign securities exchange, the issuer must simultaneously file the information that it is required to file pursuant to the laws and regulations of the foreign jurisdiction with the CNBV and the Mexican Stock Exchange.

Pursuant to the Mexican Securities Market Law:

- members of the board of directors and principal officers of a listed issuer;
- shareholders controlling 10% or more of a listed issuer's outstanding share capital, and the directors and principal officers of such shareholders;
- groups having significant influence on a listed issuer; and
- other insiders

must abstain from purchasing or selling securities of the issuer within 90 days from the most recent public tender of shares of the issuer for sale or purchase, respectively. Shareholders of issuers listed on the Mexican Stock Exchange must notify the Mexican Stock Exchange of any transactions made in or outside the Mexican Stock Exchange that result in a transfer of 10% or more but less than 30% of an issuer's share capital on the day following the respective transaction.

The Mexican Securities Market Law requires any acquirer of more than 30% of an issuer's outstanding share capital to make a public tender offer.

Any intended acquisition of a public company's shares that results in the acquirer obtaining control of the company requires the potential acquirer to make a tender offer for 100% of the company's outstanding share capital. These tender offers must be made at the same price for all tendering shareholders. The board of directors must give an opinion on any tender offer within 10 days after the tender offer notice.

In addition, the Mexican Securities Market Law requires shareholders holding 10% or more of a listed issuer's share capital to notify the CNBV of any share transfer.

Pursuant to the January 27, 2009 CNBV regulations update, the Company must notify the CNBV by June 30 of each year the individual shareholdings by directors and executive officers of 1% or more of the Company's share capital, or any other shareholdings of more than 5% of said capital.

Mexican Securities Market Law

The Mexican legislature issued an amended Mexican Securities Market Law effective June 28, 2006. The amendments provide, among other things, that:

- issuers must have a board of directors with at least five and not more than 21 members, of which 25% must qualify as "independent directors" under Mexican law;

- issuers' boards of directors must approve related party transactions and material asset transactions;

- issuers must appoint and maintain an audit committee and a corporate governance committee; and

- issuers must provide additional protections for minority shareholders.

The Mexican Securities Market Law permits issuers to include anti-takeover defenses in their bylaws and provides for specified minority rights and protections, among other things.

The Mexican Securities Market Law does not permit issuers to implement mechanisms where common shares and limited or non-voting shares are jointly traded or offered to public investors, unless the limited or non-voting shares are convertible into common shares within a term of up to five years. In addition, the aggregate amount of shares with limited or non-voting rights may not exceed 25% of the aggregate amount of publicly-held shares, unless approved by the CNBV.

ITEM 10. Additional Information.

BYLAWS

Set forth below is a brief summary of certain significant provisions of (1) our bylaws, as amended by our shareholders in accordance with the Mexican Securities Market Law and regulations, and (2) the Mexican Companies Law. This description does not purport to be complete and is qualified by reference to our bylaws, which have previously been filed with the SEC.

Organization and Register

We are a corporation (*sociedad anónima bursátil de capital variable*) organized in Mexico under the *Ley General de Sociedades Mercantiles*, or the Mexican Companies Law and the *Ley del Mercado de Valores*, or the Mexican Securities Market Law. We were incorporated on March 30, 1998 and the duration of our corporate life is indefinite. Our corporate purpose, as fully described in Article 2 of our bylaws, is to act as a holding company. As such, our bylaws grant us the power to engage in various activities, which allow us to function as a holding company. These powers include, but are not limited to, the ability to (i) promote, establish, organize and administer all types of companies, mercantile or civil; (ii) acquire or dispose of stock or interests in other mercantile or civil companies, either by taking part in their formation or acquiring shares or interests in companies that are already in existence; (iii) receive from third parties and give to the companies of which it is a shareholder or partner or to any other third party, guidance or technical consulting services, including services in the fields of administration, accounting, merchandising or financing; (iv) obtain, acquire, utilize or dispose of any patent, brand or commercial name, franchise or rights in industrial property in Mexico or abroad; (v) obtain any type of financing or loan, with or without a specific guarantee, and grant loans to mercantile or civil companies or other persons in which the company has an interest or with others with which it has a business relationship; (vi) grant any type of guarantee and endorsement in respect to obligations or credit instruments, for the benefit of mercantile or civil companies or other persons with which the company has an interest or with which it maintains a business relationship; (vii) issue, subscribe, draw, accept and endorse all types of credit instruments, including obligations with or without a guarantee; (viii) acquire, rent, administer, sell, mortgage, pledge, encumber or dispose of goods, in whatever form, being movable or immovable, as well as rights over the same; (ix) execute any kind of act and formalize any kind of labor, civil, mercantile or administrative agreement or contract permitted by Mexican legislation, with real and corporate personalities that are either public or private, obtaining from these, concessions, permits and authorizations relating directly or indirectly to the company's objectives as set forth in its bylaws, including, actively or passively entering into any agreement regarding any type of services, consulting work, supervisory work and technical direction that would be necessary or proper for the aforementioned goals; (x) issue treasury stock in accordance with Article 81 of the Mexican Securities Market Law; (xi) establish agencies or representatives and act as broker, agent, representative, mercantile mediator or distributor; and (xii) perform any acts necessary to accomplish the foregoing.

Table of Contents

Directors

Our bylaws provide that our board of directors will consist of a minimum of five and a maximum of 21 members, as resolved by the relevant shareholders' meeting. At least 25% of the members of our board of directors must be independent pursuant to Mexican law. At each shareholders' meeting for the election of directors, holders of at least 10% of our outstanding share capital are entitled to appoint one member of the board of directors.

Pursuant to Mexican law, any director who has a conflict of interest with us relating to a proposed transaction must disclose the conflict and refrain from voting on the transaction or be liable for damages. Directors receive compensation as determined at the ordinary shareholders' meetings.

Authority of the board of directors

The board of directors is our legal representative and is authorized to take any action in connection with our operations not expressly reserved to our shareholders. Pursuant to the Mexican Securities Market Law, the board of directors must approve, among other things:

- strategic decisions for the Company and its subsidiaries;
- any transactions outside the ordinary course of business to be undertaken with related parties;
- significant asset transfers or acquisitions;
- credit policies;
- granting material guarantees or collateral;
- designation of the Chief Executive Officer (or Director General); and
- any other important transactions.

Meetings of our board of directors are validly convened and held if a majority of its members are present. Resolutions passed at these meetings will be valid if approved by a majority of the disinterested members of the board of directors present at the meeting. If required, the chairman of the board of directors may cast a tie-breaking vote.

Voting Rights and Shareholders' Meetings

Each common share entitles its holder to one vote at any meeting of our shareholders.

Under Mexican law and our bylaws, we may hold two types of shareholders' meetings: ordinary and extraordinary.

Ordinary shareholders' meetings are those called to discuss any issues not reserved for extraordinary shareholders' meetings. An annual ordinary shareholders' meeting must be held within the first four months following the end of each fiscal year to discuss, among other things:

- approving or modifying the report of the board of directors including the audited year-end financial statements, as well as the report of the Chief Executive Officer (or Director General);
- allocating profits, if applicable;
- appointing or ratifying the appointment of members of the board of directors and the secretary, and determining their compensation;
- appointing the chairman of the audit committee and of the corporate governance committee;
- designating the maximum amount that may be allocated to share repurchases;

- discussing the audit committee's and corporate governance committee's annual reports to the board of directors; and
- approving transactions of the Company and subsidiaries representing 20% or more of the consolidated assets of the Company.

Extraordinary shareholders' meetings may be called to consider any of the following matters, among other things:

- extending the corporate duration of the Company;
- dissolution;
- increases or reductions of our fixed share capital;
- changes in the Company's corporate purpose or nationality;
- transformation or merger;
- issues of preferred shares;
- share redemptions;
- delisting of our shares with the Mexican Securities Registry or with any stock exchange;
- any amendments to our bylaws; and
- any other matters for which applicable Mexican law or the bylaws specifically require an extraordinary shareholders' meeting.

The board of directors, the audit committee and the corporate governance committee may call any shareholders' meeting. Any shareholder or group of shareholders with voting rights representing at least 10% of our share capital may request in writing that the board of directors call a shareholders' meeting to discuss the matters indicated in the written request. If the board of directors fails to call a meeting within 15 calendar days following the date of such written request, the shareholder or group of shareholders may request that a competent court call the meeting. A single shareholder may request a call for a shareholders' meeting if no meeting has been held for two consecutive years or if matters to be dealt with at an ordinary shareholders' meeting have not been considered.

Holders of 20% of our outstanding shares may oppose any resolution adopted at a shareholders' meeting and file a petition for a court order to suspend the resolution temporarily within 15 days following the adjournment of the meeting at which the action was taken, provided that the challenged resolution violates Mexican law or our bylaws and the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution. In order to obtain such a court order, the opposing shareholder must deliver a bond to the court in order to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder. Shareholders representing at least 10% of the shares present at a shareholders' meeting may request to postpone a vote on a specific matter on which they consider themselves to be insufficiently informed.

Notices of shareholders' meetings must be published in the official gazette of Sinaloa and in one newspaper of general circulation in the country at least 15 calendar days prior to the date of the meeting. Each notice must set forth the place, date, and time of the meeting and the matters to be addressed and must be signed by whomever convenes the meeting. Shareholders' meetings will be deemed validly held and convened without a prior notice or publication whenever all the shares representing our capital are duly represented. All relevant information relating to the shareholders' meeting must be made available to shareholders starting on the date the notice is published.

To be admitted to any shareholders' meeting, shareholders must be registered in our share registry or provide evidence of their status as shareholders as provided in our bylaws (including through certificates provided by INDEVAL and INDEVAL participants). Shareholders may appoint one or more attorneys-in-fact to represent them pursuant to general or special powers of attorney or by a proxy. Attorneys-in-fact may not be directors of Homex.

At or prior to the time of the publication of any notice of a shareholders' meeting, we will provide copies of the notice to the depositary for distribution to the ADS holders. ADS holders are entitled to instruct the depositary as to the exercise of voting rights pertaining to the common shares.

Quorum

Ordinary shareholders' meetings are legally convened pursuant to a first notice when a majority of our share capital is present or duly represented. Any number of shares present or duly represented at an ordinary meeting of shareholders convened pursuant to a second or subsequent notice constitutes a quorum. Resolutions at ordinary shareholders' meetings are valid when approved by a majority of the shares present at the meeting.

Extraordinary shareholders' meetings are regarded as legally convened pursuant to a first notice when at least 75% of the shares of our share capital are present or duly represented. A majority of shares must be present or duly represented at an extraordinary shareholders' meeting called pursuant to a second or subsequent notice to be considered legally convened. Resolutions at extraordinary shareholders' meetings are valid when approved by one-half of our share capital.

Registration and Transfer

We have registered our common shares with the Mexican Securities Registry maintained by the CNBV, as required under the Mexican Securities Market Law and regulations issued by the CNBV. If we wish to cancel our registration, or if it is cancelled by the CNBV, our shareholders who are deemed to have "control" at that time will be required to make a public offer to purchase all outstanding shares, prior to the cancellation.

Our shareholders may hold our common shares as physical certificates or, upon registration, through institutions having accounts at INDEVAL. These accounts may be maintained by brokers, banks and other entities approved by the CNBV. In accordance with Mexican law, only holders listed in our share registry and those holding ownership certificates issued by INDEVAL and INDEVAL participants are recognized as our shareholders.

Changes in Share Capital and Pre-emptive Rights

Our minimum fixed share capital may be reduced or increased by a resolution of an extraordinary shareholders' meeting, subject to the provisions of our bylaws, the Mexican General Business Corporations Law, the Mexican Securities Market Law and regulations issued thereunder. Our variable share capital may be reduced or increased by resolution of an ordinary shareholders' meeting in compliance with the voting requirements of our bylaws.

In the event of a share capital increase, our shareholders will have a pre-emptive right to subscribe and pay for new stock issued as a result of the increase in proportion to their shareholder interest at that time, except if the new stock is issued for a public offering. This pre-emptive right must be exercised by subscribing and paying for the relevant shares within the time period set forth in the resolution authorizing the increase, which will be no less than 15 calendar days following the date of publication of the corresponding notice to our shareholders in the official gazette of Sinaloa and in one newspaper of general circulation in Culiacán, Sinaloa.

Share Repurchases

Pursuant to the Mexican Securities Market Law and our bylaws, we may repurchase our shares on the Mexican Stock Exchange at the prevailing market price. Repurchased shares cannot be represented at any shareholders' meeting. We are not required to create a special reserve for the repurchase of shares and we do not need the approval of our board of directors to effect share repurchases. However, we are required to obtain shareholder approval as described below. In addition, our board of directors must appoint an individual or group of individuals responsible for effecting share repurchases. These repurchases must be made subject to the provisions of the Mexican Securities Market Law, and carried out, reported, and disclosed in the manner established by the CNBV.

If we intend to repurchase more than 1% of our outstanding common shares at a single trading session, we must inform the public of this intention at least 10 minutes before submitting our bid. If we intend to repurchase 3% or more of our outstanding common shares during a period of 20 trading days, we must conduct a public tender offer for those common shares.

We may not submit bids for repurchase during the first and the last 30 minutes of each trading session and we must inform the Mexican Stock Exchange of the results of any share repurchase no later than the following business day.

The amount allocated to share repurchases is determined annually by our shareholders at a general ordinary shareholders' meeting and cannot exceed the aggregate amount of our net profits, including retained profits.

Delisting

If we decide to cancel the registration of our shares with the Mexican Securities Registry or if the CNBV orders such deregistration, we will be required to make a tender offer to purchase the shares held by minority shareholders prior to such cancellation. Shareholders deemed to have "control" will be secondarily responsible for making such tender offer. The price of the offer to purchase will be the higher of:

- the average trading price on the Mexican Stock Exchange during the last 30 days on which the shares were quoted prior to the date on which the tender offer is made; and

- the book value of the shares as reflected in our latest quarterly report filed with the CNBV and the Mexican Stock Exchange.

In order to make the repurchase, we must form a trust and contribute to it the amount required to secure payment of the purchase price offered pursuant to the tender offer to all of our shareholders that did not sell their shares pursuant to the tender offer. The trust must be in force for a period of at least six months from the date of delisting.

No later than 10 business days following the commencement of an offering, our board of directors must issue an opinion on the offering price reflecting the opinion of our audit committee and disclosing any potential conflicts of interest that any of the board members may have. The board's resolution may be accompanied by a fairness opinion issued by an expert selected by us.

Ownership of Share Capital by Subsidiaries

Our subsidiaries may not, directly or indirectly, purchase our shares.

Redemption

Pursuant to the Mexican Securities Market Law, shareholders are entitled to the redemption of their variable common shares, pro rata, by resolution of the shareholders' meeting.

Liquidation

Upon our dissolution, one or more liquidators must be appointed at an extraordinary shareholders' meeting to wind-up our affairs. All shares will be entitled to participate equally in any distribution upon liquidation.

Appraisal Rights and Other Minority Protections

If shareholders approve a change in our corporate purpose, nationality, or corporate form, any voting shareholder who voted against these matters is entitled to the redemption of its common shares at book value pursuant to the last financial statements approved by our shareholders at a shareholders' meeting. These redemption rights must be exercised within 15 days after the shareholders' meeting at which the matter was approved.

Pursuant to the Mexican Securities Market Law and the Mexican General Business Corporations Law, our bylaws include a number of minority shareholder protections. These minority protections include provisions that permit:

- holders of at least 5% of our outstanding share capital to bring an action for civil liabilities against our directors and members of our senior management, provided that any recovery is for our benefit and not the benefit of the plaintiffs;

- holders of at least 10% of our shares who are entitled to vote (including in a limited or restricted manner) to request that a shareholders' meeting be called in certain limited situations;

- holders of at least 10% of our shares who are entitled to vote (including in a limited or restricted manner) at any shareholders' meeting to request that resolutions with respect to any matter on which they were not sufficiently informed to be postponed;

- holders of at least 10% of our outstanding share capital to appoint one member of our board of directors; and

- holders of at least 20% of our outstanding share capital to contest and suspend any shareholder resolution, subject to certain requirements under Mexican law.

In addition, pursuant to the Mexican Securities Market Law, we are also subject to certain corporate governance requirements, including the requirement to maintain an audit committee and a corporate governance committee and that at least 25% of our directors qualify as independent. The CNBV is empowered to verify their independence.

The protections afforded to minority shareholders under Mexican law are generally different from those in the United States and other jurisdictions, although we believe the Mexican Securities Market Law has introduced higher corporate governance standards including director fiduciary duties with a comprehensive description of duties of care and loyalty. Mexican civil procedure does not provide for class-action lawsuits.

Notwithstanding the foregoing, it is anticipated to be more difficult for our minority shareholders to enforce rights against us or our directors or principal shareholders than it is for shareholders of a U.S. issuer.

Information to Shareholders

The Mexican General Business Corporations Law establishes that companies, acting through their board of directors, must annually present a report to shareholders at a shareholders' meeting that includes:

- a report of the directors on the operations of the company and its subsidiaries during the preceding year, as well as on the policies followed by the directors and management;

- an opinion on the Chief Executive Officer's report on the principal accounting and information policies and criteria followed in the preparation of the financial information;

- a statement of the financial condition of the company at the end of the fiscal year;

- a statement showing the results of operations of the company during the preceding year, as well as changes in the company's financial condition and share capital during the preceding year; and

- the notes which are required to complete or clarify the above-mentioned information.

In addition, the Mexican Securities Market Law requires that information relating to matters to be discussed at shareholders' meetings be made available to shareholders from the date on which the notice for the relevant meeting is published.

Restrictions Affecting Non-Mexican Shareholders

Foreign investment in capital stock of Mexican corporations is regulated by the 1993 Foreign Investment Law and by the 1998 Foreign Investment Regulations to the extent they are not inconsistent with the Foreign Investment Law. The Ministry of Economy and the National Foreign Investment Commission *(Comisión Nacional Reguladora de la Inversión Extranjera)* are responsible for the administration of the Foreign Investment Law and the Foreign Investment Regulations.

Our bylaws do not restrict the participation of non-Mexican investors in our capital stock. However, approval of the National Foreign Investment Commission must be obtained for foreign investors to acquire a direct or indirect participation in excess

of 49% of the capital stock of a Mexican company that has an aggregate asset value that exceeds, at the time of filing the corresponding notice of acquisition, an amount determined annually by the National Foreign Investment Commission.

As required by Mexican law, our bylaws provide that non-Mexican shareholders agree to be considered Mexican citizens with respect to:

- shares held by them;
- property rights;
- concessions;
- participations or interests we own; and
- rights and obligations derived from any agreements we have with the Mexican government.

As required by Mexican law, our bylaws also provide that non-Mexican shareholders agree to refrain from invoking the protection of their governments in matters relating to their ownership of our shares. Therefore, a non-Mexican shareholder may not ask its government to introduce a diplomatic claim against the government of Mexico with respect to its rights as a shareholder. If the shareholder invokes such governmental protection, its shares could be forfeited to the Mexican government. Notwithstanding these provisions, shareholders do not forfeit any rights they may have under U.S. securities laws.

Summary of Differences between Mexican and U.S. Corporate Law

You should be aware that the Mexican General Business Corporations Law and the Mexican Securities Market Law, which apply to us, differ in material respects from laws generally applicable to U.S. corporations and their shareholders. In order to highlight these differences, set forth below is a summary of provisions applicable to us (including modifications adopted pursuant to our bylaws) which differ in material respects from provisions of the corporate law of the State of Delaware.

Duties of Directors

Under the Mexican Securities Market Law, directors now have fiduciary duties of care and loyalty specified therein. The duties of directors of public companies are more extensive than the duties of directors of private companies. Actions against directors may be initiated by holders of at least 5% of our outstanding share capital, although any damages recovered from directors are awarded solely to the company.

Under the Mexican Securities Market Law, the business and affairs of a corporation are managed by or under the direction of its board of directors. In exercising their powers, directors are charged with a fiduciary duty of care to protect the interests of the corporation and a fiduciary duty of loyalty to act in the best interests of its shareholders.

The duty of care requires that directors act in an informed and deliberate manner, and inform themselves, prior to making a business decision, of all relevant material information reasonably available to them. The duty of care also requires that directors exercise care in overseeing and investigating the conduct of corporate employees. The duty of loyalty may be summarized as the duty to act in good faith, not out of self-interest, and in a manner which the director reasonably believes to be in the best interests of the shareholders.

Under the “business judgment rule,” courts generally do not question the business judgment of directors and officers. A party challenging the propriety of a decision of a board of directors bears the burden of rebutting the presumption afforded to directors by the business judgment rule. If the presumption is not rebutted, the business judgment rule attaches to protect the directors from liability for their decisions. Where, however, the presumption is rebutted, the directors bear the burden of demonstrating the fairness of the relevant transaction. However, when the board of directors takes defensive actions in response to a threat to corporate control and approves a transaction resulting in a sale of control of the corporation, Delaware courts subject directors’ conduct to enhanced scrutiny.

Under the Mexican Securities Market Law, directors are exempted from liability for their decisions when they act in good faith and in compliance with all legal and bylaw requirements, and based on information provided by management, having selected

the best alternative, according to their best judgment and after considering the foreseeable negative effects. Mexican courts have not yet interpreted these new standards of conduct for directors.

Interested Directors

The Mexican Securities Market Law requires that our corporate governance committee issue an opinion with regard to transactions and arrangements with related parties, including directors. These transactions and arrangements must be approved by our board of directors, except for immaterial transactions or transactions with affiliates in the normal course of business and at market prices. Mexican law provides that a member of the board of directors can be liable for failing to disclose a conflict of interest and for voting on a transaction in which he or she has a conflict of interest.

Under Delaware law, a transaction entered into with regard to which a director has an interest would not be avoidable if:

- the material facts with respect to such interested director's relationship or interests are disclosed or are known to the board of directors, and the board of directors in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors;
- the material facts are disclosed or are known to the shareholders entitled to vote on the transaction, and the transaction is specifically approved in good faith by vote of the majority of shares entitled to vote thereon; or
- the transaction is fair to the corporation as of the time it is authorized, approved or ratified. Under Delaware law, an interested director could be held liable for a transaction in which the director derived an improper personal benefit.

Dividends

Under Mexican law, prior to paying dividends a company must reserve at least 5% of its profits every year until it establishes a legal reserve equal to 20% of its capital share. Dividends may only be paid from retained earnings and only if losses for prior fiscal years have been paid. Dividends may also be subject to additional restrictions contained in the company's bylaws. The payment of dividends must be approved at an annual general shareholders' meeting. We do not currently expect to pay dividends.

Under Delaware law, subject to any restrictions contained in the company's certificate of incorporation, a company may pay dividends out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. Delaware law also provides that dividends may not be paid out of net profits at any time when capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

Mergers, Consolidations, and Similar Arrangements

A Mexican company may merge with another company only if a majority of the shares representing its outstanding share capital approves the merger at a duly convened extraordinary shareholders' meeting. Dissenting shareholders are not entitled to appraisal rights. Creditors have 90 days to oppose a merger judicially, provided they have a legal interest to oppose the merger.

Under Delaware law, with certain exceptions, a merger, consolidation, or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the outstanding shares entitled to vote thereon. Under Delaware law, a shareholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which the shareholder may receive payment in the amount of the fair market value of the shares held by the shareholder (as determined by a court) in lieu of the consideration the shareholder would otherwise receive in the transaction. Delaware law also provides that a parent corporation, by resolution of its board of directors and without any shareholder vote, may merge with any subsidiary of which it owns at least 90% of each class of capital share. Upon any such merger, dissenting shareholders of the subsidiary would have appraisal rights.

Anti-Takeover Provisions

Our bylaws do not include anti-takeover provisions. The Mexican Securities Market Law permits public companies to include anti-takeover provisions in their bylaws that restrict the ability of third parties to acquire control of the company; provided, however, that:

- adoption of such provisions is not opposed by holders of 5% or more of our share capital;

- no shareholder is excluded from the benefits that may derive from such provisions;
- takeovers cannot be absolutely banned and any required approval from the company's board of directors must be subject to established criteria and a deadline not to exceed three months; and
- takeover procedures conform to compulsory tender offering rules.

Under Delaware law, corporations can implement shareholder rights plans and other measures, including staggered terms for directors and super-majority voting requirements, to prevent takeover attempts. Delaware law also prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the shareholder became an interested shareholder unless:

- prior to the date of the transaction in which the shareholder became an interested shareholder, the board of directors of the corporation approves either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;
- upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owns at least 85% of the voting stock of the corporation, excluding shares held by directors, officers, and employee stock plans; or
- at or after the date of the transaction in which the shareholder became an interested shareholder, the business combination is approved by the board of directors and authorized at a shareholders' meeting by at least 66 2 / 3 % of the voting stock which is not owned by the interested shareholder.

Transactions with Significant Shareholders

Under Mexican law, a company's board of directors must approve any potential transaction to be undertaken with any shareholders of the company or other companies affiliated with shareholders of the company. The board of directors must take the recommendation of the corporate governance committee into consideration in granting its approval and may also require an independent fairness opinion. In addition, pursuant to Mexican law, any shareholder who votes on a transaction in which the shareholder has a conflict of interest may be liable for damages if the transaction would not have been approved without the shareholder's vote.

As a Mexican company, we may enter into business transactions with our significant shareholders, including asset sales, in which the significant shareholder receives a greater financial benefit than other shareholders with prior approval from our board of directors. Prior approval from our shareholders is not required for this kind of transaction.

No similar provision relating to transactions with significant shareholders exists under Delaware law.

Shareholders' Suits

As mentioned above, holders of at least 5% of our outstanding share capital may bring derivative actions for civil liabilities against our directors, members of the audit committee, and the corporate governance committee. However, the grounds for shareholder derivative actions under Mexican law are limited, which effectively bars most of these suits in Mexico. In addition, subject to certain requirements, holders of at least 20% of a company's outstanding share capital may contest and suspend any shareholder resolution that violates Mexican law or our bylaws. Class-action lawsuits are not permitted under Mexican law.

Class-actions and derivative actions are generally available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In these kinds of actions, the court generally has discretion to permit the winning party to recover attorneys' fees incurred in connection with the action.

Indemnification of Directors and Officers

Under Mexican law, a company may indemnify directors or members of any committee of the board of directors, for actions taken within the scope of their duties, against expenses (including attorneys' fees), judgments, fines and settlement amounts, reasonably incurred in defense of an action, suit or proceeding, except for breach of the duty of loyalty or unlawful acts.

Under Delaware law, a corporation may indemnify a director or officer of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of a director's or officer's position if:

- the director or officer acted in good faith and in a manner the director or officer reasonably believed to be in or not opposed to the best interests of the corporation; and
- with respect to any criminal action or proceeding, the director or officer had no reasonable cause to believe his or her conduct was unlawful.

Inspection of Corporate Records

Under Mexican law, at the time that a notice of shareholders' meeting is published, shareholders are entitled to all information related to the matters to be discussed at the meeting.

Delaware law permits any shareholder to inspect or obtain copies of a corporation's shareholder list and its other books and records for any purpose reasonably related to a person's interest as a shareholder.

Shareholder Proposals

Under Mexican law and our bylaws, holders of at least 10% of our outstanding share capital are entitled to appoint one member of our board of directors.

Delaware law does not include a provision restricting the manner in which nominations for directors may be made by shareholders or the manner in which business may be brought before a meeting.

Calling of Special Shareholders' Meetings

Under Mexican law and our bylaws, a shareholders' meeting may be called by the board of directors, the chairman of the board of directors or of the audit committee or the corporate governance committee. Any shareholder or group of shareholders with voting rights representing at least 10% of our share capital may request in writing that the board of directors call a shareholders' meeting to discuss the matters indicated in the written request. If the board of directors fails to call a meeting within 15 calendar days following the date of the written request, the shareholder or group of shareholders may request that a competent court call the meeting. A single shareholder may call a shareholders' meeting if no meeting has been held for two consecutive years or if matters to be dealt with at an ordinary shareholders' meeting have not been considered.

Delaware law permits the board of directors or any person who is authorized under a corporation's certificate of incorporation or bylaws to call a special meeting of shareholders.

Cumulative Voting

Under Mexican law, cumulative voting for the election of directors is not permitted.

Under Delaware law, cumulative voting for the election of directors is permitted only if expressly authorized in the certificate of incorporation.

Approval of Corporate Matters by Written Consent

Mexican law permits shareholders to take action by unanimous written consent of the holders of all shares entitled to vote. These resolutions have the same legal effect as those adopted in a general or special shareholders' meeting. The board of directors may also approve matters by unanimous written consent.

Delaware law permits shareholders to take action by written consent of holders of outstanding shares having more than the minimum number of votes necessary to take the action at a shareholders' meeting at which all voting shares were present and voted.

Amendment of Certificate of Incorporation

Under Mexican law, it is not possible to amend a company's certificate of incorporation (*acta constitutiva*). However, the provisions that govern a Mexican company are contained in its bylaws, which may be amended as described below.

Under Delaware law, amending a company's certificate of incorporation, which is equivalent to a memorandum of association, must be made by a resolution of the board of directors setting forth the amendment, declaring its advisability, and either calling a special meeting of the shareholders entitled to vote or directing that the amendment proposed be considered at the next annual meeting of the shareholders. Delaware law requires that, unless a different percentage is provided for in the certificate of incorporation, a majority of the outstanding shares entitled to vote thereon is required to approve the amendment of the certificate of incorporation at the shareholders' meeting. If the amendment would alter the number of authorized shares or otherwise adversely affect the rights or preference of any class of a company's stock, Delaware law provides that the holders of the outstanding shares of such affected class should be entitled to vote as a class upon the proposed amendment, regardless of whether such holders are entitled to vote by the certificate of incorporation. However, the number of authorized shares of any class may be increased or decreased, to the extent not falling below the number of shares then outstanding, by the affirmative vote of the holders of a majority of the stock entitled to vote, if so provided in the company's certificate of incorporation or any amendment that created such class or was adopted prior to the issuance of such class or that was authorized by the affirmative vote of the holders of a majority of such class of stock.

Amendment of Bylaws

Under Mexican law, amending a company's bylaws requires shareholder approval at an extraordinary shareholders' meeting. Mexican law requires that at least 75% of the shares representing a company's outstanding share capital be present at the meeting upon the first call (unless the bylaws require a higher threshold) and that the resolutions be approved by shares representing one-half of the company's outstanding capital share.

Under Delaware law, holders of a majority of the voting rights of a corporation and, if so provided in the certificate of incorporation, the directors of the corporation, have the power to adopt, amend and repeal the bylaws of a corporation.

Staggered board of directors

Mexican law does not permit companies to have a staggered board of directors.

Delaware law permits corporations to have a staggered board of directors.

MATERIAL CONTRACTS

For further discussion of our material contracts, see "Item 7. Major Shareholders and Related Party Transactions."

EXCHANGE CONTROLS

Mexican law does not restrict our ability to remit dividends and interest payments, if any, to non-Mexican holders of our securities. Payments of dividends to equity holders, to the extent made, generally will not be subject to Mexican withholding tax. Mexico has had a free market for foreign exchange since 1991, and the government has allowed the peso to float freely against the U.S. dollar since December 1994.

TAXATION

The following summary contains a description of:

- the material anticipated Mexican federal income tax consequences of the purchase, ownership and disposition of the ADSs or common shares by non-resident holders, or holders that
    - are not residents of Mexico for tax purposes; and
    - will not hold the ADSs or common shares or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment, for tax purposes, in Mexico; and
- the material anticipated U.S. federal income tax consequences of the purchase, ownership, and disposition of the ADSs or common shares by non-resident holders that are U.S. holders, or holders that
    - are citizens or residents of the United States;
    - are corporations organized under the laws of the United States or any state thereof or the District of Columbia; or

- that otherwise will be subject to U.S. federal income tax on a net income basis in respect of the ADSs or common shares.

For purposes of Mexican taxation:

- individuals are residents of Mexico if they have established their principal place of residence in Mexico or, if they have established their principal place of residence outside Mexico, if their core of vital interests (*centro de intereses vitales*) is located in Mexico. An individual's core of vital interests will be deemed to be located in Mexico if, among other things,
  - at least 50% of the individual's aggregate annual income derives from Mexican sources, or
  - the individual's principal center of professional activities is located in Mexico;
- individuals are residents of Mexico if they are state employees, regardless of the location of the individual's core of vital interests; and
- legal entities are residents of Mexico if they maintain their principal place of business or their place of effective management in Mexico.

If non-residents of Mexico are deemed to have a permanent establishment in Mexico for tax purposes, all income attributable to the permanent establishment will be subject to Mexican taxes, in accordance with applicable Mexican tax law.

In general, for U.S. federal income tax purposes, holders of ADSs will be treated as the beneficial owners of the common shares represented by those ADSs.

The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the ADSs or common shares. In particular, the summary of U.S. federal income tax consequences only addresses U.S. holders that will hold the ADSs or common shares as capital assets and does not address the tax treatment of U.S. holders that own or are treated as owning 10% or more of our outstanding voting shares. Further, this summary does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor or applicable to certain categories of U.S. holders such as banks, dealers, traders who elect to mark-to-market, tax-exempt entities, insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, expatriates, persons who hold the ADSs as part of a hedge, straddle, synthetic security, conversion or integrated transaction, U.S. holders who have a functional currency other than the U.S. dollar, or U.S. holders liable for the alternative minimum tax. Potential U.S. holders should realize that the tax consequences for persons described in the preceding sentence may differ materially from those applicable to other U.S. holders. Finally, the summary does not address any U.S. or Mexican state or local tax considerations that may be relevant to non-resident holders and to U.S. holders.

The discussion of U.S. federal income tax considerations below assumes that we are not a passive foreign investment company, or PFIC. Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2009 taxable year. Furthermore, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income and relevant market and shareholder data, we do not anticipate being a PFIC for our 2010 taxable year. However, this determination is made annually and it is possible that our status could change.

This summary is based upon the federal income tax laws of the U.S. and Mexico as in effect on the date of this annual report and the provisions of the income tax treaty between the U.S. and Mexico and the protocol thereto (the "Tax Treaty"), all of which are subject to change, possibly with retroactive effect. However, this summary does not address all aspects of the federal income tax laws of the U.S. and Mexico. Prospective investors in the ADSs or common shares should consult their own tax advisors as to the U.S., Mexican, or other tax consequences of the purchase, ownership, and disposition of the ADSs or common shares, including, in particular, the effect of any foreign, state or local tax laws and their entitlement to the benefits, if any, afforded by the Tax Treaty.

Taxation of Dividends

Mexican Tax Considerations

Under the provisions of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*), dividends paid to non-resident holders with respect to the common shares or the ADSs will not be subject to Mexican withholding tax.

Dividends paid from distributable earnings that have not been subject to corporate income tax are subject to a corporate-level dividend tax at a rate of 38.89% (gross-up of 28%). According to the tax reform bill approved on December, 7 2009, during 2010, 2011 and 2012 the rate will be 42.86% (gross-up of 30%) and during 2013, 40.85% (gross-up of 29%). From 2014 going forward, the rate will be 38.89% again. The corporate-level dividend tax on the distribution of earnings is not final and may be credited against income tax payable during the fiscal year in which the dividend tax was paid and for the following two years. Dividends paid from distributable earnings, after corporate income tax has been paid with respect to these earnings, are not subject to this corporate-level dividend tax.

U.S. Federal Income Tax Considerations

The gross amount of any dividend distributions paid with respect to the common shares represented by the ADSs, to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, generally will be includible in the gross income of a U.S. holder as ordinary income on the date on which the distributions are received by the depositary and will not be eligible for the dividends received deduction allowed to certain corporations under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). To the extent that a distribution exceeds our current and accumulated earnings and profits, it will be treated as a non-taxable return of basis to the extent thereof, and thereafter as capital gain from the sale of ADSs or common shares.

Distributions, which will be made in pesos, will be includible in the income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date they are received by the depositary, whether or not they are converted into U.S. dollars. U.S. holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received that are converted into U.S. dollars on a date subsequent to receipt. Dividend income generally will constitute foreign source "passive income" or, "general" category income (depending on whether the U.S. holder is predominantly engaged in the active conduct of a banking, insurance, financing or similar business) for U.S. foreign tax credit purposes.

In the event that Mexican taxes are withheld from dividend distributions, any such withheld taxes would be treated as part of the gross amount of the dividend includible in income for a U.S. holder for U.S. federal income tax purposes (to the extent of current or accumulated earnings and profits). U.S. holders may be entitled to credit such taxes against their U.S. federal income tax liability or, for those U.S. holders who so elect, to deduct such Mexican taxes in computing taxable income. The calculation of foreign tax credits and, in the case of U.S. holders that elect to deduct foreign taxes, the availability of deductions, are subject to generally applicable limitations under U.S. federal income tax regulations and involve the application of rules that depend on U.S. holders' particular circumstances. U.S. holders should consult their own tax advisors regarding the potential availability of foreign tax credits and deductions.

Distributions of additional common shares to holders of ADSs with respect to their ADSs that are made as part of a pro rata distribution to all our shareholders generally will not be subject to U.S. federal income tax.

Currently the maximum rate of tax imposed on certain dividends received by U.S. shareholders that are individuals is 15%, provided that certain holding period requirements are met. This reduced rate applies to dividends received before December 31, 2010 from "qualified foreign corporations." We believe we are a "qualified foreign corporation" with respect to our ADSs because our ADSs are listed on the New York Stock Exchange. Therefore, we believe that dividends paid on our ADSs will constitute "qualified dividend income" and therefore qualify for the reduced rate. It is possible, however, that we will not continue to be considered a "qualified foreign corporation" and that our dividends will not continue to be eligible for this rate. Notwithstanding the previous rule, the term "qualified dividend income" will not include, among other dividends, any (i) dividends on any share of stock or ADS which is held by a taxpayer for 60 days or less during the 120-day period beginning on the date which is 60 days before the date on which such share or shares backing the ADS become ex-dividend with respect to such dividends (as measured under section 246(c) of the Code); or (ii) dividends to the extent that the taxpayer is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. U.S. holders should consult their own advisors regarding the applicability of the 15% dividend rate in their particular circumstances.

Taxation of Dispositions of Shares or ADSs

Mexican Tax Considerations

Gain on the sale or other disposition of ADSs by a non-resident holder will generally not be subject to Mexican tax. Deposits and withdrawals of common shares in exchange for ADSs will not give rise to Mexican tax or transfer duties.

Gain on the sale of the common shares by a non-resident holder will not be subject to any Mexican tax if the transaction is carried out through the Mexican Stock Exchange or other stock exchange or securities markets approved by the Mexican Ministry of Finance and Public Credit. The exemption is not available when a person or a group of people control a company or own 10% or more of the capital stock of a company and sell 10% or more of the company's stock in a period of 24 months in one or more transactions involving such shares.

Gain on sales or other dispositions of the common shares made by non-Mexican residents in other circumstances generally would be subject to Mexican tax at a rate of 25% based on the total amount of the transaction or, subject to certain requirements applicable to the seller, at a rate of 28% (30% in 2010, 2011 and 2012 and 29% in 2013) on gains realized from the disposition, regardless of the nationality or residence of the transferor, provided that the transferor is not a resident of a country with a preferential or territorial tax regime.

Under the Tax Treaty, a holder that is eligible to claim the benefits of the Tax Treaty will be exempt from Mexican tax on gains realized on a sale or other disposition of the common shares, in a transaction that is not carried out through the Mexican Stock Exchange or such other approved securities markets, so long as the holder did not own, directly or indirectly, 25% or more of our share capital (including ADSs) during the twelve-month period preceding the sale or other disposition.

U.S. Federal Income Tax Considerations

Upon the sale or other disposition of the ADSs or common shares, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized on the sale or other disposition and such U.S. holder's tax basis in the ADSs or common shares. Gain or loss recognized by a U.S. holder on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the ADSs or common shares have been held for more than one year. Currently, the top individual tax rate on adjusted net capital gains for sales and exchanges of capital assets before January 1, 2011 is 15%. The deduction of a capital loss is subject to limitations for U.S. federal income tax purposes. Gain or loss generally will be treated as U.S. source gain or loss and a U.S. holder may be unable to credit any Mexican taxes imposed on these gains unless it has certain other income from foreign sources. Deposits and withdrawals of common shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Other Mexican Taxes

There are no Mexican inheritance, gift, succession or value-added taxes applicable to the purchase, ownership or disposition of the ADSs or common shares by non-resident holders. However, gratuitous transfers of the ADSs or common shares may result in a Mexican federal tax obligation for the recipient in certain circumstances.

There are no Mexican stamp, issue, registration or similar taxes or duties payable by non-resident holders of the ADSs or common shares.

U.S. Backup Withholding Tax and Information Reporting Requirements

A U.S. holder may, under certain circumstances, be subject to "backup withholding" with respect to some payments to the U.S. holder, such as dividends or the proceeds of a sale or other disposition of the ADSs, unless the holder:

- is a corporation or comes within certain exempt categories, and demonstrates this fact when so required; or
- provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules.

Any amount withheld under these rules will be creditable against the U.S. holder's federal income tax liability.

Recently enacted legislation requires individual U.S. holders with an interest in any "specified foreign financial asset" to file a report to the IRS with information relating to the asset and the maximum value thereof during the taxable for any year in which the aggregate value of all such assets is greater than $50,000 (or such higher dollar amount as prescribed by Treasury regulations). Shares and ADSs would be treated as foreign financial assets unless held at a U.S. financial institution. Depending on the aggregate value of a U,S, holders investment in all categories of specified foreign financial assets, the U.S. Holder may be obligated to file an annual report under this provision. The requirement to file a report is effective for taxable years beginning after March 18, 2010. Penalties apply to any failure to file a required report. Additionally, in the event a U.S. holder does not file the information report relating to disclosure of specified foreign financial assets, the statute of limitations on the assessment and collection of U.S. federal income taxes

of such U.S. holder for the related tax year will not close before such information is filed. U.S. holders should consult their own tax advisor as to the possible application of this information reporting requirement and related statute of limitations tolling provision.

DOCUMENTS ON DISPLAY

We are subject to the information requirements of the Exchange Act and, in accordance therewith, we are required to file reports and other information with the SEC. These materials, including this Form 20-F and the exhibits thereto, may be inspected and copied at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549.

ITEM 11. Quantitative and Qualitative Disclosures about Market Risk.

Interest Rate Risk

In connection with our business activities, we have issued and hold financial instruments that currently expose us to market risks related to changes in interest rates. Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. At December 31, 2009, we had outstanding indebtedness of Ps.10,093.9 million, the majority of which bore interest at fixed interest rates. The interest rate on our variable rate debt is determined primarily by reference to the 28-day Mexican Interbank Rate, or TIIE *(Tasa de Interés Interbancaria de Equilibrio).* TIIE increases would, consequently, increase our interest payments.

The following table sets forth principal cash flows by scheduled maturity, average interest rates, and estimated fair market value of our debt obligation as of December 31, 2009. Fair value is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

	Expected Maturity Dates as of December 31, (millions of dollars equivalent)							
	2010	2011	2012	2013	2014	After 2015	Total	Fair Value Dec. 31, '09
Long-term debt								
Fixed rate *	—	—	—	—	—	500	500	500
Average interest rate**	8.5%	8.5%	8.5%	8.5	8.5%	8.5%		
Variable rate (Ps.)	7	8	7	230	0	0	253	253
Average interest rate	7.2%	7.2%	7.2%	7.2%	6.4%	0%		

* Until July 5, 2008 our outstanding US$250 million Senior Guaranteed Notes included the principal-only swap effect, whereby at maturity date we were to pay pesos at a contractual fixed exchange rate of Ps.10.83 per dollar and receive U.S. dollars equivalent to the notional amount of US$250 million. This principal-only swap was cancelled on the aforementioned date.

** The average interest rate is calculated by the 7.5% interest rate related to the Senior Guaranteed Notes due 2015 and the 9.5% interest rate related to the Senior Guaranteed Notes due 2019.

A hypothetical, instantaneous, and unfavorable change of 100 basis points in the average interest rate applicable to floating-rate liabilities held at December 31, 2009 would have increased our interest expense in 2009 by approximately Ps.33 million, over a twelve-month period.

Together with the issuance of the US$250 million long-term U.S. dollar-denominated Senior Guaranteed Notes due 2015, Homex entered into a principal-only swap in an attempt to hedge and cover the economic and cash flow principal U.S. dollar exposure bearing a six-month weighted fixed rate of 2.92% exposed to U.S. dollar currency fluctuations. The underlying notes bear interest at a rate of 7.5% payable semi-annually and are exposed to U.S. dollar currency fluctuations. The Company accounted for this swap at fair value in its consolidated financial statements. Because the agreement did not meet the requirements for hedge accounting, periodic mark-to-market measurement was made through the income statement. This principal-only swap was cancelled on July 5, 2008. In

addition, the Company entered into an interest-only swap to hedge the foreign exchange risk in respect of the interest payable on this debt at an average rate of Ps.13.95 per U.S. dollar through 2012.

Together with the issuance of the US$250 million long-term U.S. dollar-denominated Senior Guaranteed Notes due 2019, Homex entered into a principal-only swap in an attempt to hedge and cover the economic and cash flow principal U.S. dollar exposure bearing a six-month weighted fixed rate in Mexican pesos of 3.87% exposed to U.S. dollar currency fluctuations. The underlying notes bear interest at a rate of 9.5% payable semi-annually and are exposed to U.S. dollar currency fluctuations. The Company accounted for this swap at fair value in its consolidated financial statements. Because the agreement met the requirements for hedge accounting, periodic mark-to-market measurement was made through the equity. In addition, on the same date the Company entered into an interest-only swap to hedge the foreign exchange risk in respect of the interest payable on the first six interest payments on this debt.

We manage our exposure to changes in interest rates by efficiently timing construction and delivery of our homes and payments to our suppliers, thereby allowing us to reduce our borrowing needs for working capital. Our capital expenditures are financed either through our own resources or leveraging their return through operating leases.

Foreign Currency Risk

Because substantially all of our revenues are and will continue to be denominated in pesos, if the value of the peso decreases against the U.S. dollar, our cost of financing will increase. Severe depreciation of the peso may also result in disruption of the international foreign exchange markets. This may limit our ability to transfer or convert pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our securities and any U.S. dollar-denominated debt that we may incur in the future.

The exchange rates in effect at December 31, 2009, 2008 and 2007 were Ps.13.0437, Ps.13.7738 and Ps.10.9185, respectively, per U.S. dollar.

ITEM 12. Description of Securities other than Equity Securities.

Fees and Charges Our ADS Holders May Have to Pay

The JPMorgan Chase Bank, N.A. (“JPMorgan”), the depositary of our ADS program, collects fees directly from investors (or brokers or other intermediaries acting on behalf of investors) for depositing shares or surrendering ADSs for the purpose of withdrawal. The depositary also collects fees for making distributions to investors, by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. In addition, the depositary collects an annual fee for depositary services, by deducting from cash distributions, by directly billing investors, or by charging the book-entry system accounts of investors (or brokers or other intermediaries acting on behalf of investors). The depositary may generally refuse to provide services until its fees for those services are paid, and may sell securities or other property to pay any such fees. The following table summarizes the fees and charges that a holder of our ADSs may have to pay, directly or indirectly, pursuant to the Deposit Agreement, which was filed with the SEC as an exhibit to our Registration Statement on Form F-6 filed on June 8, 2004:

Fee	Service
$5.00 per 100 ADSs (or portion thereof)	• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the Deposit Agreement is terminated
$0.02 per ADS (or portion thereof)	Any cash distribution to registered ADS holders
$1.50 per ADR (or portion thereof)	Permitted transfers of ADRs pursuant to the Deposit Agreement
A fee equivalent to the fee that would be payable if securities distributed to the holder had been shares and the shares had been deposited for issuance of ADSs.	Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to registered ADS holders

Table of Contents

A fee as incurred by the depositary	Delivery of ADSs or fees otherwise incurred by the Depositary in compliance with applicable law, rule or regulation
Registration or transfer fees	• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian may have to pay on any ADS or share underlying an ADS, e.g., stock transfer taxes, stamp duty or withholding taxes	As necessary

From January 1, 2009 to June 30, 2010, we received no fees from JPMorgan related to our ADR facility.

PART II

ITEM 13. Defaults, Dividend Arrearages and Delinquencies.

Not applicable.

ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

Not applicable.

ITEM 15. Controls and Procedures.

(a) *Disclosure controls and procedures.*

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2009.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Management's annual report on internal controls over financial reporting.*

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our board of directors, Chief Executive Officer, Chief Financial Officer and other personnel, we conducted an evaluation of the effectiveness of our internal controls over financial reporting based on the framework governing Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Mexican Financial Reporting Standards, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20-F. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Mexican FRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial

statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our evaluation under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2009.

Mancera, S.C., a member practice of Ernst & Young Global, an independent registered public accounting firm, our independent auditor, issued an attestation report on our internal control over financial reporting on June 30, 2010.

(c) *Attestation Report of the registered public accounting firm*.

The Board of Directors and Shareholders of
Desarrolladora Homex, S.A.B. de C.V.

We have audited Desarrolladora Homex, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria).

Desarrolladora Homex, S.A.B. de C.V. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Mexican Financial Reporting Standards, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20-F. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Mexican Financial Reporting Standards, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20-F, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Desarrolladora Homex, S.A.B. de C.V. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial position of Desarrolladora Homex, S.A.B. de C.V. and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and changes in stockholders' equity for each of the three years ended December 31, 2009, the consolidated cash flows for each of the two years ended December 31, 2009, and the consolidated changes in financial position for the year ended December 31, 2007, and our report dated June 30, 2010, expressed an unqualified opinion thereon.

Mancera, S.C.
A member practice of
Ernst & Young Global

C.P.C. Alejandro Valdez Mendoza

Culiacán, Sinaloa, México
June 30, 2010

(d) *Changes in internal control over financial reporting.*

There has been no change in our internal control over financial reporting during 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. (Reserved)

ITEM 16A. Audit Committee Financial Expert

Our audit committee consists of Wilfrido Castillo Sánchez-Mejorada (Chairman), Z. Jamie Behar and Edward Lowenthal. Effective April 30, 2010, Mr. Matthew Zell is no longer a member of our audit committee. Our board of directors has determined that Mr. Castillo has the attributes of an "audit committee financial expert" as defined by the SEC and that each member of the audit committee satisfies the financial literacy requirements of the New York Stock Exchange. Our board of directors has also determined that Mr. Castillo is independent, as that term is defined in the listing rules of the New York Stock Exchange.

ITEM 16B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions, as well as to our directors and other officers and employees. Our code of ethics is available on our web site at www.homex.com.mx. If we amend the provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our web site at the same address.

ITEM 16C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

For the fiscal years ended December 31, 2009 and 2008, our auditors continued to be Mancera, S.C., a member practice of Ernst & Young Global.

The following table summarizes the aggregate fees billed to us by Mancera, S.C., a member practice of Ernst & Young Global, during the fiscal years ended December 31, 2009 and 2008, respectively:

	Years ended December 31,	
	2009	2008
	(in thousands of Mexican pesos)	
Audit fees	Ps. 16,972	Ps. 17,296
Audit-related fees	3,807	—
Tax fees	21	2,247
Total fees	Ps. 20,800	Ps. 19,543

Audit fees. Audit fees in the above table are the aggregate fees billed by Mancera, S.C. in connection with the audit of our annual financial statements and statutory and regulatory audits. This caption also includes Sarbanes-Oxley Section 404 attestation services.

Audit-related fees. Audit-related fees in the above table are fees billed by Mancera, S.C. for work performed in connection with the offering of the US$250 million bond maturing in 2019 and filing of a shelf registration statement.

Tax fees. Tax fees in the above table include the aggregate fees billed by Mancera, S.C. for the review of 2008's reports on our transfer pricing study and fees paid to Mancera, S.C. and other Ernst & Young affiliated firms for international tax services.

Audit Committee Pre-Approval Policies and Procedures

We have adopted pre-approval policies and procedures under which all audit and non-audit services provided by our external auditors must be pre-approved by the audit committee. Any service proposals submitted by external auditors need to be discussed and approved by the audit committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we or our subsidiaries formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our audit committee. In addition, the members of our board of directors are briefed on matters discussed in the meetings of the audit committee.

ITEM 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

The following table sets out certain information concerning purchases of our shares by us and affiliated purchasers in 2009:

Issuer Purchases of Equity Securities
(for the fiscal year ended December 31, 2009)

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
January	—	—	—	—
February	—	—	—	—
March	—	—	—	—
April	49,500	Ps. 28.23	49,500	US$ 201,486,363
May	—	—	—	—
June	—	—	—	—
July	—	—	—	—
August	—	—	—	—
September	—	—	—	—
October	—	—	—	—
November	—	—	—	—
December	—	—	—	—
Total	49,500	Ps. 28.23	49,500	US$ 201,486,363

ITEM 16F. Change in Registrant's Certifying Accountant

Not applicable.

Table of Contents

ITEM 16G. Corporate Governance

As a foreign private issuer with shares listed on the NYSE, we are subject to different corporate governance requirements than a U.S. company under the NYSE listing standards. Pursuant to Rule 303.A11 of the NYSE-listed company manual, we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standard.

It is our intention, however, to follow NYSE corporate governance standards to the extent we deem appropriate given the different regulatory framework to which we are subject in Mexico and in the United States and the different business environment in which we operate. Compliance with these higher standards of governance is not mandatory for us; however, we believe we are in substantial compliance with the majority of these requirements, thereby demonstrating our commitment to high standards of governance.

We are a Mexican corporation with shares listed on the *Bolsa Mexicana de Valores*, or Mexican Stock Exchange. Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law, and the general dispositions issued by the CNBV and the Mexican Stock Exchange. Although compliance is not mandatory, we also substantially comply with the Mexican Code of Best Corporate Practices (*Código de Mejores Prácticas Corporativas*), as amended in 2006.

The table below sets forth a description of the significant differences between corporate governance practices required for U.S. companies under the NYSE listing standards and our regulations:

NYSE Rules	Mexican Rules
Listed companies must have a majority of independent directors.	While not required under Mexican law, a majority of our directors are independent as defined under NYSE standards.
Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.	Pursuant to Mexican law, we have a nominating/corporate governance committee composed entirely of independent directors.
Listed companies must have a compensation committee composed entirely of independent directors.	Under Mexican law, we are not required to have a compensation committee. However, we have a compensation committee composed entirely of independent directors. Our compensation committee does not issue a compensation report as contemplated by the NYSE standards, as we operate in Mexico where this practice is neither required nor customary.
Listed companies must have an audit committee with a minimum of three members who are independent directors.	Under Mexican law, we are required to have an audit committee with independent members within the meaning of the NYSE standards with a charter that complies with applicable Mexican statutes, and substantially complies with the NYSE standards applicable to domestic companies where appropriate for us.
Audit committees are required to prepare an audit committee report as required by the SEC to be included in the listed company's annual proxy statement.	As a foreign private issuer, we are not required by the SEC to prepare and file proxy statements. In this regard, we are subject to Mexican securities law requirements. We have chosen to follow Mexican law and practice in this regard.
Non-management directors must meet at executive sessions without management.	Our non-management directors meet at executive sessions. This is not required by either Mexican law or the Mexican Code of Best Corporate Practices.

Table of Contents

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.	Companies listed on the Mexican Stock Exchange are not required to adopt a code of ethics. However, we have adopted a code of ethics.

PART III

ITEM 17. Financial Statements.

Not applicable.

ITEM 18. Financial Statements.

See pages F-1 through F-80, incorporated herein by reference.

Table of Contents

ITEM 19. Exhibits.

Exhibit No.	
1(1)	Our articles of incorporation *(estatutos sociales)* as amended through March 30, 1998, together with an English translation.*
1(2)	Our bylaws *(estatutos sociales)* as amended through April 26, 2006, together with an English translation. +
2(a)(1)	Form of Deposit Agreement, as amended, by and among us, JPMorgan Chase Bank as Depositary and the Holders and Beneficial Holders from time to time of American Depositary Shares evidenced by American Depositary Receipts issued thereunder, including form of American Depositary Receipt.**
2(b)(1)	Indenture relating to 7.50% Senior Guaranteed Notes, dated September 28, 2005 by and between us, as Issuer, and the Bank of New York, as Trustee. ***
2(b)(2)	Form of First Supplemental Indenture to the Indenture Relating to the 7.50% Senior Guaranteed Exchange Notes, by and between us, as Issuer, and the Bank of New York, as Trustee. ****
2(b)(3)	Form of 7.50% Senior Guaranteed Exchange Note. ****
2(b)(4)	Registration Rights Agreement dated September 28, 2005 by and among us, Credit Suisse First Boston LLC and certain financial institutions named therein. ***
2(b)(5)	Indenture relating to 9.5% Senior Guaranteed Notes dated December 8, 2009 by and between us, as Issuer, and the Bank of New York, as Trustee
8	List of Principal Subsidiaries.
12(a)(1)	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.
12(a)(2)	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.
13	Officer Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.
14(1)	Consent of Independent Registered Public Accounting Firm.

* Previously filed in Registration Statement on Form F-1/A (File No. 333-116257), originally filed with the SEC on June 23, 2004. Incorporated herein by reference.

** Previously filed in Registration Statement on Form F-6 (File No. 333-116278), originally filed with the SEC on June 8, 2004. Incorporated herein by reference.

*** Previously filed in Registration Statement on Form F-4 (File No. 333-129100), originally filed with the SEC on October 18, 2005. Incorporated herein by reference.

**** Previously filed in Registration Statement on Form F-4/A (File No. 333-129100), originally filed with the SEC on November 25, 2005. Incorporated herein by reference.

\+ Previously filed in the report on Form 20-F (File No. 001-32229), originally filed with the SEC on June 29, 2006. Incorporated herein by reference.

Table of Contents

SIGNATURE

The registrant, Desarrolladora Homex, S.A.B. de C.V., hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

DESARROLLADORA HOMEX, S.A.B.

DE C.V.

/s/ Carlos Moctezuma Velasco
Name: Carlos Moctezuma Velasco
Title: Chief Financial Officer

Dated: June 30, 2010

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Desarrolladora Homex, S.A.B. de C.V.

We have audited the accompanying consolidated balance sheets of Desarrolladora Homex, S.A.B. de C.V. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income and changes in stockholders' equity for each of the three years ended December 31, 2009, the related consolidated statements of cash flows for each of the two years ended December 31, 2009, and the related consolidated statement of changes in financial position for the year ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Desarrolladora Homex, S.A.B. de C.V. and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and changes in stockholders' equity for each of the three years ended December 31, 2009, the consolidated cash flows for each of the two years ended December 31, 2009, and the consolidated changes in financial position for the year ended December 31, 2007, in conformity with Mexican Financial Reporting Standards which differ in certain respects from accounting principles generally accepted in the United States of America (see Notes 28 and 29 to the consolidated financial statements).

As disclosed in Note 3 to the accompanying consolidated financial statements, during 2008, the Company adopted Mexican Financial Reporting Standard ("MFRS") B-2 *Statement of Cash Flows*, MFRS B-10 *Effects of Inflation*, MFRS D-3 *Employee Benefits*, and certain other *MFRS.* As is also disclosed in Note 3 to the accompanying consolidated financial statements, during 2007, the Company adopted the provisions of MFRS D-6 *Capitalization of the comprehensive financing cost.* The application of all of these standards were prospective in nature.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Desarrolladora Homex, S.A.B. de C.V.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 30 2010, expressed an unqualified opinion on the effectiveness of internal control over financial reporting.

Mancera, S.C.
A member practice of
Ernst & Young Global

C.P.C. Alejandro Valdez Mendoza

Culiacán, Sinaloa, México
June 30, 2010

Table of Contents

DESARROLLADORA HOMEX, S.A.B. DE C.V.
AND SUBSIDIARIES
Consolidated balance sheets
(Figures in thousands of Mexican pesos (Ps.))

	2009 Convenience translation (Note 2a)	As of December 31, 2009	2008
Assets			
Current assets:			
Cash and cash equivalents (Note 4)	**$ 239,355**	**Ps. 3,122,074**	Ps. 1,140,140
Restricted cash (Note 4)	**9,916**	**129,342**	128,045
Trade accounts receivable, net (Note 5)	**999,579**	**13,038,211**	11,845,530
Inventories (Note 6)	**307,227**	**4,007,374**	5,090,904
Prepaid expenses and other current assets, net (Note 7)	**41,805**	**545,298**	443,166
Total current assets	**1,597,882**	**20,842,299**	18,647,785
Land held for future development (Note 6)	**836,602**	**10,912,389**	9,254,469
Property and equipment, net (Note 8)	**85,143**	**1,110,582**	1,402,928
Goodwill (Note 3j)	**56,108**	**731,861**	731,861
Other assets, net (Note 9)	**24,872**	**324,393**	468,369
Deferred income taxes (Note 23)	**49,345**	**643,640**	328,598
Total assets	**$ 2,649,952**	**Ps. 34,565,164**	Ps. 30,834,010
Liabilities and stockholders' equity			
Current liabilities:			
Current debt and current portion of long-term debt (Note 10)	**$ 20,745**	**Ps. 270,595**	Ps. 1,417,404
Current portion of leases (Note 12)	**8,313**	**108,437**	89,255
Trade accounts payable (Note 14)	**171,231**	**2,233,481**	4,005,853
Land suppliers (Note 15)	**102,596**	**1,338,226**	2,326,036
Advances from customers	**97,964**	**1,277,810**	365,962
Taxes other than income taxes	**57,099**	**744,780**	357,821
Income taxes	**11,034**	**143,920**	26,172
Employee statutory profit-sharing	**1,302**	**16,989**	70,445
Provision for uncertain tax positions (Note 23f)	**19,073**	**248,781**	102,969
Total current liabilities	**489,357**	**6,383,019**	8,761,917
Long-term debt (Note 10)	**725,267**	**9,460,163**	5,990,119
Long-term leases (Note 12)	**19,525**	**254,679**	314,639
Financial instruments (Note 11)	**9,130**	**119,084**	—
Other long-term liabilities (Note 25)	**—**	**—**	18,403
Long-term land suppliers (Note 15)	**5,724**	**74,659**	405,426
Employee benefits obligations (Note 13)	**7,528**	**98,187**	85,150
Deferred income taxes (Note 23)	**379,678**	**4,952,410**	3,741,099
Total liabilities	**1,636,209**	**21,342,201**	19,316,753
Stockholders' equity (Note 16):			
Common stock	**40,480**	**528,011**	528,011
Additional paid-in capital	**252,295**	**3,290,861**	3,280,223
Shares repurchased for employee stock option plan, at cost	**(7,968)**	**(103,928)**	(99,342)
Retained earnings	**716,821**	**9,349,993**	7,508,715
Derivative instruments (Note 11)	**(6,737)**	**(87,872)**	—
Other stockholders' equity accounts	**836**	**10,906**	53,307
Stockholders' equity of controlling interest	**995,727**	**12,987,971**	11,270,914
Non-controlling interest in consolidated subsidiaries	**18,016**	**234,992**	246,343
Total stockholders' equity	**1,013,743**	**13,222,963**	11,517,257
Total liabilities and stockholders' equity	**$ 2,649,952**	**Ps. 34,565,164**	Ps. 30,834,010

See accompanying notes to these consolidated financial statements.

Table of Contents

DESARROLLADORA HOMEX, S.A.B. DE C.V.
AND SUBSIDIARIES

Consolidated statements of income

(Figures in thousands of Mexican pesos (Ps.) except earnings per share)

	2009 Convenience translation (Note 2a)	For the years ended December 31,		
		2009	2008	2007
Revenues (Note 3b)	**$ 1,489,239**	**Ps. 19,425,182**	Ps. 18,850,496	Ps. 16,222,524
Cost of sales (Note 3b)	**1,054,027**	**13,748,416**	13,473,257	11,041,456
Gross profit	**435,212**	**5,676,766**	5,377,239	5,181,068
Operating expenses (Note 20)	**192,181**	**2,506,756**	2,377,646	1,798,429
Income from operations	**243,031**	**3,170,010**	2,999,593	3,382,639
Other (expenses) income, net (Note 21)	**3,793**	**49,475**	(109,926)	209,223
Net comprehensive financing cost (Note 6):				
Interest expense (Note 22)	**29,421**	**383,765**	237,033	344,928
Interest income	**(14,117)**	**(184,140)**	(157,351)	(140,202)
Exchange loss	**(4,562)**	**(59,510)**	164,841	26,782
Valuation effects of derivative instruments (Note 11)	**5,094**	**66,451**	313,962	(147,977)
Monetary position loss (Note 3a)	**—**	**—**	—	195,373
	15,836	**206,566**	558,485	278,904
Income before income tax	**230,988**	**3,012,919**	2,331,182	3,312,958
Income tax (Note 23)	**90,695**	**1,182,992**	712,175	951,280
Consolidated net income	**$ 140,293**	**Ps. 1,829,927**	Ps. 1,619,007	Ps. 2,361,678
Net income of controlling interest	**$ 141,163**	**Ps. 1,841,278**	Ps. 1,580,876	Ps. 2,233,066
Net (loss) income of non-controlling interest	**(870)**	**(11,351)**	38,131	128,612
Consolidated net income	**$ 140,293**	**Ps. 1,829,927**	Ps. 1,619,007	Ps. 2,361,678
Weighted average shares outstanding (in thousands)	**334,830**	**334,830**	334,870	335,688
Basic and diluted earnings per share of controlling interest	**$ 0.42**	**Ps. 5.50**	Ps. 4.72	Ps. 6.65

See accompanying notes to these consolidated financial statements.

Table of Contents

DESARROLLADORA HOMEX, S.A.B. DE C.V.
AND SUBSIDIARIES

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2009, 2008 and 2007

(Figures in thousands of Mexican pesos (Ps.))

	Common stock	Additional paid-in capital	Treasury stock, at cost (Note 16)	Retained earnings	Derivative instruments	Other stockholders' equity accounts	Stockholders' equity of controlling interest	Stockholders' equity of non-controlling interest	Total stockholders' equity (Note 16)
Balances as of January 1, 2007	Ps. 528,011	Ps. 3,280,223		Ps. 3,348,132	Ps. —	Ps. 347,405	Ps. 7,503,771	Ps. 88,733	Ps. 7,592,504
Comprehensive income				2,233,066	—	(4,577)	2,228,489	128,612	2,357,101
Shares repurchased for employee stock option plan			Ps. (99,342)				(99,342)		(99,342)
Dividends paid by consolidated subsidiary (Note 16f)								(9,133)	(9,133)
Balances as of December 31, 2007	528,011	3,280,223	(99,342)	5,581,198	—	342,828	9,632,918	208,212	9,841,130
Reclassification to retained earnings from the accumulated monetary position (Note 3a)				346,641		(346,641)			
Initial adoption of MFRS D-3 Employee benefits (Notes 3a and 13)						33,764	33,764		33,764
Comprehensive income				1,580,876		23,356	1,604,232	38,131	1,642,363
Balances as of December 31, 2008	528,011	3,280,223	(99,342)	7,508,715	—	53,307	11,270,914	246,343	11,517,257
Shares repurchased for employee stock option plan			(3,188)				(3,188)		(3,188)
Shares repurchased (Note 16g)			(1,398)				(1,398)		(1,398)
Share-based compensation transactions (Note 16g)		10,638					10,638		10,638
Changes in fair value of derivative instruments, net of deferred taxes (Note 11)					(87,872)		(87,872)		(87,872)
Comprehensive income				1,841,278	—	(42,401)	1,798,877	(11,351)	1,787,526
Balances as of December 31, 2009	**Ps. 528,011**	**Ps. 3,290,861**	**Ps. (103,928)**	**Ps. 9,349,993**	**Ps. (87,872)**	**Ps. 10,906**	**Ps. 12,987,971**	**Ps. 234,992**	**Ps. 13,222,963**

See accompanying notes to these consolidated financial statements.

Table of Contents

DESARROLLADORA HOMEX, S.A.B. DE C.V.
AND SUBSIDIARIES

Consolidated statements of cash flows

(In thousands of Mexican pesos (Ps.))

	For the years ended December 31,		
	2009 Convenience translation (Note 2a)	2009	2008
Cash flows generated by (used in) operating activities			
Income before income tax	**$ 230,988**	**Ps. 3,012,919**	Ps. 2,331,182
Items related to investing activities:			
Depreciation and amortization	**37,061**	**483,409**	425,021
Loss (gain) on sale of property and equipment	**2,047**	**26,706**	(8,771)
Interest income	**(14,117)**	**(184,140)**	(157,351)
Gain on sale of other investment	**(895)**	**(11,676)**	—
Items related to financing activities:			
Interest	**67,937**	**886,149**	663,765
Share-based payment transactions	**816**	**10,638**	—
Valuation effects of derivative instruments	**5,094**	**66,451**	313,962
Deferred profit-sharing	**2,040**	**26,606**	3,061
Exchange (gain) loss	**(14,133)**	**(184,346)**	715,500
	316,838	**4,132,716**	4,286,369
Increase in trade accounts receivable	**(91,437)**	**(1,192,681)**	(4,296,272)
Increase in inventories and land held for future developments	**(44,036)**	**(574,390)**	(2,878,188)
(Increase) decrease in prepaid expenses and other assets	**(16,929)**	**(220,817)**	92,611
Interest income collected	**14,117**	**184,140**	157,351
(Decrease) increase in trade accounts payable	**(126,640)**	**(1,651,851)**	429,063
Decrease in accounts payable to land suppliers	**(101,089)**	**(1,318,577)**	(1,016,245)
Increase in other liabilities	**95,567**	**1,246,549**	418,151
Increase in employee benefits obligations	**999**	**13,037**	40,242
Payments of derivative instruments	**(9,451)**	**(123,271)**	(340,912)
Income tax recovered (paid)	**3,317**	**43,272**	(123,531)
Net cash flows from operating activities	**41,256**	**538,127**	(3,231,361)
Cash flows generated by (used in) investing activities			
Increase in the investment in associate	**—**	**—**	(27,727)
Acquisition of property and equipment	**(6,850)**	**(89,352)**	(563,723)
Proceeds from sale of property and equipment	**2,348**	**30,625**	98,720
Net cash flows from investing activities	**(4,502)**	**(58,727)**	(492,730)
Cash flows generated by (used in) financing activities			
Proceeds from new borrowings	**1,207,414**	**15,749,151**	9,145,280
Payments of notes payable	**(1,022,553)**	**(13,337,871)**	(5,861,061)
Interest paid	**(67,075)**	**(874,911)**	(665,807)
Shares repurchased	**(352)**	**(4,586)**	—
Net cash flows from financing activities	**117,434**	**1,531,783**	2,618,412
Net increase (decrease) of cash and cash equivalents	**154,188**	**2,011,183**	(1,105,679)
Translation adjustment	**(2,143)**	**(27,952)**	10,940
Cash, cash equivalents and restricted cash at the beginning of the year **(1)**	**97,226**	**1,268,185**	2,362,924
Cash, cash equivalents and restricted cash at the end of the year **(1)**	**$ 249,271**	**Ps. 3,251,416**	Ps. 1,268,185

(1) This balance is composed of Ps. 3,122,074 and Ps. 1,140,140 of cash and cash equivalents and Ps. 129,342 and Ps. 128,045 of restricted cash as of December 31, 2009 and 2008, respectively.

See accompanying notes to these consolidated financial statements.

Table of Contents

DESARROLLADORA HOMEX, S.A.B. DE C.V.
AND SUBSIDIARIES

Consolidated statement of changes in financial position

(In thousands of Mexican pesos (Ps.))

	For the years ended December 31,2007
Operating activities	
Consolidated net income	Ps. 2,361,678
Add items that did not require the uses of resources:	
Depreciation	196,307
Amortization of intangibles	105,410
Labor obligations	18,416
Deferred income taxes, net of inflation	818,407
	3,500,218
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Trade accounts receivable	(2,008,172)
Inventories and land held for future development	(2,090,087)
Other assets	(124,375)
Increase (decrease) in:	
Trade accounts payable	1,321,131
Land suppliers	245,812
Taxes payable	(154,829)
Other liabilities	(29,529)
Net resources generated by operating activities	660,169
Financing activities	
Proceeds from new borrowings	2,647,276
Payments of notes payable	(2,408,739)
Changes in fair value of financial instrument	(147,976)
Debt issuance costs	—
Share repurchase for employee stock option plan	(99,342)
Dividends paid by subsidiary company	(9,133)
Net resources used in financing activities	(17,914)
Investing activities	
Restricted cash	(118,493)
Investment in associates	(17,869)
Acquisition of property and equipment, net	(680,748)
Net resources used in investing activities	(817,110)
Cash and cash equivalents:	
Net (decrease) increase	(174,855)
Balance at beginning of year	2,381,689
Balance at end of year	Ps. 2,206,834

See accompanying notes to these consolidated financial statements.

Table of Contents

DESARROLLADORA HOMEX, S.A.B. DE C.V.
AND SUBSIDIARIES

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Figures in thousands of Mexican pesos (Ps.),
except as otherwise indicated)

1. Nature of business

Desarrolladora Homex, S.A.B. de C.V. and its subsidiaries (the "Company") is comprised of a group of companies engaged mainly in the promotion, design, development, construction and sale of affordable entry level and middle income residential housing. Substantially all sales are made in Mexico.

To carry out its activities, the Company engages in land acquisition, obtaining permits and licenses, designing, constructing, marketing and selling homes, obtaining individual financing for its customers and developing communities to satisfy housing needs in Mexico.

The Company participates in housing supply offers from the main housing funds in Mexico, such as the National Workers' Housing Fund, or Instituto Nacional del Fondo de Ahorro para la Vivienda de los Trabajadores ("INFONAVIT"), the Social Security and Services Institute Public-Segment Workers' Housing Fund, or Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado ("FOVISSSTE") and the governmental mortgage providers such as the Federal Mortgage Society, or Sociedad Hipotecaria Federal ("SHF"). Additionally, the Company participates in the market, where mortgage financing is provided by commercial banks and cash transactions.

For the years ended December 31, 2009, 2008 and 2007, revenues obtained through INFONAVIT mortgage financing accounted for 76%, 76% and 75% respectively, of the Company's total revenues, with other sources accounting for 24%, 24% and 25%, respectively.

Homex's operations include 140 developments in 34 cities located in 21 Mexican states, which states represent 76.5% of Mexico's population, according to the Mexican Institute of Statistics, Geography and Computer Sciences, or INEGI (Instituto Nacional de Estadistica, Geografia e Informatica). In 2009, 21% of Homex's revenues originated in the Mexico City Metropolitan Area, the largest city in Mexico, and 25% in Guadalajara, the second largest city. The remaining revenues were originated throughout 32 cities.

The Company's operations are on a seasonal basis: normally, the highest volume of sales takes place in the second half of the year. Construction times of real-estate developments vary depending on the type of housing: entry-level, middle-income or upper-income; accordingly, construction revenues are recognized in different fiscal years, and the revenues from work completed and generation of accounts receivable fluctuate depending on the date of the beginning of the project and that of its completion.

On April 27, 2010, the Financial Director (CFO), Carlos Moctezuma Velasco, and the Administrative and Accounting Officer, Ramón Lafarga Bátiz, authorized the issuance of the Company's consolidated Mexican Financial Reporting Standards (Mexican FRS) financial statements and notes as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009. Those consolidated financial statements have been approved by the Audit Committee and the Board of Directors on May 13, 2010, and by the Company's stockholders at its meeting held on April 29, 2010.

The accompanying consolidated financial statements which consist of those Mexican FRS consolidated financial statements and notes, as supplemented by the accompanying US GAAP disclosures presented in Notes 28 and 29, were authorized for issuance herein by Gerardo de Nicolás (CEO), the CFO and the Controlling Director on June 30, 2010 with subsequent events having been considered through such date.

Table of Contents

2. Basis of preparation

a) Convenience translation

The consolidated financial statements are stated in Mexican pesos, the currency of the country in which the Company is incorporated and operates. The statements' translations of Mexican pesos into US dollar amounts are included solely for the convenience of readers in the United States of America and have been made at the rate of Ps.13.0437 per one US dollar. Such translations should not be construed as representations that the Mexican peso amounts have been, could have been, or could in the future be, converted into US dollars at this or any other exchange rate.

b) Consolidation of financial statements

The consolidated financial statements include those of Desarrolladora Homex, S.AB. de C.V. and its subsidiaries, whose shareholding percentage in their capital stock is shown below:

	Ownership percentage		
Company	**2009**	**2008**	**Activity**
Proyectos Inmobiliarios de Culiacán, S.A. de C.V. ("PICSA")	**100%**	100%	Promotion, design, construction and sale of entry-level, middle-income and upper-income housing
Nacional Financiera, S.N.C. Fid.del Fideicomiso AAA Homex 80284	**100%**	100%	Financial services
Administradora Picsa, S.A. de C.V.	**100%**	100%	Administrative services and promotion related to construction industry
Altos Mandos de Negocios, S.A. de C.V.	**100%**	100%	Administrative services
Aerohomex, S.A. de C.V.	**100%**	100%	Air transportation and lease services
Desarrolladora de Casas del Noroeste, S.A. de C.V. (DECANO)	**100%**	100%	Construction and development of housing complexes
Homex Atizapán, S.A. de C.V.	**67%**	67%	Promotion, design, construction and sale of entry-level and middle-income
Casas Beta del Centro, S. de R.L. de C.V. (1)	**100%**	100%	Promotion, design, construction and sale of entry-level and middle-income
Casas Beta del Norte, S. de R.L. de C.V.	**100%**	100%	Promotion, design, construction and sale of entry-level
Casas Beta del Noroeste, S. de R.L. de C.V.	**100%**	100%	Promotion, design, construction and sale of entry-level
Hogares del Noroeste, S.A. de C.V. (2)	**50%**	50%	Promotion, design, construction and sale of entry-level and middle-income housing.
Opción Homex, S.A. de C.V. (4)	**100%**	100%	Sale, lease and acquisition of properties
Homex Amuéblate, S.A. de C.V. (4)	**100%**	100%	Sale of housing related products
Homex Global, S.A. de C.V. (3)	**100%**	100%	Holding company for foreign investments
Sofhomex, S.A. de C.V. S.F.O.M. E.R.	**100%**	100%	Financial services
Nacional Financiera, S.N.C. Fid.del Fideicomiso Homex 80584	**100%**	100%	Employee stock option plan administration
HXMTD, S.A. de C.V. (5)	**100%**	100%	Promotion, design, construction and sale of upper-income tourism housing
Homex Central Marcaria, S.A. de C.V. (5)	**100%**	100%	Administration of industrial and intellectual property

Significant intercompany balances and transactions have been eliminated during the consolidation of these entities.

(1) Casas Beta del Centro, S. de R.L. de C.V. (CBC) owns 100% of the outstanding stock of Super Abastos Centrales y Comerciales, S.A. de C.V. and 50% of the outstanding stock of Promotora Residencial Huehuetoca, S.A. de C.V. (Huehuetoca), which are engaged in the promotion, design, construction and sale

of entry-level housing. Huehuetoca is fully consolidated in accordance MFRS B-8 *Consolidated or Combined Financial Statements*, since the Company has control over this subsidiary. Through October 20, 2009, CBC owned 100% of the outstanding stock of Comercializadora Cántaros, S.A. de C.V. That company was sold to a third party on that date.

(2) Hogares del Noroeste, S. A. de C.V. is a 50% owned and controlled subsidiary of Desarrolladora Homex, S.A.B. de C.V., which is engaged in the promotion, design, construction and sale of entry-level and middle-income housing. This entity is fully consolidated in accordance with MFRS B-8, since the Company has control over this subsidiary.

(3) Homex Global, S.A. de C.V, (Homex Global) owns the outstanding stock of the following companies:

(a) Effective March 2008, Homex Global owns 100% of the outstanding stock of Homex India Private Limited, a subsidiary located in India and that is to perform the construction and development of entry-level and middle-income housing in India. This company had no significant operations during 2008 and 2009.

(b) Effective September 2007, Homex Global owned 15% of the outstanding stock of Orascom Housing Communities "S.A.E.", a company located in Cairo, Egypt that performs the construction and development of entry-level and middle-income housing in Egypt. Pursuant the application of MFRS C-7, *Investments in Associates and Other Permanent Investments*, effective January 1, 2009, this company was no longer considered an associated but an other permanent investment. On December 31, 2009 the Company sold its total investment in this company to a third party (see Note 9).

(c) Effective February 2008, Homex Global owns 100% of the outstanding stock of Desarrolladora de Sudamérica, S.A. de C.V., a Mexican company that had no operations during 2008 and 2009.

(d) Effective November 2008, Homex Global owns 100% of the outstanding common stock of Homex Brasil Incorporacoes a Construcoes Limitada (Homex Brasil), through its subsidiaries Éxito Construcoes e Participacoes Limitada and HMX Empreendimentos Imobiliarios Limitada. Through eight subsidiaries, Homex Brasil performs construction and development of entry-level housing in Sao Paulo, Brasil. During 2009, Homex Brasil started operations in Brazil with a 1,300-unit affordable entry-level development in San Jose dos Campos, northeast of Sao Paulo. As of December 31, 2009 the Company had recognized revenues of Ps. 62,178 from its Brazilian operations.

(4) These companies were incorporated in 2007; however, they had no significant operations during 2007, 2008 and 2009.

(5) These companies were incorporated in 2008; however, they had no significant operations during 2008 and 2009.

3. Summary of significant accounting policies

The accompanying consolidated financial statements were prepared in conformity with Mexican Financial Reporting Standards (MFRS).

a) New accounting standards

Effective in 2009:

The most relevant standards that came into force in 2009 are described below:

MFRS B-7, Business Acquisitions

This MFRS substitutes Bulletin B-7 *Business Acquisitions* and was issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de la Información Financiera, A.C. (Mexican Financial Information Standards Research Development Board or "CINIF" to replace Mexican accounting Bulletin B-7 *Business Acquisitions*. This

standard establishes general rules for the initial recognition of net assets, non-controlling interests and other items, as of the acquisition date.

According to this statement, purchase and restructuring expenses resulting from acquisition process, should not be part of the consideration, because these expenses are not an amount being shared by the business acquired.

In addition, MFRS B-7 requires a company to recognize non-controlling interests in the acquiree at fair value as of the acquisition date.

MFRS B-7 is effective for future acquisitions and did not have any effect on the Company's consolidated financial statements as no acquisitions were made in 2009.

MFRS B-8, Consolidated or Combined Financial Statements

The CINIF issued in December 2008, MFRS B-8 *Consolidated or Combined Financial Statements* which replaces Mexican Bulletin B-8 *Consolidated Financial Statements* and describes general rules for the preparation, presentation and disclosure of consolidated and combined financial statements.

The main changes of this MFRS are as follows: (a) this rule defines "Specific-Purpose Entity" (SPE), establishes the cases in which an entity has control over a SPE, and when a company should consolidate this type of entity; (b) addresses that potential voting rights should be analyzed when evaluating the existence of control over an entity; and, (c) set new terms for "controlling interest" instead of "majority interest," and "non-controlling interest" instead of "minority interest."

The adoption of this MFRS did not have any effect on the Company's consolidated financial statements.

MFRS C-7, Investments in Associates and Other Permanent Investments

MFRS C-7 was issued by CINIF in December 2008 and describes the accounting treatment for investments in associates and other permanent investments, which were previously treated within Bulletin B-8 *Consolidated Financial Statements*. This MFRS requires the recognition of a Specific-Purpose Entity, through equity method. Also, this MFRS establishes that potential voting rights should be considered when analyzing the existence of significant influence.

In addition, this rule defines a procedure and a limit for the recognition of losses in an associate.

The adoption of this MFRS required the Company to consider the associate in Egypt as other permanent investment effective January 1, 2009, and no longer as an associate, and therefore to stop recognizing the equity method over this company.

MFRS C-8, Intangible Assets

This rule substitutes Bulletin C-8 *Intangible Assets*. The new rule defines intangible assets as non-monetary items and broadens the criteria of identification, indicating that an intangible asset must be separable; this means that such asset could be sold, transferred, or used by the entity. In addition, intangible asset arises from legal or contractual rights, whether those rights are transferable or separable from the entity.

On the other hand, this standard establishes that preoperative costs should be eliminated from the capitalized balance, affecting retained earnings, and without restating prior financial statements.

This amount should be presented as an accounting change in consolidated financial statements.

The adoption of this MFRS did not have any effect on the Company's consolidated financial statements.

Table of Contents

MFRS D-8, Share-Based Payments

MFRS D-8 establishes the recognition of share-based transactions. When an entity purchases goods or pay services through share-based transactions, the entity is required to recognize those goods or services at fair value and the corresponding increase in equity. According with MFRS D-8, if share-based payments cannot be settled with equity instruments, they have to be settled using an indirect method considering MFRS D-8 parameters, and thus recorded as a liability.

The adoption of this MFRS did not have material effect on the Company's consolidated financial statements.

IMFRS 18, Effects on Recognition from the 2010 Tax Reform Bill in Income Taxes

On December 15, 2009 the CINIF published the Interpretation 18 of Mexican Financial Reporting Standards (IMFRS) with the objective to provide guidance in regards to the 2010 Tax Reform Bill about the accounting recognition that should be completed in the companies' financial statements.

This IMFRS establishes certain parameters for the recognition of changes to the new Tax Reform, mainly in regards to Income Tax rates changes, changes to the consolidation regime (fundamentally related to tax losses), losses on stock transfers, special consolidation terms, distributed dividends not from Net Tax Profit Account (CUFIN), consolidation tax benefits and differences between CUFIN. The effects of the application of IMFRS 18 are disclosed in Note 23.

Table of Contents

Effective in 2008:

The most relevant standards that came into force in 2008 are described below:

MFRS B-2, Statement of Cash Flows

In November 2007, MFRS B-2 was issued by the CINIF to replace Mexican accounting Bulletin B-12, *Statement of Changes in Financial Position*. This standard establishes that the statement of changes in financial position is substituted by a statement of cash flows as part of the basic financial statements. The main differences between both statements lie in the fact that the statement of cash flows shows the entity's cash receipts and disbursements for the period, while the statement of changes in financial position showed the changes in the entity's financial structure rather than its cash flows. In an inflationary environment, the amounts of both financial statements are expressed in constant Mexican pesos. However, in preparing the statement of cash flows, the entity must first eliminate the effects of inflation for the period and, accordingly, determine cash flows at constant Mexican pesos, while in the statement of changes in financial position, the effects of inflation for the period were not eliminated.

MFRS B-2 establishes that in the statement of cash flows, the entity must first present cash flows derived from operating activities, then from investing activities, the sum of these activities and finally cash flows derived from financing activities. The statement of changes in financial position first shows the entity's operating activities, then financing activities and finally its investing activities. Under this new standard, the statement of cash flows may be determined by applying the direct or indirect method.

The transitory rules of MFRS B-2 establish that the application of this standard is prospective. Therefore, the financial statements for 2007 include the statement of changes in financial position, as previously established by Mexican accounting Bulletin B-12.

MFRS B-10, Effects of Inflation

In July 2007, the CINIF issued MFRS B-10, *Effects of Inflation*. MFRS B-10 defines the two economic environments in Mexico that will determine whether or not entities must recognize the effects of inflation on financial information: i) inflationary, when inflation is equal to or higher than 26%; accumulated in the preceding three fiscal years (an 8% annual average); and ii) non-inflationary, when accumulated inflation for the preceding three fiscal years is less than the aforementioned accumulated 26%. Based on these definitions, the effects of inflation on financial information must be recognized only when entities operate in an inflationary environment.

This standard also establishes the accounting rules applicable whenever the economy changes from any type of environment to another. When the economy changes from an inflationary environment to a non-inflationary one, the entity must maintain in its financial statements the effects of inflation recognized through the immediate prior year, since the amounts of prior periods are taken as the base amounts of the financial statements for the period of change and subsequent periods. Whenever the economy changes from a non-inflationary environment to an inflationary one, the effects of inflation on the financial information are recognized retrospectively, meaning that all information for prior periods must be adjusted to recognize the accumulated effects of inflation of the periods in which the economic environment was considered non-inflationary.

This standard also abolishes the use of the specific-indexation method for the valuation of imported fixed assets and the replacement-cost method for the valuation of inventories, thus eliminating the result from holding non-monetary assets.

The Interpretation 9 of MFRS establishes that comparative financial statements for years prior to 2008 must be expressed in Mexican pesos with purchasing power at December 31, 2007, which was the last date on which the effects of inflation were recognized.

The realized result from holding non-monetary assets must be reclassified to retained earnings, while the unrealized portion must be maintained as such within stockholders' equity, and reclassified to results of operations when the asset giving rise to it is realized. Whenever it is deemed impractical to separate the realized from the unrealized result from holding non-monetary assets, the full amount of this item may be reclassified to the retained earnings.

The effect of the adoption of this standard on the Company's 2008 financial statements is the Company's ceasing to recognize the effects of inflation on its financial information; therefore no monetary result was determined. The accumulated monetary position as of December 31, 2007 that was Ps. 346,641 was reclassified to the retained earnings.

MFRS B-15, Foreign Currency Translation

MFRS B-15 incorporates the concepts of recording currency, functional currency and reporting currency, and establishes the methodology to translate financial information of a foreign entity, based on those terms. Additionally, this rule is aligned with NIF B-10, which defines translation procedures of financial information from subsidiaries that operate in inflationary and non-inflationary environments. Prior to the application of this rule, translation of financial information from foreign subsidiaries was according to inflationary environments methodology.

The Company's foreign operations are insignificant at this time and thus the impact of the adoption of this MFRS on the Company's consolidated financial statements was also insignificant.

MFRS D-3, Employee Benefits

MFRS D-3, *Employee Benefits* replaces the previous MFRS accounting Bulletin D-3, *Labor Obligations*. The most significant changes contained in MFRS D-3 are as follows:

i) shorter periods for the amortization of unamortized items such as transition obligations, with the option to credit or charge actuarial gains or losses directly to results of operations, as they accrue. As further disclosed in Note 13, during 2008 the Company prospectively changed the amortization periods for its transition liability from those of 10-22 year periods in prior years, to a four year period starting in 2008, resulting in Ps. 5,559 in additional labor costs being recognized in its 2008 statement of income as compared to prior periods;

ii) elimination of the recognition of an additional liability and resulting recognition of an intangible asset and comprehensive income item. As further disclosed in Note 13, upon the adoption of MFRS D-3 the Company reversed its intangible asset of Ps. 30,092 and additional liability of Ps. 34,189 resulting in a credit to shareholders equity of Ps. 4,097 in 2008;

iii) accounting treatment of current-year and deferred employee profit-sharing, requiring that deferred employee profit-sharing be recognized using the asset and liability method established under MFRS D-4. The Company recorded a deferred profit sharing asset of Ps. 29,667 upon adoption of MFRS D-3. That asset has been adjusted to a value of Ps. 26,606 as of December 31, 2008. As of December 31, 2009 there was no deferred profit sharing.

iv) current-year and deferred employee profit-sharing expense is to be presented as an ordinary expense in the income statement rather than as part of taxes on profits.

The impact of the adoption of MFRS D-3 is as indicated above.

MFRS D-4, Taxes on Profit

The CINIF also issued Mexican FRS D-4, *Taxes on Profits* which replaces Mexican accounting Bulletin D-4 *Accounting for Income Taxes, asset Tax and Employee Profit-sharing*. The most significant changes attributable to MFRS D-4 are as follows:

i) the concept of permanent differences is eliminated. The asset and liability method requires the recognition of deferred taxes on all differences in balance sheet accounts for financial and tax reporting purposes, regardless of whether they are permanent or temporary;
ii) because current and deferred employee profit-sharing is now considered as an ordinary expense under MFRS D-3, it is excluded from this standard;
iii) asset taxes are required to be recognized as a tax credit and, consequently, as a deferred income tax asset only in those cases in which there is certainty as to its future realization; and
iv) the cumulative effect of adopting Mexican accounting Bulletin D-4 is to be reclassified to retained earnings, unless it is identified with comprehensive items in stockholders' equity not yet taken to income.

The application of this standard is prospective in nature; therefore the comparative financial statements from prior years were not modified. The adoption of this MFRS did not have any effect on the Company's consolidated financial statements.

Effective in 2007:

The most relevant standard that came into force in 2007 is described below:

MFRS D-6, Capitalization of the Comprehensive Financing Cost

MFRS D-6 establishes that entities must capitalize comprehensive financing cost (CFC), which had been optional, under Mexican accounting Bulletin C-6, *Property, Plant and Equipment*.

Capitalized CFC is defined as the amount attributable to qualifying assets that could have been avoided if its acquisition had not taken place, which in the case of Mexican peso denominated financing, includes its interest and the net monetary position, and in the case of foreign currency denominated financing, it also includes any exchange gain or losses. Qualifying assets are defined as those assets acquired by an entity requiring a prolonged period of time to carryout the activities to get them ready for their intended use, that are to be sold or leased, that require a prolonged period to be acquired or readied for its sale or lease including inventories that require a period of time to take possession or to get them in conditions for their sale. The capitalization of the comprehensive result of financing starts and continues while investments for its acquisition are being made, the activities required for conditioning the asset for sale or use are underway and interest is being accrued.

MFRS D-6 establishes that the amount of capitalized CFC will be determined based on the loans that were specifically used to acquire the qualifying assets, or if such identification cannot be made, by applying the weighted average capitalization rate for financing to the weighted average number of investments in qualifying assets made during the acquisition period. Financing with imputed interest cost may be capitalized against the cost of acquired assets, since the financing is recognized at its present value.

The application of MFRS D-6 for the years ended December 31, 2009, 2008 and 2007 represented a decrease in CFC of Ps. 563,154, Ps. 1,250,080 and Ps. 179,304, respectively, although Ps. 670,127 (of which Ps. 419,338 is related to the current year CFC and Ps. 250,789 is related to prior years) in 2009, Ps. 976,707 (of which Ps. 931,682 is related to the current year CFC and Ps. 45,025 is related to prior years) in 2008 and Ps. 119,286 in 2007 were ultimately charged to cost of sales as the underlying projects were sold.

b) Revenue and cost recognition

Revenues from the Company's activities as a developer are recorded pursuant to the percentage-of-completion method, measured by the percentage of actual costs incurred to total estimated costs for each development and each project. Under this method, the estimated revenue for each development and project is multiplied by such percentage to determine the amount of revenue to be recognized. Management periodically evaluates the fairness of estimates used to determine the percentage of completion. If, as a result of such evaluation, it becomes apparent that estimated costs on uncompleted projects exceed expected revenues, a provision for estimated costs is recorded in the period in which such costs are determined. The Company begins applying the percentage-of-completion method when the

following conditions have been met:

- the homebuyer has submitted all required documents in order to obtain the financing from the mortgage lender;
- the Company established that the homebuyer will obtain the required financing from the mortgage lender;
- the homebuyer has signed a purchase application for the processing and granting of a loan to buy a property to be used as housing; and
- the homebuyer has made a down payment, where down payments are required.

The cost of sales represents the cost incurred in the development of housing revenues by the Company during the year. These costs include land, direct materials, labor and all the indirect costs related to the development of the project such as indirect labor, equipment, repairs, depreciation and the capitalization of the comprehensive financing costs.

Refer to Note 26 for a discussion of Interpretation 14 to MFRS which will significantly change the Company's accounting for revenue and cost recognition beginning in 2010.

c) Recognition of the effects of inflation

Effective January 1, 2008 the Company adopted MFRS B-10, *Effects of Inflation*. Based on this Standard, the Company did not recognize the effects of inflation in the financial information for the years ended December 31, 2009 and 2008. However, for prior period's information of 2007 presented for comparative purposes, it is stated in pesos of purchasing power as of December 31, 2007, last date that the inflation was recognized.

Cumulative inflation in Mexico over 2007, 2008 and 2009 is less than 26% and therefore, in conformity with MFRS B-10, Mexico's current economic environment is considered non-inflationary. Furthermore, the three year cumulative inflation in both of the Company's foreign locations (Brazil and India) is also less than 26% through December 31, 2009. Accordingly, the Company's financial information for 2009 and 2008 was prepared without recognizing the effects of inflation. Interpretation 9 of MFRS establishes that comparative financial statements for years prior to 2008 must be expressed in Mexican pesos with purchasing power at December 31, 2007, which was the last date on which the effects of inflation were recognized. Therefore amounts as of December 31, 2009 and 2008 do not include inflation effects, and the comparative figures as of December 31, 2007, are stated in thousands of pesos as of December 31, 2007.

d) Use of estimates

In conformity with MFRS, the preparation of financial statements requires the use of estimates and assumptions in certain areas. Actual results could differ from these estimates.

e) Cash and cash equivalents

Cash and cash equivalents consist basically of bank deposits and highly liquid investments with purchased maturities of less than 90 days. These investments are stated at cost plus accrued interest, which is similar to their market value.

f) Allowance for doubtful accounts

The Company's policy is to provide for doubtful accounts based on balances of uncollected accounts receivable, applying several percentages based on their aging status.

g) Inventories and costs of sales

Construction-in-process, construction materials and land for development and future development are recorded at acquisition cost. Cost of sales for the year ended December 31, 2007, was restated using the NCPI (see Note 3c).

The balance of this account is similar to its market value.

Land for future developments refers to land reserves to be developed by the Company.

MFRS D-6 establishes the determination of the amount from the comprehensive financing cost (CFC) that shall be capitalized. The land under development inventories and construction-in-process include the capitalized CFC. The Company capitalizes the CFC that results from the application of the weighted average rate of the debt to the weighted average of the construction-in-process investment and the land under development during the acquisition period. In regards to debt in foreign currency, the capitalized CFC includes the corresponding exchange gains and losses (see Note 6).

The Company has land trusts agreements for the homebuilding development sites, in where each one of the trustees participates in the income generated by these developments in percentages that vary between 9% and 14% for lands not urbanized and 32% for urbanized lands. As per the agreements the Company recognizes the land as inventory when the construction starts (but only for the portion of land used).

h) Property and equipment

Property and equipment is recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets, as follows:

	Years
Buildings	20
Machinery and equipment	4 and 10
Transportation equipment	4
Air transportation equipment	10
Office furniture and equipment	10
Computers	4
Communication equipment	4

The value of property and equipment is reviewed whenever there are indications of impairment. When the recovery value of an asset, which is the greater of its selling price and value in use (the present value of future cash flows), is lower than its net carrying value, the difference is recognized as an impairment loss. At December 31, 2009 and 2008, no impairment losses have been recognized with respect to the Company's property and equipment.

i) Leases

The Company classifies agreements to lease property and equipment as operating or capital, in conformity with the guidelines of Bulletin D-5, *Leases*.

Lease arrangements are recognized as capital leases if they meet at least one of the following conditions:

a) Under the agreement, the ownership of the leased asset is transferred to the lessee upon termination of the lease.

b) The agreement includes an option to purchase the asset at a reduced price.

c) The term of the lease is basically the same as the remaining useful life of the leased asset.

d) The present value of minimum lease payments is basically the same as the market value of the leased asset, net of any benefit or scrap value.

When the lessor retains the risks or benefits inherent to the ownership of the leased asset, the agreements are

classified as operating leases and rent is charged to results of operations.

j) Goodwill

Goodwill represents the difference between the purchase price and the fair value of the net assets acquired at the date of purchase in accordance with the purchase method of accounting.

Goodwill is recorded initially at acquisition cost and until December 31, 2007 was restated using adjustment factors derived from the NCPI.

Goodwill is not amortized; however, it is subject to annual impairment tests, and is adjusted for any impairment losses. Goodwill is allocated to the affordable entry-level segment.

Goodwill as of December 31, 2009 and 2008 was Ps. 731,861.

k) Impairment of indefinite lived assets

The Company reviews the carrying amounts of assets with indefinite useful life annually or earlier when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows using an appropriate discount rate, or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the amounts mentioned above. The impairment indicators considered for these purposes are, among others, the operating losses or negative cash flows in the period if they are combined with a history or projection of losses; depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than that of previous years; obsolescence; reduction in the demand for the products manufactured; competition; and other legal and economic factors.

As of December 31, 2009 and 2008, no impairment has been recognized with respect to the Company’s assets with indefinite lives.

l) Other assets

Expenses related to the placement of the various borrowings disclosed in Note 10 are recorded at cost. These amounts will be amortized under the straight-line method over the respective loan terms. The value assigned to the BETA trademark is amortized under the straight-line method over five years, which is the estimated useful life.

m) Employee retirement obligations

The Company grants seniority premiums and termination pay, covering all its employees. The related calculations are based on the provisions of the Mexican Federal Labor Law (FLL). Under FLL, workers are entitled to certain benefits at the time of their separation from the Company under certain circumstances. Seniority premiums and termination payments are recognized periodically using the projected unit-credit method and financial assumptions (2007 net of inflation).

As disclosed in Note 13, effective January 1, 2008 the Company adopted MFRS D-3. As a result of this adoption, the transition liability of labor obligations is now being amortized over a four-year period. Prior to 2008, this liability was amortized on a straight-line basis over the labor life of our covered employees.

n) Derivative financial instruments

Derivative financial instruments are used for hedging purposes. At December 31, 2009 and 2008, all derivative instruments were recognized in the balance sheet at fair value, initially represented by the amount of consideration agreed (both assets and liabilities). Transaction costs and cash flow received or delivered to adjust these instruments to fair value at the beginning of the transaction, not related to premiums on options, are amortized during the respective term. The changes in the fair value of derivative financial instruments that do not qualify as hedging instruments are recognized in income in valuation effects of derivative instruments caption. Financial instruments

that qualify as hedging instruments are recognized in stockholders' equity as part of other comprehensive income.

o) Liabilities, provisions, contingent assets and liabilities and commitments

Liability provisions are recognized whenever (i) the Company has current obligations (legal or assumed) derived from past events, (ii) the liability will probably give rise to a future cash disbursement for its settlement and (iii) the liability can be reasonably estimated.

Contingent liabilities are recognized when they will probably likely give rise to a future cash disbursement for their settlement. Contingent assets, if any, are only subject to disclosure, unless they can be definitely realized. Also, commitments are only recognized when they generate a loss.

p) Deferred taxes

The Company recognizes deferred taxes using the asset and liability method. Under this method, deferred taxes are recognized on all temporary differences between the book and tax values of assets and liabilities, using the enacted income tax or flat rate business tax (IETU) rate at the time the financial statements are issued, which is the enacted rate that will be in effect at the time the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

Deferred tax assets are evaluated periodically in order to determine their recoverability.

Table of Contents

q) Deferred employee statutory profit sharing

Beginning January 1, 2008 the Company uses MFRS D-3, *Employee Benefits* that considers the accounting treatment for Employee Statutory Profit-Sharing. This Standard establishes the Companies to use the asset and liability method to compute and recognize the deferred liability or asset for profit-sharing, in a similar manner as the deferred income tax computation, and establishes the initial recognition of the deferred profit-sharing, if any, to be reclassified to retained earnings, unless it is identified with comprehensive items in stockholders' equity not yet taken to income.

Until December 31, 2007 deferred employee profit sharing was recognized only on temporary differences determined in the reconciliation of current year net income and the income base determined for employee profit-sharing purposes, only when there is no indication that the resulting liability or asset will not be realized in the future.

Current-year and deferred employee profit-sharing expense is to be presented as an ordinary expense in the income statement rather than as part of taxes on profits.

During the year ended December 31, 2008, the deferred profit-sharing amounted Ps. 26,606 (see Note 9). The initial recognition of the deferred profit-sharing under MFRS D-3 amounts Ps. 29,667 that was recorded in the other stockholders' equity account. The deferred asset effect generated during 2008 amounts to Ps. 127,305, of which the Company created a valuation allowance of Ps. 100,699, which according with the Company's projections were more likely than not to not be recovered. The deferred asset effect generated during 2009 for Ps. 52,392. The Company created a valuation allowance of Ps. 78,998 (Ps. 26,606 of 2008 and Ps. 52,392 of 2009), which according with the Company's projections were more likely than not to not be recovered.

r) Foreign currency balances and transactions

As mentioned in Note 3a beginning January 1, 2008 the Company adopted MFRS B-15 *Foreign Currency Translation*, Standard that replaces Bulletin B-15 *Transactions in Foreign Currency and Translation of Financial Statements of Foreign Operations*. This Standard is applicable for the recognition of transactions and amounts in foreign currency.

Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of net comprehensive financing cost (income) in the consolidated statements of income.

See Note 17 for the Company's consolidated foreign currency position at the end of each year and the exchange rates used to translate foreign currency denominated balances.

s) Stock option plan

In November 2007, the Company implemented a plan through which certain of its executives and company officials receive remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments.

Given the settlement feature contained within the plan, the awards were treated as "Liability Awards" from its implementation and through December 31, 2008. Compensation cost was measured by reference to the fair value of the awards at each balance sheet date. During 2009 and as a result of certain modifications made to the plan, the awards were modified so as to become equity-settled. The fair value of share based compensation is determined using an appropriate pricing model (see Note 16e).

Table of Contents

t) Earnings per share

Earnings per share are calculated by dividing net income of controlling interest by the weighted average number of shares outstanding during the year. The Company does not have any dilutive securities beyond the stock options disclosed in Note 16e, the effects of which were immaterial in all periods. Accordingly basic and diluted earnings per share presented were the same during such periods.

u) Comprehensive income

Comprehensive income is represented by net income, the effects of labor obligations (until December 31, 2007), the effect of the translation of the financial statements of the subsidiaries and foreign associated company and the effect of the change in the fair value of financial instruments that meet the criteria of hedge accounting.

v) Statement of income presentation

The costs and expenses reflected in the statement of income are presented according to their function, since this classification allows an adequate analysis of gross profits and operating margins. The Company's operating income is presented because it is an important indicator of its overall performance and results, and includes ordinary income, operating costs and expenses. Other ordinary income (expenses) is therefore excluded.

w) Reclassifications

Certain amounts in the 2008 consolidated balance sheet have been reclassified in order to conform with 2009 presentations. The effects of these reclassifications were recognized with retrospective application, in accordance with MFRS B-1, *Accounting changes and error corrections*.

	Original amounts 2008	Reclassified amounts 2008
Deferred income taxes, liability	Ps. (3,412,501)	Ps. (3,741,099)
Deferred income taxes, asset	—	328,598
Deferred income taxes, net	Ps. (3,412,501)	Ps. (3,412,501)
Income taxes	Ps. 129,141	Ps. 26,172
Provision for uncertain tax positions	—	102,969
	Ps. 129,141	Ps. 129,141

x) Segment reporting

Segment reporting is presented in accordance with the information prepared for the internal decision making process. The information is presented according to the type of housing on sale by the Company.

Table of Contents

4. Cash and cash equivalents

	2009	2008
Cash	**Ps. 143,851**	Ps. 225,669
Cash equivalents	**2,978,223**	914,471
	Ps. 3,122,074	Ps. 1,140,140

Cash and cash equivalents consist basically of bank deposits and highly liquid investments. The Company has restricted cash as of December 31, 2009 and 2008 for Ps. 129,342 and Ps. 128,045, of which Ps. 122,809 and Ps. 128,045 are related to restricted amounts (see Note 14), respectively. Ps. 6,533 in 2009 was deposited into an escrow account related to a pending acquisition (see Note 25).

5. Trade accounts receivable

	2009	2008
As promoter:		
Total incurred construction costs	**Ps. 9,102,230**	Ps. 7,487,205
Estimated gross profit on costs incurred	**3,615,262**	3,082,839
Unbilled revenues on developments in progress	**12,717,492**	10,570,044
Due from customers (1)(2)(3)	**403,925**	1,343,786
Services and other	**48,919**	61,382
	13,170,336	11,975,212
Allowance for doubtful accounts	**(57,279)**	(48,184)
	13,113,057	11,927,028
Trade accounts receivable, long-term (4)	**(74,846)**	(81,498)
	Ps. 13,038,211	Ps. 11,845,530

Unbilled revenues on developments in progress represent revenues recognized on costs incurred, in accordance with the percentage-of-completion method, which have not yet been billed.

The Company does not believe that it has a significant concentration of credit risk. While some of its receivables are from homebuyers, the majority are from entities in the home finance business, whose characteristics differ from other receivables.

(1) These amounts include balances due from INFONAVIT, FOVISSSTE, SOFOLES *(Sociedades Financieras de Objeto Limitado)*, commercial banks and homebuyers. With the exception of commercial banks and homebuyers, all such categories exceed 10% of accounts receivable balances as of December 31, 2009 and 2008.

(2) The Company participates in a program referred to as “Programa de Entrega Anticipada de Vivienda INFONAVIT”. This program provides for factoring of INFONAVIT receivables without recourse, thereby providing for more timely collection.

(3) The Company participates in a factoring program with Mexico’s National Development Bank (NAFIN), which provided FOVISSSTE with a funding source to complement its housing programs. This program provides for factoring of FOVISSSTE receivables without recourse, thereby providing for more timely collection.

(4) The long-term trade account receivable is due to an agreement with the Housing Institute of the Federal District, or Instituto de Vivienda del Distrito Federal (“INVI”), on which it was agreed that the Company will receive monthly payments, including interest at a rate of TIIE plus 4%, during a five-year period, beginning June 2009, due to the sale of houses in Mexico City.

Table of Contents

6. Inventories

	2009	2008
Land:		
Titled land	**Ps. 9,189,849**	Ps. 6,780,335
Contracted land	**2,673,289**	4,939,990
Advances to land suppliers	**391,868**	143,666
	12,255,006	11,863,991
Land held for future developments	**(10,912,389)**	(9,254,469)
Land	**1,342,617**	2,609,522
Other inventories:		
Construction-in-process	**2,069,229**	1,542,577
Construction materials	**512,355**	638,488
Advances to suppliers	**83,173**	300,317
Total other inventories	**2,664,757**	2,481,382
Total inventories	**Ps. 4,007,374**	Ps. 5,090,904

The Company's policy is to locate and acquire land each year, classifying land currently being developed and land planned to be developed within the next year as part of current assets, and classifying all remaining land as non-current assets.

Due to the application of MFRS D-6 during 2009, 2008 and 2007, the net comprehensive financing cost related to qualified assets for the same periods was Ps. 563,154, Ps. 1,250,080 and Ps. 179,304, respectively. Total CFC related to inventories sold and subsequently applied to cost of sales was Ps. 670,127 during 2009 (of which Ps. 419,338 is related to the current year CFC and Ps. 250,789 is related to prior years), Ps. 976,707 during 2008 (of which Ps. 931,682 is related to 2008 CFC and Ps. 45,025 is related to earlier years) and Ps.119,286 during 2007, respectively. The average period for the amortization of the capitalized comprehensive financing cost is 4 months. The annual capitalization rates are 6.5%, 24.3% and 7.6%, during each of 2009, 2008 and 2007, respectively.

The Company utilizes certain land trust agreements in order to obtain its supply of land for construction purposes. As of December 31, 2009 and 2008 the Company has recognized Ps. 241 and Ps. 4,438, related to this inventory, which are part of the "contracted" land inventory.

During the years ended December 31, 2009, 2008 and 2007, the net comprehensive financing cost capitalized in inventories was as follows:

	2009	2008	2007
Total accrued net comprehensive financing cost before capitalization	**Ps. 769,720**	Ps. 1,808,565	Ps. 458,208
Comprehensive financing cost capitalized in inventories	**(563,154)**	(1,250,080)	(179,304)
Comprehensive financing cost after capitalization	**Ps. 206,566**	Ps. 558,485	Ps. 278,904

Table of Contents

7. Prepaid expenses and other current assets

	2009	2008
Sales commissions paid in advance	**Ps. 161,833**	Ps. 103,665
Sundry debtors	**126,927**	101,198
Refundable taxes	**208,908**	215,747
Other current assets	**32,049**	15,928
Insurance and bond contracts	**9,613**	2,401
Prepaid interest	**5,968**	4,227
	Ps. 545,298	Ps. 443,166

8. Property and equipment

	2009	2008
Buildings	**Ps. 253,412**	Ps. 253,412
Machinery and equipment	**1,458,178**	1,399,166
Transportation equipment	**102,251**	103,799
Air transportation equipment	**75,203**	75,203
Office furniture and equipment	**101,781**	106,760
Computers	**99,802**	128,066
Communication equipment	**38,490**	38,360
	2,129,117	2,104,766
Accumulated depreciation	**(1,050,426)**	(733,729)
	1,078,691	1,371,037
Land	**31,891**	31,891
	Ps. 1,110,582	Ps. 1,402,928

The amount of assets acquired via capitalized leases during the years ended December 31, 2009, 2008 and 2007, was Ps. 47,035, Ps. 97,131 and Ps. 350,854, respectively.

Depreciation expense for the years ended December 31, 2009, 2008 and 2007 was Ps.371,402, Ps. 323,727 and Ps. 196,307, respectively.

9. Other assets

	2009	2008
Net value of the “BETA” trademark (1)	**Ps. 45,527**	Ps. 136,581
Trade accounts receivable, long-term (see Note 5)	**74,846**	81,498
Financial instruments (see Note 11)	**4,375**	65,975
Debt issuance costs, net	**158,364**	79,468
Investment (2)	**—**	59,226
Deferred profit-sharing (Note 3q)	**—**	26,606
Guarantee deposits	**29,305**	14,479
Other	**11,976**	4,536
	Ps. 324,393	Ps. 468,369

Table of Contents

Amortization expense for the years ended December 31, 2009, 2008 and 2007 was Ps. 112,007, Ps. 101,294 and Ps. 105,410, respectively. The expected amortization of the "BETA" trademark and debt issuance costs for the years 2010 to 2015 is as follows:

Year	Amortization
2010	**Ps. 68,498**
2011	**22,971**
2012	**22,971**
2013	**21,724**
2014 and thereafter	**67,727**
	Ps. 203,891

(1) "BETA" Trademark is allocated to the affordable entry-level segment.

(2) Until December 31, 2009, the Company had an investment in the 15% of the Egyptian company Orascom Housing Communities "S.A.E.". The Company sold this investment for US$4.3 million on December 31, 2009 with a net gain of Ps. 11,676 being recorded in 2009.

Table of Contents

10. Debt

a) As of December 31, 2009 and 2008, the outstanding balances of short-term indebtedness with financial institutions consist of the following:

	2009	2008
HSBC México, S.A.		
A revolving line of credit granted by HSBC Mexico, S.A. on December 26, 2008 and September 14, 2009 for Ps. 50,000. The borrowings matured on January 23 and December 11, 2009 and bore interest at the Mexican interbank equilibrium interest rate (TIIE) plus 4.1% and plus 5.5%, respectively.	**Ps. —**	Ps. 50,000
Banco Regional de Monterrey, S.A.		
A revolving credit line granted by Banco Regional de Monterrey S.A. on December 11, 2008 for Ps. 90,284 and September 3, 2009 for Ps. 49,284. The borrowings matured on January 8 and October 1, 2009, and bore interest at TIIE plus 4%.	**—**	90,284
Grupo Financiero Inbursa, S.A.		
A revolving credit line granted by Grupo Financiero Inbursa, S.A. on December 19, 2008 and September 28, 2009 for Ps. 600,000. The borrowings matured on January 19 and October 28, 2009, and bore interest at TIIE plus 4.5%.	**—**	600,000
Banco Mercantil del Norte, S.A.		
A revolving credit line granted by Banco Mercantil del Norte S.A. on December 30, 2008 and August 27, 2009 for Ps. 300,000. The borrowings matured on January 29 and October 28, 2009, and bore interest at TIIE plus 3.25% and 3.75%, respectively.	**—**	300,000
Banco Santander México, S.A.		
A revolving credit line granted by Banco Santander México, S.A. on November 12, 2008 for Ps. 100,000. The borrowing matured on May 7, 2009, and bore interest at TIIE plus 1%.	**—**	100,000
Banco Itau BBA, S.A.		
Seven credit lines granted by Banco Itau BBA, S.A. (Brazilian financial institution) on May, September and October 2009 for 9.1 million Brazilian Reals. The borrowings mature on March, April, May and July 2010, and bear interest at 6.5%.	**68,535**	—
Banco Fibra, S.A.		
A revolving credit line granted by Banco Fibra, S.A. (Brazilian financial institution) on July 22, 2009 for 1.3 million Brazilian Reals. The borrowing matures on July 20, 2010, and bears interest at 9.9%.	**9,569**	—
Banco ABC Brasil, S.A.		
Three credit lines granted by Banco ABC Brasil, S.A. (Brazilian financial institution) in August, October and November 2009 for 12 million Brazilian Reals. The borrowings mature on February, October, and November 2010, and bear interest at 8.5%.	**90,171**	—
Banco HSBC, S.A.		
A revolving credit line granted by Banco HSBC, S.A. (Brazilian financial institution) on November 23, 2009 for 1.5 million Brazilian Reals. The borrowing matures on November 18, 2010, and bear interest at 3.1%.	**11,277**	—
Interest payable	**881**	3,448
Total	**Ps. 180,433**	Ps. 1,143,732

Table of Contents

b) As of December 31, 2009 and 2008, the outstanding balances of long-term debt with financial institutions consist of the following:

	2009	2008
Bond issuance (“Senior Guaranteed Notes due 2015”) by Credit Suisse First Boston and Merrill Lynch. These obligations are guaranteed by PICSA, DECANO and other subsidiary companies. They are USD denominated in the amount of US $250 million, with a fixed annual interest rate of 7.5%, payable on September 28, 2015. Interest is payable semiannually.	**Ps. 3,260,925**	Ps. 3,443,450
Bond issuance (“Senior Guaranteed Notes due 2019”) by Credit Suisse Securities LLC and HSBC Securities Inc. These obligations are guaranteed by PICSA, DECANO and CBC. They are USD denominated in the amount of US $250 million, with a fixed annual interest rate of 9.5%, payable on December 11, 2019. Interest is payable semiannually.	**3,232,500**	—
Banco Nacional de México, S.A. A line of credit granted by Banco Nacional de México, S.A. on July 16, 2009 for Ps.1,000 million. The borrowing matures on July 16, 2013 and bears interest at the Mexican interbank equilibrium interest rate (TIIE) plus 4.5%.	**888,738**	—
HSBC México, S.A. A line of credit granted by HSBC Mexico, S.A. on July 1, 2005 for Ps. 1,081 million, with semiannual payments beginning on March 14, 2008. The borrowing ultimately matures on September 14, 2010, and bore interest at TIIE plus 1%. This line of credit was paid out on December 24, 2009.	—	360,334
GE Capital, S.A. A line or credit granted by GE Capital, S.A. on July 29, 2005 for US$2.3 million. The borrowing ultimately matures on July 29, 2010, and bears interest at an annual rate of 7.4%.	**4,520**	11,136
Grupo Financiero Inbursa, S.A. A line of credit granted by Grupo Financiero Inbursa, S.A. on June 26, 2008 for Ps. 2,078 million. The borrowing ultimately matures on June 26, 2013 and bears interest at TIIE plus 1.5%.	**2,078,000**	2,078,000
Hipotecaria Nacional, S.A. de C.V. Three separate lines of credit granted by Hipotecaria Nacional, S.A. de C.V. for amounts totaling Ps. 299,795. Borrowings were granted on November 6, 2008, November 20, 2008 and December 11, 2008. The borrowings mature in November and December 2010, and bear interest at TIIE plus 4%. This line of credit was guaranteed by five of the Company’s land lots. These three lines of credit were repaid on December 23, 2009.	—	299,795
Interest payable, primarily Senior Guaranteed Notes	**85,642**	71,076
Total long-term debt	**9,550,325**	6,263,791
Current portion of long-term debt	**(90,162)**	(273,672)
Long-term debt balances	**Ps. 9,460,163**	Ps. 5,990,119

Table of Contents

Covenants

Loan covenants require the Company and its guarantor subsidiaries to meet certain obligations. These covenants cover changes in ownership control, restrictions on incurring additional debt that does not meet certain requirements established in the loan contracts, restrictions on the sale of assets and the sale of capital stock in subsidiaries, unless they meet certain requirements, and restricted payments where dividends cannot be paid or capital reimbursed to stockholders' equity unless they are made between the guarantor subsidiaries.

Most significant financial covenants, contained within loan agreements, require the Company to maintain:

- A total of stockholders' equity of at least Ps. 11,850,000;
- A ratio of interest coverage (EBITDA/net financing expense) over 3.0 times; and
- A ratio of leverage (liabilities with cost/EBITDA) of less than 2.50 to 1.0;

There are also restrictions applicable to additional debt based on EBITDA levels. In the event the Company does not comply with any of the above provisions, it will be limited in its ability to pay dividends to its stockholders.

As of December 31, 2009 and 2008, the Company was in compliance with the financial covenants contained within its debt agreements.

Debt maturities

As of December 31, 2009, long-term debt matures as follows:

Year		Amount
2013	**Ps.**	**2,966,738**
2015		**3,260,925**
2019		**3,232,500**
	Ps.	**9,460,163**

The TIIE rates published in the Federal Official Gazette as of December 31, 2009 and 2008 were 4.9150% and 8.6886%, respectively. The exchange rate used to convert debt denominated in US Dollars and Brazilian Reals for the year ended December 31, 2009 were 13.0437 Mexican pesos and 7.5183 Mexican pesos, respectively. The exchange rate used to convert debt denominated in US Dollars for the year ended December 31, 2008 was 13.7738 Mexican pesos. The Company did not have debt denominated in Brazilian Reals as of December 31, 2008.

Table of Contents

11. Financial instruments

Financial Instruments Related to the Senior Guaranteed Notes due 2015

As disclosed in Note 10, the Company's Senior Guaranteed Notes due 2015 are U.S. dollar denominated. In order to convert the principal of the U.S. dollar bonds to Mexican pesos, in September 2005 the Company entered into a "Principal-Only Swap" with a notional value of US$250 million, which entitled the Company to receive this amount in 2015 in return for a payment in Mexican pesos at a fixed exchange rate of 10.83 Mexican pesos per U.S. Dollar. As part of this agreement, the Company paid interest of 2.92% a year on the total notional amount in U.S. dollars, in semiannual payments.

The Principal-Only Swap transaction did not meet hedge accounting requirements, and thus all changes in the fair value of the underlying derivative were recorded in the Company's current earnings as a component of comprehensive financing cost within the valuation effects on derivative instruments account. As of December 31, 2007, the fair value of this derivative was Ps. 79,098 (US$7.2 million) which represented the estimated present value of future cash flows to be paid out by the Company.

On July 5, 2008 the Company cancelled its Principal-Only Swap by paying Ps. 54,434 (US$ 5.3 million). No gain or loss was recorded upon cancellation of the Principal-Only Swap agreement as it was already recorded at fair value.

On July 6, 2008 the Company entered into new derivative instruments in order to cover the possible changes in the exchange rate of future interest payments of the Senior Guaranteed Notes due 2015 for US$250 million ("Interest-Only Swap"). This new transaction also does not meet hedge accounting requirements, and thus changes in the fair value of the underlying derivative have been and will be recorded in the Company's current earnings as a component of comprehensive financing cost within the exchange (gain) losses account. As of December 31, 2009 and 2008 the fair value of this derivative was a favorable asset position of Ps. 4,375 (US$ 0.3 million) and Ps. 65,975 (US$ 4.8 million), respectively (see Note 9).

The net accumulated expense in the statement of income of the Interest-Only Swap for the year ended December 31, 2009 was Ps. 66,451. The net accumulated income of the Principal-Only Swap and the Interest-Only Swap was Ps. (90,639) for the year ended December 31, 2008. The net accumulated expense of the Principal-Only Swap was Ps. 147,977 for the year ended December 31, 2007.

Financial Instruments Related to the Senior Guaranteed Notes due 2019

As disclosed in Note 10, the Company's Senior Guaranteed Notes due 2019 are U.S. dollar denominated. In order to decrease the risk of future changes in the exchange rate between U.S. dollar and Mexican pesos, in December 11, 2009 the Company entered into a "Principal-Only Swap" with a notional value of US$250 million, which entitled the Company to receive this amount in 2019 in return for a payment in Mexican pesos at a fixed exchange rate of 12.93 Mexican pesos per U.S. Dollar. As part of this agreement, the Company will pay interest of 3.87% a year on the total notional amount of Ps. 3,232.5 million Mexican Pesos, in semiannual payments. In addition, on the same date the Company entered into an "Interest-Only Swap" in order to cover the possible changes in the exchange rate of the first six interest payments of the Senior Guaranteed Notes due 2019 for US$250 million ("Interest-Only Swap").

Table of Contents

The Principal-Only Swap and Interest-Only Swap transactions met hedge accounting requirements. As of December 31, 2009, the fair value of this derivative was Ps. 119,084 (US$ 9.1 million), and represented a liability.

As of December 31, 2009 and 2008 the Company had the following financial instruments:

As of December 31, 2009

Financial instruments	Type	Notional (in US $)	Fair value asset (liability) (in Ps.)	Changes in comprehensive income, net of taxes (in Ps.)	Changes in statement of income (in Ps.)
Interest-only swap	No hedge accounting	56.25 million	Ps. 4,375	Ps. —	Ps. 61,600
Principal-only swap	Hedge accounting	250.00 million	Ps. (109,970)	Ps. (84,592)	Ps. —
Interest-only swap	Hedge accounting	71.25 million	(9,114)	(3,280)	4,851
			Ps. (119,084)	Ps. (87,872)	Ps. 66,451

As of December 31, 2008

Financial instruments	Type	Notional (in US $)	Fair value asset (liability) (in Ps.)	Changes in comprehensive income, net of taxes (in Ps.)	Changes in statement of income (in Ps.)
Interest-only swap	No hedge accounting	56.25 million	Ps. 65,975	Ps. —	Ps. (90,639)
Other financial instruments	No hedge accounting	Variable	Ps. —	Ps. —	Ps. 404,601
			Ps. 65,975	Ps. —	Ps. 313,962

Other Financial Instruments

During the normal course of operations the Company maintains net liability positions in foreign currency (US dollars) which are originated by its operations' short and long-term liabilities. During 2008, the Company entered into hedging derivative financial instruments that were expected to mitigate the risk associated with the exchange loss in the acquisition of foreign currencies. However, due to the recent volatility in the exchange rate between the Mexican Peso and US dollar, the Company decided to cancel and or otherwise restructure all its hedging derivative financial instruments. At December 31, 2008, the Company only has the Interest-Only Swap described above. The Company had an impact in its statement of income of approximately Ps. 404,601. The Company did not have these financial instruments during 2009; therefore it did not have any impact in its statement of income for that year.

The net valuation effects of financial instruments for the years ended December 31, 2009, 2008 and 2007, were Ps. 66,451, Ps. 313,962 and Ps. (147,977), respectively.

Table of Contents

12. Leases

a) Capital leases

As of December 31, 2009 there are contracts of capital leases of machinery and equipment for a 5 year period. The capital leases as of December 31, 2009 and 2008 are shown as follows:

	2009	2008
Financial leases provided by Bancomer, S.A. in June 2007, with maturity in January 2013 and an interest rate at TIIE plus 0.8%.	**Ps. 221,550**	Ps. 288,857
Financial leases provided by Bancomer, S.A. in September 2008, with maturity in October 2013 and interest rate at TIIE plus 0.8%.	**44,524**	53,725
Financial leases provided by Bancomer, S.A. in December 2008, with maturity in January 2014 and interest rate at TIIE plus 3.5%.	**48,565**	56,525
Financial leases provided by Bancomer, S.A. in March 2009, with maturity in April 2014 and interest rate at TIIE plus 3.5%.	**19,481**	—
Financial leases provided by Banco Itau, S.A. (Brazilian financial institution) from May through October 2009, with maturities from May through October 2012 at an average interest rate of 20.6%.	**8,534**	—
Financial leases provided by Banco Bradesco, S.A. (Brazilian financial institution) in November and December 2009 with maturities in November and December 2012 at an average interest rate of 14%.	**18,751**	—
Other	—	2,315
Interest payable	**1,711**	2,472
Total capital leases	**363,116**	403,894
Current portion of long-term capitalized leases	**(108,437)**	(89,255)
Total long-term capital leases	**Ps. 254,679**	Ps. 314,639

Minimum compulsory payments relating to these contracts as of December 31, 2009, including interest payable monthly, are as follows:

Year	Total
2010	**Ps. 108,437**
2011	**115,904**
2012	**104,813**
2013	**30,851**
2014	**3,111**
Total	**Ps. 363,116**

Table of Contents

Covenants

The most significant financial covenants of the leases require the Company and its subsidiaries to maintain:

- A liquidity ratio of current assets to short-term liabilities no less than 1.50 to 1.0;
- A financing ratio of total liabilities to stockholders' equity no greater than 1.70 to 1.0;
- A relation of operational income to net comprehensive financing cost at a minimum level of 2.0;

As of December 31, 2009 and 2008, the Company was in compliance with these financial covenants.

b) Operating leases

As of December 31, 2009 the Company had entered into agreements for the operating lease of machinery and equipment for a period of 5 to 6 years. The minimum compulsory payments relating to these agreements are as follows:

Year		2009
2010	**Ps.**	**49,232**
2011		**46,065**
2012		**32,695**
2013		**20,494**
2014		**283**
Total	**Ps.**	**148,769**

Operating leases expensed for the years ended December 31, 2009, 2008 and 2007 amounted to Ps. 50,426, Ps. 52,833 and Ps. 33,694, respectively.

13. Employee benefits obligations

The Company has a plan for covering seniority premiums which consists of a lump sum payment of 12 days' wages for each year worked, calculated using the most recent salary, not to exceed twice the legal minimum wage established by law. Since 2005, the Company has recognized a liability for personal severance pay. The related liability and annual cost of such benefits are calculated by an independent actuary on the basis of formulas defined in the plans using the projected unit credit method.

As mentioned in Note 3, during 2008 the Company applied the provisions of new MFRS D-3, *Employee Benefits* which replaces the previous MFRS accounting Bulletin D-3, *Labor Obligations*. The most significant effects of its application were as follows:

i) Additional labor cost of Ps. 5,559 being recognized in its 2008 statement of income as compared to prior period.

ii) Elimination of the recognition of an additional liability and resulting recognition of an intangible asset and comprehensive income item. Upon the adoption of MFRS D-3 the Company reversed its intangible asset of Ps. 30,092 and additional liability of Ps. 34,189 resulting in a credit to shareholders equity of Ps. 4,097 in 2008.

As of December 31, 2009 and 2008 and for the years ended 2009, 2008 and 2007, the present values of these obligations and the rates used for the calculations are as follows:

	For the year ended December 31, 2009		
	Severance pay	Seniority premium	Total
Integration of Net Period Cost:			
Labor cost	**Ps. 23,428**	**Ps. 1,932**	**Ps. 25,360**
Financial cost	**10,605**	**478**	**11,083**
Transition liability	**3,643**	**140**	**3,783**
Amortization of prior services and changes to the plan	**6,341**	**156**	**6,497**
Actuarial gains	**(3,437)**	**(825)**	**(4,262)**
Net period cost	**Ps. 40,580**	**Ps. 1,881**	**Ps. 42,461**

	For the year ended December 31, 2008		
	Severance pay	Seniority premium	Total
Integration of Net Period Cost:			
Labor cost	Ps. 14,002	Ps. 1,748	Ps. 15,750
Financial cost	9,084	309	9,393
Transition liability	3,643	139	3,782
Amortization of prior services and changes to the plan	9,144	306	9,450
Actuarial losses (gains)	78,392	(367)	78,025
Net period cost	Ps. 114,265	Ps. 2,135	Ps. 116,400

	For the year ended December 31, 2007		
	Severance pay	Seniority premium	Total
Integration of Net Period Cost:			
Labor cost	Ps. 8,062	Ps. 1,182	Ps. 9,244
Financial cost	3,020	118	3,138
Transition liability	3,416	38	3,454
Actuarial losses	1,346	6	1,352
Inflation adjustment	1,135	93	1,228
Net period cost	Ps. 16,979	Ps. 1,437	Ps. 18,416

Table of Contents

	Balances as of December 31, 2009		
	Severance pay	Seniority premium	Total
Vested benefit obligations	**Ps. 116,356**	**Ps. 5,273**	**Ps. 121,629**
Transition liability	**(10,930)**	**(418)**	**(11,348)**
Prior services and changes to the plan	**(17,900)**	**(594)**	**(18,494)**
Non-recognized actuarial gain	**6,286**	**114**	**6,400**
Net projected liability	**Ps. 93,812**	**Ps. 4,375**	**Ps. 98,187**

	Balances as of December 31, 2008		
	Severance pay	Seniority premium	Total
Vested benefit obligations	Ps. 112,617	Ps. 4,122	Ps. 116,739
Transition liability	(14,573)	(558)	(15,131)
Prior services and changes to the plan	(24,241)	(750)	(24,991)
Non-recognized actuarial gain	8,381	152	8,533
Net projected liability	Ps. 82,184	Ps. 2,966	Ps. 85,150

The changes in the balance of labor obligations for the years ended December 31, 2009, 2008 and 2007 are as follows:

	For the year ended December 31, 2009		
	Severance pay	Seniority premium	Total
Initial balance	**Ps. 82,184**	**Ps. 2,966**	**Ps. 85,150**
Labor cost	**23,428**	**1,932**	**25,360**
Financial cost	**10,605**	**478**	**11,083**
Transition liability	**3,643**	**140**	**3,783**
Amortization of prior services and changes to the plan	**6,341**	**156**	**6,497**
Actuarial gains	**(3,437)**	**(825)**	**(4,262)**
Benefits paid	**(28,952)**	**(472)**	**(29,424)**
Ending balance	**Ps. 93,812**	**Ps. 4,375**	**Ps. 98,187**

	For the year ended December 31, 2008		
	Severance pay	Seniority premium	Total
Initial balance	Ps. 42,291	Ps. 2,617	Ps. 44,908
Labor cost	14,002	1,748	15,750
Financial cost	9,084	309	9,393
Transition liability	3,643	139	3,782
Amortization of prior services and changes to the plan	9,144	306	9,450
Actuarial losses	78,392	(367)	78,025
Benefits paid	(74,372)	(1,786)	(76,158)
Ending balance	Ps. 82,184	Ps. 2,966	Ps. 85,150

Table of Contents

	For the year ended December 31, 2007		
	Severance pay	Seniority premium	Total
Initial balance	Ps. 49,590	Ps. 2,685	Ps. 52,275
Labor cost	8,062	1,182	9,244
Financial cost	3,020	118	3,138
Transition liability	3,416	38	3,454
Actuarial losses	1,346	6	1,352
Inflation adjustment	1,135	93	1,228
Benefits paid	(24,278)	(1,505)	(25,783)
Ending balance	Ps. 42,291	Ps. 2,617	Ps. 44,908

The following is an analysis at December 31 of the Company's liabilities that make up its labor obligations related to seniority premiums and employee termination payments for reasons other than corporate restructuring:

	Seniority premium			Severance pay		
Year	Defined benefit obligations	Plan situation deficit	Pending amortized Items	Defined benefit obligations	Plan situation deficit	Pending amortized Items
2009	**Ps. 5,273**	**Ps. 5,273**	**Ps. 1,176**	**Ps. 116,356**	**Ps. 116,356**	**Ps. 35,367**
2008	4,122	4,122	1,156	112,617	112,617	30,443
2007	5,125	5,125	1,452	111,052	111,052	35,376
2006	2,685	2,685	1,305	55,469	55,469	39,967
2005	1,870	1,870	1,253	46,639	46,639	38,689

Beginning in 2008, the transition liability is being amortized over a five-year period.

The rates used in the actuarial analysis are as follow:

	2009	2008	2007
Discounts of labor obligations	**8.50%**	8.50%	5.25%
Salary increases	**4.50%**	4.50%	1.25%
Inflation rates	**3.50%**	3.50%	4.00%

14. Trade accounts payable

	2009	2008
Suppliers	**Ps. 1,618,256**	Ps. 2,680,141
Revolving credit lines *	**220,853**	996,534
Other creditors	**394,372**	329,178
Total accounts payable	**Ps. 2,233,481**	Ps. 4,005,853

* The Company established a trust that allows its suppliers and land suppliers to obtain financing from various financial institutions, in part through a factoring program sponsored by Nacional Financiera S.N.C. ("Nafinsa"). In relation to this program, the Company established a trust fund called Fideicomiso AAA-Homex with Nacional Financiera, S,N.C. ("Nafinsa"), which granted a line of credit for Ps.1,000,000 with a guarantee fund of Ps. 122,809 and Ps. 128,045, respectively (investment account), as of December 31, 2009 and 2008. Under this program, the AAA-Homex trust can make use of the Nafinsa line of credit to finance a portion of the accounts

receivable of the Company's suppliers. As mentioned in Note 2, the AAA Homex trust is a consolidated subsidiary of the Company. As of December 31, 2009 and 2008, this factoring program encompassed approximately 4,270 and 3,895 suppliers and land suppliers, respectively, where the financing resources are covered by the suppliers themselves.

15. Land suppliers

	2009	2008
Short-term	**Ps. 548,586**	Ps. 2,326,036
Short-term revolving credit line *	**789,640**	—
Total short-term	**Ps. 1,338,226**	Ps. 2,326,036
Long-term	**Ps. 74,659**	Ps. 405,426

* See Note 14 above.

Land suppliers represent the outstanding balance payable to the Company's suppliers of land currently in use or estimated to be developed. Long-term land suppliers represent payables with maturities of over twelve months.

16. Stockholders' equity

a) Common stock issued at par value (historical Pesos) as of December 31, 2009 and 2008 is as follows:

	Number of Shares		Amount	
	2009	2008	2009	2008
Fixed capital:				
Sole series	**335,869,550**	335,869,550	**Ps. 425,443**	Ps. 425,443

b) Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value. The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. The legal reserve as of December 31, 2009 and 2008 amounted Ps. 105,602 and is included as part of the retained earnings.

c) The balances of the stockholders' equity tax account as of December 31, 2009 and 2008 are:

	2009	2008
Contributed capital account	**Ps. 4,107,124**	Ps. 3,965,554

Earnings distributed in excess of the balances of the Net Tax Profit Account (CUFIN) will be subject to income tax payable by the companies at the rate in force. At December 31, 2009 the Company's CUFIN balance is Ps. 727,418.

d) On February 27, 2007, the Board of Directors authorized a stock option plan, as an incentive to key executives of the Company (see paragraph e) below).

e) As of December 31, 2009 and 2008, the Company has a stock option plan that consists of 1,072,432 and 999,200 approved stock options of the Company, respectively.

A total of 978,298 stock options were initially granted to the key executives. During 2007 these grants were made at an exercise price of 98.08 Mexican pesos, which was in excess of the shares' underlying fair value at the grant date. During 2008, a total of 29,929 options were exercised, and 335,853 options were cancelled upon separation of the related employees. In addition, during 2009 the Company increased the number of shares available in the stock option plan by 73,232 and granted 321,549 options at an exercise price of 43.54 Mexican pesos.

The executives have the right to exercise one-third of their total options granted per year. The right to exercise the option expired after one year from the grant date or, in some cases, after 180 days from the departure of the executive from the Company. Given the condition of the equity markets in 2008 and 2009, the Company's Compensation Committee authorized the modification of the terms of the awards. Specifically, the duration of the program for options granted up to December 31, 2008, was extended whereby the exercise of awards if not made in the previously specified period, could be exercised one year following but not later than December 31, 2010.

During 2009, the Company also made changes to the underlying option grants made in 2007 and 2009 so as for them to now be ultimately settled with issuance of Company shares rather than with the payment of Company cash. Both of these events were considered substantive changes to the underlying terms of the previous stock option grants, and compensation expense related to these changes has been re-measured accordingly.

The following information is an analysis of stock option activity during the years:

	Options available for grant	Stock options outstanding	Average exercise price
Balance at January 1, 2007	—	—	—
Stocks repurchased for future grant	999,200	—	Ps. 99.42
Stock options granted	(978,298)	978,298	98.08
Balance at December 31, 2007	20,902	978,298	98.08
Stock options forfeited	335,853	(335,853)	98.08
Stock options exercised	29,929	(29,929)	98.08
Balance at December 31, 2008	386,684	612,516	98.08
Shares repurchased for future option grants	73,232	—	46.69
Stock options granted	(321,549)	321,549	43.54
Balance at December 31, 2009	**138,367**	**934,065**	**Ps. 79.30**

The weighted average exercise price of stock options outstanding as of December 31, 2009 is as follows:

	Number of options	Exercise price
Granted in 2007	612,516	Ps. 98.08
Granted in 2008	—	—
Granted in 2009	321,549	43.54
	934,065	Ps. 79.30

The average fair value of all the stock options granted was 15.63, 6.02 and 18.42 Mexican pesos per stock option, during the years ended December 31, 2009, 2008 and 2007, respectively.

Table of Contents

Key assumptions used to calculate the fair value for the years ended December 31, 2009, 2008 and 2007 are as follows:

	2009	2008	2007
Expected dividend yield	**0%**	0%	0%
Expected stock price volatility	**59.56%**	72.21%	21.50%
Risk-free interest rate	**5.54%**	7.72%	8.10%
Expected life of options in years	**3 years**	2.5 years	2.1 years
Model used	**Black Scholes Merton**	Black Scholes Merton	Black Scholes Merton

Compensation cost related to vested stock option awards totaled Ps. 10,638 at December 31, 2009. Total compensation cost related to vested stock option awards not recognized was Ps. 3,687 and Ps. 18,019 at December 31, 2008 and 2007, respectively.

f) On September 26, 2007, Promotora Residencial Huehuetoca, S.A. de C.V. (Huehuetoca) declared dividends to its stockholders which included the Company and minority shareholders. Dividends paid to minority shareholders were Ps. 9,133 and have been reflected as a reduction of non-controlling interest in the accompanying consolidated financial statements.

g) On March 10, 2008, the Board of Directors authorized the Company to repurchase up to $250 million in treasury stock through market transaction. During the year ended December 31, 2009, the Company repurchased 49,500 treasury shares for Ps. 1,398. There was no repurchase of treasury stock during 2008.

h) As of December 31, 2009, 187,867 shares remain in treasury. As of December 31, 2008 and 2007 999,200 shares legally remain in treasury, respectively.

17. Foreign currency balances and transactions

a) As of December 31, 2009 and 2008, the foreign currency monetary position is as follows:

	2009			2008		
	Thousands of U.S. dollars:		Thousands of Brazilian reals:	Thousands of U.S. dollars:		Thousands of Brazilian reals:
Monetary assets	**US$**	**6,046**	**BR$ 10,444**	US$	6,014	BR$ 23
Monetary liabilities		**(563,074)**	**(69,880)**		(298,270)	(5,140)
Monetary liability position, net	**US$**	**(557,028)**	**BR$ (59,436)**	US$	(292,256)	BR$ (5,117)
Equivalent in Mexican pesos	**Ps.**	**(7,265,706)**	**Ps. (446,858)**	Ps.	(4,025,476)	Ps. (30,113)

Table of Contents

b) The exchange rates in effect at the dates of the consolidated balance sheets and issuance of the consolidated financial statements were as follows:

	(In Mexican pesos)		
	December 31, 2009	**December 31, 2008**	**June 29, 2010**
U.S. dollar	**13.0437**	13.7738	12.8525
Egyptian pound	**2.3921**	2.5242	2.23611
Brazilian real	**7.5183**	5.8849	7.13686
Indian rupee	**0.2788**	0.2800	0.27596

18. Transactions and balances with related parties

a) The following agreements have been entered into with related parties:

The Company was a party to an administrative service agreement with two entities whose principal owners are officers of the Company (Serviasesorías and Administradores de la Empresa en Equipo), for which PICSA paid a 5% based on total expenses. The amounts paid under this agreement totaled Ps. 55,389 in 2007. No amounts were paid in 2009 and 2008. As of April 1, 2007, these companies entered in a liquidation process and the employees were transferred to subsidiaries of the Company.

b) For the years ended December 31, 2009 and 2008, there are no balances from/to related parties.

c) Compensation paid to the Company's key managerial personnel or relevant directors is as follows:

	2009	**2008**	**2007**
Short and long-term direct benefits	**Ps. 201,058**	Ps. 191,148	Ps. 140,326
Termination benefits	**6,508**	35,276	40,781
Stock option compensation expense recorded	**10,638**	616	—
	Ps. 218,204	Ps. 227,040	Ps. 181,107

During 2007, certain stock option benefits were granted to key employees as disclosed in Note 16e.

There were no post retirement benefits payments during the years presented herein.

19. Segment reporting

The Company generates separate reports by affordable entry-level and middle-income operations. The following segment reporting information is presented according to the information used by management for decision-making purposes. The Company segregates the financial information by segments, (affordable entry-level and middle-income) considering the operational and organizational structure of the business (which was established by house models as explained in the next paragraph), according to the provisions of Bulletin B-5 *Segment reporting*.

Table of Contents

General description of the products or services

Mexico's developer-built housing industry is divided into three segments according to cost: affordable entry-level, middle-income, and residential. The prices of affordable entry-level segment range between Ps. 195 and Ps. 540; those of the middle-income segment are between Ps. 541 and Ps. 1,885 and those of the residential segment are above Ps. 1,885. The Company's focus is to provide affordable entry-level and middle-income housing for its customers. Therefore, the operating segments that are presented in detail are the affordable entry-level and the middle-income segments, in conformity with guidelines of Bulletin B-5.

Affordable entry-level developments range in size from 500 to 20,000 homes and are developed in stages typically comprising 300 homes each. During 2009, 2008 and 2007, affordable entry-level homes had an average price of approximately Ps. 284, Ps. 276 and Ps. 260, respectively. A typical affordable entry-level home consists of a kitchen, living-dining area, one to three bedrooms, and one bathroom.

Middle-income developments range in size from 400 to 2,000 homes and are developed in stages typically comprising 200 homes each. During 2009, 2008 and 2007, middle-income homes had an average price of approximately Ps. 823, Ps. 817 and Ps. 781, respectively. A typical middle-income home consists of a kitchen, dining room, living room, two or three bedrooms, and two bathrooms.

The following table shows the operating results by each segment identified as of December 31, 2009, 2008 and 2007:

Year ending December 31, 2009	**Entry-level**	**Middle-income**	**Consolidated**
Revenues	**Ps. 15,193,178**	**Ps. 4,232,004**	**Ps. 19,425,182**
Income from operations	**2,479,386**	**690,624**	**3,170,010**
Depreciation and amortization	**378,093**	**105,316**	**483,409**

Year ending December 31, 2008	**Entry-level**	**Middle-income**	**Consolidated**
Revenues	Ps. 14,511,293	Ps. 4,339,203	Ps. 18,850,496
Income from operations	2,309,116	690,477	2,999,593
Depreciation and amortization	327,185	97,836	425,021

Year ending December 31, 2007	**Entry-level**	**Middle-income**	**Consolidated**
Revenues	Ps. 12,545,899	Ps. 3,676,625	Ps. 16,222,524
Income from operations	2,616,011	766,628	3,382,639
Depreciation and amortization	233,337	68,380	301,717

The income from operations caption in the tables above were calculated as the total revenue from each segment, less allocated total consolidated operating cost and expenses. The allocation of total consolidated operating costs and expenses into the segments was based on the percentage that the sales in each segment represent of the total consolidated sales. Depreciation and amortization expense is allocated to each segment using the same basis as operating costs and expenses.

Table of Contents

The Company does not segregate its total assets by operating segment.

20. Operating expenses

	2009	2008	2007
Administrative	**Ps. 1,332,178**	Ps. 1,259,870	Ps. 855,687
Selling	**1,083,524**	1,026,722	849,784
Amortization expense of BETA trademark	**91,054**	91,054	92,958
	Ps. 2,506,756	Ps. 2,377,646	Ps. 1,798,429

The table below shows the most significant operating expenses:

	2009	2008	2007
Salaries and other benefits	**Ps. 711,366**	Ps. 614,560	Ps. 439,113
Office expenses	**88,271**	99,411	70,761
Advertising	**72,044**	203,211	31,997

21. Other income (expenses)

	2009	2008	2007
Brazilian settlement (1)	**Ps. —**	Ps. (48,536)	Ps. —
Recovery of taxes (2)	**—**	—	394,510
Current profit-sharing	**—**	(67,707)	(30,684)
Deferred profit-sharing	**—**	(3,061)	—
Other income (expenses), net (3)	**49,475**	9,378	(154,603)
	Ps. 49,475	Ps. (109,926)	Ps. 209,223

(1) See Note 25.

(2) During 2007, the Company recovered from tax authorities value-added tax related to the years 2006, 2005 and 2004.

(3) Includes a Ps. 65,917 expense recorded in 2007 related to the final outcome of litigation between the Company and BETA's founders.

22. Interest expense

	2009	2008	2007
Interest expense related to senior guaranteed notes (1)	**Ps. —**	Ps. —	Ps. 141,532
Other interest expense	**162,069**	127,526	86,850
Commissions and financing costs (2) (3)	**221,696**	109,507	116,546
	Ps. 383,765	Ps. 237,033	Ps. 344,928

(1) As of December 31, 2009 and 2008 the interest expense related to senior guaranteed notes was Ps. 288,156 and Ps. 269,052, respectively; however due to the MFRS D-6 application, these amounts were fully capitalized in both years (see Note 6). As of December 31, 2007 the interest expense related to senior guaranteed notes was Ps. 290,509, of which Ps. 149,157 was capitalized, while Ps. 141,352 remained in the comprehensive financing cost. During 2007, the Company adopted the provisions of MFRS D-6, resulting in the capitalization of a portion of its net financing cost.

(2) Includes the commissions paid by the Company to INFONAVIT and Registro Único de Vivienda (RUV), when obtaining approval of individual financing for its customers. The commissions facilitate the home sales and cash inflows recovery, so the Company considers these commissions as part of the financing costs. The amounts expensed in 2009, 2008 and 2007 were Ps. 87,881, Ps. 75,818 and Ps. 65,585, respectively.

(3) Due to anticipated payments made by the Company of short-term lines of credit during December 2009 (see Note 10), the Company amortized Ps. 45,873 related to commissions previously capitalized in other assets.

23. Income tax, asset tax and Flat Rate Business Tax (IETU)

In accordance with Mexican tax law, the Company is subject to income tax (ISR), since 2008 Flat Rate Business Tax (“IETU”) and until 2007 asset tax (IMPAC) and files its tax returns on an individual entity basis and the related tax results are combined in the accompanying consolidated financial statements. The ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the inflationary component, which is similar to the gain or loss from monetary position.

The Company files ISR and IMPAC tax returns on an individual entity basis and the related tax results are combined in the accompanying consolidated financial statements.

On December 7, 2009 a tax reform bill was approved and published for 2010 fiscal year, which reforms, amends and annul certain tax dispositions and is applicable effective January 1, 2010.

This tax reform bill enacts an ISR rate increase that will be effective as follows:
a) for years 2010 to 2012, 30%;
b) for year 2013, 29%; and
c) for year 2014 and future years, 28%

In addition, certain changes to the consolidation regime will be effective; however, the Company is not subject to such regime.

IMPAC was calculated by applying 1.25% on the net average of the majority of restated assets less certain liabilities. The IMPAC was payable only to the extent that it exceeded ISR payable for the same period. Any required payment of IMPAC was creditable against the excess of ISR over IMPAC of the following ten years.

On October 1, 2007, the tax law IETU was approved. This tax is mandatory from January 1, 2008 and replaced the IMPAC tax laws.

The IETU of the period is calculated applying the rate of 17.5% (16.5% for 2008 and 17% for 2009) based on income determined by cash flows less authorized credits.

The credits for the IETU are mainly composed of unamortized negative IETU base, salaries and social security contributions, and deductions from assets such as inventories and fixed assets, during the initial transition period.

The payment of IETU is required only to the extent that it exceeds the ISR for the same period. The ISR paid during the period will reduce the total IETU payable for the same period.

When the deductions exceed the accumulated income (negative IETU), no IETU is levied. The amount of the negative IETU multiplied by the applicable rate, results in an IETU credit, which can be offset against the ISR generated in the same period or against the IETU payable, if any, within the next ten years.

Based on projected tax calculations in the future it is estimated that the Company will be subject to the payment of the ISR only.

a) As of December 31, 2009, 2008 and 2007 the ISR consist of the following:

	2009	2008	2007
ISR:			
Current	**Ps. 279,974**	Ps. 141,569	Ps. 132,873
Deferred	**903,018**	570,606	818,407
	Ps. 1,182,992	Ps. 712,175	Ps. 951,280

To determine deferred ISR as of December 31, 2009 and 2008, the Company applied the different tax rates that will be in effect beginning in 2010, to temporary differences according to their estimated dates of reversal.

b) The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before the ISR is:

	2009 %	2008 %	2007 %
Statutory rate	**28**	28	28
Add (deduct) effect of permanent differences mainly:			
Nondeductible expenses	**3**	1	1
Difference between book and tax inflation effects	**5**	2	2
Recovered added-value tax	**—**	—	(2)
Effect of change in statutory rate on deferred ISR	**3**	—	—
Effective tax rate	**39**	31	29

Table of Contents

The effect of change in the statutory rate on deferred ISR represented an additional charge in the consolidated statement of income for 2009 of Ps. 78,624.

c) At December 31, 2009 and 2008 the main items comprising the asset (liability) balance of deferred ISR are:

	2009	2008
Deferred ISR:		
Effect of tax loss carryforwards	**Ps. 617,150**	Ps. 994,555
Other creditors	**423,148**	473,756
Allowance for doubtful accounts	**31,485**	13,491
Labor obligations	**23,565**	23,842
Asset tax recoverable	**10,873**	10,802
PTU liability incurred	**5,087**	19,141
Unbilled revenues on developments in progress	**(3,654,944)**	(2,959,612)
Construction-in-process, inventories and taxable inventory (1)	**(1,204,074)**	(1,713,702)
Property and equipment	**(68,429)**	(166,542)
Other assets	**(66,668)**	(86,696)
Prepaid expenses	**(2,808)**	(3,063)
Derivative financial instruments	**(1,312)**	(18,473)
Deferred ISR liability	**(3,886,927)**	(3,412,501)
Valuation allowance (see paragraph f below)	**(421,843)**	—
Total deferred liability, net	**Ps. (4,308,770)**	Ps. (3,412,501)
Asset	**Ps. 643,640**	Ps. 328,598
Liability	**(4,952,410)**	(3,741,099)
	Ps. (4,308,770)	Ps. (3,412,501)

(1) In conformity with the Mexican Income Tax Law (MITLA) in force through December 31, 2004, the cost of sales was considered as a non-deductible expense and inventory purchases and production costs were considered as deductible items. This tax treatment in the MITLA gave rise to a temporary difference because of the difference in the book value of inventories and its corresponding tax value. Effective January 1, 2005, the MITLA considers cost of sales as a deductible item instead of inventory purchases and production costs. The MITLA established transition rules to be followed to include the December 31, 2004 inventory balance into taxable revenue. However, as result of the interpretation of the transition rules established by the MITLA, the Company did not include its inventory balance at December 31, 2004. Consequently, the Company recorded a taxable inventory as a deferred tax liability of Ps. 156,555 and Ps. 125,245 as of December 31, 2009 and 2008, respectively. This taxable inventory relates to the inventory item and tax law change described above as it is the source of income on which the Company did not pay taxes.

d) As of December 31, 2009 the tax loss carryforward expiring in the following ten years amounted to Ps. 2,071,753.

i. The asset tax, which is a minimum income tax, was payable based on 1.25% of the average value of most assets net of certain liabilities. The balances as of December 31, 2009 and 2008 of the asset tax were Ps. 10,873 and Ps. 10,802, respectively.

ii. The loss carryforwards and recoverable IMPAC for which the deferred ISR asset and prepaid ISR, respectively, have been recognized can be recovered subject to certain conditions. Tax loss carryforwards and recoverable IMPAC for which the deferred ISR asset and prepaid ISR, respectively, have been recognized can be recovered, subject to certain conditions. The amounts as of December 31, 2009 and expiration dates are:

Year of Expiration	Tax Loss Carry-forwards	Recoverable IMPAC
2012	Ps. —	Ps. 364
2013	—	1,175
2014	—	2,186
2015	—	1,555
2016	78,857	1,468
2017	55,419	4,125
2018	909,997	—
2019	1,027,480	—
	Ps. 2,071,753	Ps. 10,873

e) The Federal tax authority has the right to perform reviews of the taxes paid by Mexican companies for a period of five years; therefore tax years beginning with 2004 are subject to possible review.

f) The Company has taken certain positions in its annual tax returns which are classified as uncertain tax positions for financial reporting purposes. Specifically, uncertain tax positions currently outstanding relate to the Company's interpretation of the MITLA related to the inclusion of certain debts in the calculation of the inflation adjustment, and the deduction of land by real estate developers. As of December 31, 2008, amounts related to uncertain tax positions totaled Ps. 102,969. As of December 31, 2009, uncertain tax positions result in Ps. 421,843 in deferred tax assets which have been provided for through a full valuation allowance, and an additional current liability in the amount of Ps. 248,781.

24. Subsequent events

a) On March 22, 2010, the Company, through its subsidiary Homex India Private Limited executed a Memorandum of Understanding with Puravankara Projects Limited, an Indian private limited company, in which they have established the rules in principle for the formation of a non — exclusive Joint Venture company to undertake projects in the affordable entry-level housing segment in India. The first project of the Company consists of 1,323 units and is expected to be in the metro area of Chennai, in South India.

b) On January 15, 2010, the Company deposited the remaining US$4.5 million into an escrow account in relation to a contemplated acquisition (see Note 25).

Table of Contents

25. Contingencies and commitments

Construction guarantees

The Company provides a two-year warranty against construction defects to all of its customers which could be due to the Company's own activities, to defects in the construction materials provided by third parties (electrical installations, plumbing, gas, waterproofing, etc.) or to other circumstances not within the control of the Company.

The Company is insured against any defect, hidden or visible, that could occur during the construction, and after the construction for a certain period of time. In addition, the contractors provide a surety against any hidden or visible defects which is refunded on the approval of customers. The contractors also provide a security fund to cover any probable claims from customers during the warranty period, which is returned to them once such period ends.

Insurance coverage expensed for the years ended December 31, 2009, 2008 and 2007 amounted to Ps. 3,226, Ps. 2,904 and 4,371, respectively.

Settlement of Contingency

In July 2007, the Company entered into a Quota holders' Agreement with Empreendimentos Imobiliarios Limitada ("E.O.M"), pursuant to which the Company agreed to contribute 67% and E.O.M. agreed to contribute 33% of the projected 4.0 million Brazilian Reals capital stock of Homex Brasil Incorporacoes and Construcoes Imobiliarios Limitada. Following disagreements with E.O.M., the Company exercised its right to withdraw from the Quota holders' Agreement.

In November 2008, the Company reached an agreement ("Brazilian settlement") to end the Quota holders' Agreement entered into with E.O.M in July 2007, and terminate all litigation that had been taking place in the previous months. The settlement of the dispute included the purchase of the 33 % interest of members of the Khafif family in Homex Brasil, through E.O.M., for 8,352,941 Brazilian Reals, equivalent to approximate Ps. 48,536, of which 5.2 million (Ps. 25,030) has been paid as of December 31, 2009 (Ps. 11,730 was paid as of December 31, 2008). The remaining balance will be paid in two equal payments in the months of April and October of 2010. The Company has treated the 2008 step acquisition of this non-controlling interest as a transaction between entities under common control, as is appropriate under MFRS. Because E.O.M. had negligible identifiable tangible or intangible assets as of the date of the transaction, the Company has recognized the entire amount of this transaction as a settlement expense (other expense) in the statement of income for 2008 (See Note 21).

The Company now operates in Brazil through its 100% subsidiary.

Commitment

On December 22, 2009 the Company entered into an Equity Interest Purchase Agreement of three companies (all together Loreto Companies). Depending on certain conditions described in the paragraph below, the Company will acquire through the Loreto Companies different assets (hotel, golf course and land) that combined represent approximately 950,000 square meters in the touristic project known as Loreto Bay in Loreto, Baja California Sur. The developable portion of such assets is in the range of 325,000 square meters.

The purchase price agreed for the above mentioned transaction is US$ 22.5 million to be paid to the Sellers upon the Company's satisfaction of diverse legal requirements, of which the most relevant is to evidence that the title of the assets transferred to the entities that will own them, is free and clear from any encumbrance.

In accordance to the terms of the agreement, the Company was to deposit US$ 5 million into an escrow account. At the date of the financial statements, the Company has deposited US$ 500,000; the rest was deposited on January 15, 2010 as explained in Note 24 above.

Through its tourism division the Company intends to develop (in the above mentioned developable area) 1,100 units.

Other Contingencies

The Company is party to various legal disputes as a result of the normal course of construction business. The Company is of the opinion that the ultimate outcome of such matters will not have a material adverse impact on the Company's consolidated financial statements.

26. New accounting principles

In December 2008 and 2009, the following new accounting standards were issued under MFRS. Two of these standards were adopted by the Company on January 1, 2010 and the rest will be adopted on January 1, 2011. At the date of the financial statements, the Company is evaluating the effect of the observance that these new accounting standards will have on the Company's consolidated results of operations and financial position; as well as disclosures to the consolidated financial statements.

Effective in 2010:

IMFRS 14, Construction, Sales and Services Agreements related to Real Estate

In December 2008 IMFRS 14 was issued by the CINIF to complement Bulletin's D-7 regulation, *Construction Agreements and Manufacturing of Certain Capital Assets*. This Interpretation is applicable to the recognition of revenues, costs and expenses for all entities that undertake the construction of capital assets directly or through sub contractors.

Due to the application of this Interpretation, effective January 1, 2010, the Company will stop recognizing its revenues, costs and expenses based on the percentage-of-completion method. At that date, the Company will begin to recognize them based on methods mentioned in this Interpretation. Revenue and cost recognition will then more closely approximate what is often referred to as a "completed contract method" in which revenues, costs and expenses should be recognized, when all of the following conditions are fulfilled:

a) the entity has transferred the control to the homebuyer, in other words, the significant risks and benefits due to the property or the assets ownership;
b) the entity does not keep for itself any continue participation on the actual management of the sold assets, in the usual grade associated with the property, nor does retain the effective control of the sold assets;
c) the revenues amount can be estimated reliably;
d) it is probable that the entity receives the economic benefits associated with the transaction; and
e) the costs and expenses incurred or to be incurred related to the transaction can be estimated reliably.

This Interpretation will be adopted as of January 1, 2010, with retrospective application to prior accounting periods presented with its 2010 consolidated financial statements. The Company has estimated that the application of

IMFRS 14 to the consolidated financial statements would have had the following effects with respect to the year ended December 31, 2009:

- sales would have decreased 11.1% from Ps. 19,425.2 million to Ps. 17,277.7 million;
- operating income would have decreased 17.4% from Ps. 3,170.0 million to Ps. 2,618.3 million;
- net income would have decreased 20.9% from Ps. 1,829.9 million to Ps. 1,446.9 million; and
- total stockholders' equity as of December 31, 2009 would have decreased 15.8% from Ps. 12,988.0 million to Ps. 10,935.7 million.

In addition, the application of IMFRS 14 to the consolidated financial statements would have had the following effects as of December 31, 2009: (i) a decrease in accounts receivable for the developments in progress, (ii) an increase in inventories consisting of housing under construction, (iii) a decrease in deferred income taxes for net income attributable to housing not yet titled, (iv) an increase in prepaid expenses and other current assets for the sales commissions paid in advance and (v) a decrease in stockholders' equity as indicated above.

MFRS C-1, Cash and cash equivalents

This MFRS replaces MFRS C-1, *Cash* and describes general rules for the valuation, presentation and disclosure of cash and cash equivalents items that are included in a Company's balance sheet.

The main changes of this MFRS are as follows: (a) set a new name for this MFRS, from Cash to Cash and Cash Equivalents; (b) addresses the restricted cash presentation in the financial statements; and, (c) set and defines new terms like: temporary investments, acquisition costs, cash equivalents, restricted cash, net realizable value, nominal value, and fair value.

Effective in 2011 and 2012:

MFRS B-5, Reporting Financial Information by Segment

This MFRS replaces MFRS B-5, *Reporting Financial Information by Segment* and establishes the criteria to identify the entity's segments to disclose as well as the disclosures about those segments. In addition, establishes disclosure requirements of certain of the Entity's information.

The main changes of this MFRS are as follows: (a) MFRS B-5 includes a managerial approach, while previous MFRS B-5, although it referred to managerial approach, required that the information to disclose were referred to identified segments based on the products or services, geographical areas and customers homogenous groups, also requiring that that information would be segregated in primary and secondary information; (b) new MFRS does not require that business areas are subject to different risks amongst them, in order to qualify as operative segments, while previous MFRS B-5 did; (c) in accordance to new MFRS B-5, business areas in development stage could be catalogued as operative segment, while previous MFRS B-5 required operative segments to generate revenues; (d) MFRS B-5 requires to disclose by segments income interest and interest expense, as well as other comprehensive financial cost items, while previous MFRS B-5 did not require this information; and (e) MFRS B-5 requires to disclose the amounts of liabilities that are included in the usual information of an operative segment that the Company normally uses to make decisions, while previous MFRS B-5 did not require this and let management the option to do so or not.

International Financial Reporting Standards (IFRS)

On January 27, 2009 the Mexican Securities Commission (Comisión Nacional Bancaria y de Valores or CNBV) established through the Federation Official Gazette the requirements for listed companies to prepare and present their financial information under IFRS beginning in 2012. Likewise it was specified that early adoption for the years

2008, 2009, 2010 and 2011 is allowed. The Company has yet to determine the exact date on which it will adopt IFRS, although it will naturally occur on or prior to the date required.

27. Summary of differences between Mexican Financial Reporting Standards (MFRS) and US GAAP

The consolidated financial statements of the Company are prepared in accordance with MFRS, which vary in certain significant respects from US GAAP. A reconciliation of the reported net income, equity and comprehensive income to US GAAP is presented in Note 28a and b.

Effective January 1, 2008, and as a result of adopting Standard B-10, *Effects of inflation*, the Company ceased recognizing the effects of inflation in its financial statements and considered the restated amounts of all non-monetary items as their carrying basis as of January 1, 2008. The Company has not reconciled inflation adjustments recorded prior to 2008, nor has it reconciled inflation adjustments still included in its non-monetary items, including depreciation.

The United States Financial Accounting Standards Board ("FASB") released the *FASB Accounting Standards Codification*, or "ASC" for short, on January 15, 2008 and it became effective in the summer of 2009. At that time all previous US GAAP reference sources became obsolete. The ASC organizes thousands of U.S. GAAP pronouncements under approximately 90 accounting topic areas. The objective of this project was to arrive at a single source of authoritative U.S. accounting and reporting standards, other than guidance issued by the SEC. Below are references to various ASC's, and their former US GAAP references.

The differences between MFRS and US GAAP included in the reconciliation that affect the accompanying consolidated financial statements of the Company are as follows:

a) Revenue and cost recognition

The substantial majority of the Company's revenues are derived from the construction of homes on Company owned land, and the related sale of such homes. Under US GAAP, the Company recognizes these revenues pursuant to ASC 360.20 (formerly FAS 66 *Accounting for Sales of Real Estate Sales)*. Such revenues are recognized when all of the following events occur:

- a sale is consummated;
- a significant initial consideration is received (when applicable);
- the earnings process is complete and the collection of any remaining receivables is reasonably assured.

All such conditions typically occur at the time the title passes to the homebuyer, and he has the legal right to take possession of this property.

In situations where the Company sells customers a house with incremental improvements beyond the "basic" house, the Company recognizes amounts from the customer on a cash-basis when received, which is essentially cost recovery accounting.

Under MFRS, the Company uses the percentage-of-completion method of accounting to account for housing project revenues and costs related to housing construction; progress towards completion is measured in terms of comparing the actual costs incurred to the estimated total cost of a project.

Approximately Ps. 198,755 of the Company's revenues during the year ended December 31, 2009 were derived from construction services performed pursuant to a formal contract with the Mexican Government, on Mexican Government owned land. Such revenues have been accounted for US GAAP purposes under a percentage-of-completion method of accounting pursuant to ASC 605.35 (formerly SOP 81-1 — "Accounting for Performance of Construction-Type and Certain Production-Type Contracts"), consistent with MFRS.

Table of Contents

A reconciling item for the incremental revenues and costs associated with the above differences is included in the US GAAP reconciliation of net income and equity for all periods presented.

b) Deferred income taxes

The Company follows ASC740.10 (formerly SFAS No. 109, “Accounting for Income Taxes”) for US GAAP purposes, which differs from the MFRS. Under MFRS, the effects of inflation on the deferred tax balance generated by monetary items are recognized in the result on monetary position. Under US GAAP, the deferred tax balance is classified as a non-monetary item. As a result, the consolidated statement of operations differs with respect to the presentation of the gain (loss) on monetary position and deferred income tax provision.

As a result of the differences related to the recognition of revenue, costs and interest capitalization as described below, the related deferred income tax presented under MFRS is different from the effect calculated in accordance with US GAAP.

Below is a reconciliation of deferred tax balances between MFRS and USGAAP:

	2009	2008
Deferred income tax liability according to MFRS, net	**Ps. 4,308,770**	Ps. 3,412,501
Effect of US GAAP adjustments:		
Accounts receivable	**(3,766,913)**	(2,989,550)
Inventories	**2,852,227**	2,225,359
Other, net	**(6,798)**	(8,845)
Deferred income tax liability according to US GAAP, net	**Ps. 3,387,286**	Ps. 2,639,465

Deferred income tax balance sheet classification:

	2009		2008	
	Current	Non-current	Current	Non-current
Deferred tax assets	**Ps. 630,592**	**Ps. 225,670**	Ps. 2,006,768	Ps. 1,027,242
Deferred tax liability	**(4,242,236)**	**(1,312)**	(5,512,244)	(161,231)
Net deferred tax (liability) asset	**Ps. (3,611,644)**	**Ps. 224,358**	Ps. (3,505,476)	Ps. 866,011

At December 31, 2009 and 2008, the Company had Ps.224,358 and Ps. 866,011, respectively, of net long-term deferred tax assets. These amounts include net operating loss carryforwards as disclosed in Note 23. The Company believes that it is more likely than not those amounts will ultimately be recovered, primarily through the reversal of deferred tax liabilities. Accordingly, no valuation allowance has been provided under US GAAP for these amounts.

c) Statement of cash flows

Until the year ended December 31, 2007 under MFRS, the Company presented a consolidated statement of changes in financial position in accordance with Bulletin B-12, “Statement of Changes in Financial Position” (B-12), which identified the generation and application of resources by the differences between beginning and ending financial statement balances in constant Mexican pesos. B-12 also required that monetary and foreign exchange gains and losses be treated as cash items for the determination of resources generated by operations. Effective January 1, 2008, MFRS B-2, “Statement of Cash Flows” was issued to replace Bulletin B-2. This standard establishes that the statement of changes in financial position is substituted by a statement of cash flows as part of the basic financial statements. The transitory rules of MFRS B-2 establish that the application of this standard is prospective. Therefore, the financial statements for years ended December 31, 2007 include a statement of changes in financial position, as previously established by Mexican accounting Bulletin B-12.

In accordance with US GAAP the Company follows the requirements of ASC230.10 (formerly SFAS No. 95, “Statement of Cash Flows”), excluding the effects of inflation. Refer to the Company’s condensed USGAAP statement of cash flow below.

d) Classification differences

Under MFRS, advances for the purchase of land and construction materials are recorded as part of the cost of real estate inventories. Under US GAAP, such advances are classified as prepaid expenses.

Under MFRS, deferred taxes are classified as non-current. US GAAP requires a current or non-current classification based on the classification of the related asset or liability.

Under MFRS, the commissions paid by the Company to INFONAVIT and Registro Unico de Vivienda (RUV), when obtaining approval of individual financing for its clients, which facilitate home sales and cash inflows recovery are consider part of the financing costs; US GAAP requires that such amounts be recorded as operating costs.

Under MFRS, amounts due under the Company’s factoring agreements are included in trade accounts payable; US GAAP requires that such amounts be recorded as a borrowing from the financial intermediary.

Under MFRS, interest expense from the factoring program sponsored by Nafinsa is included in the net comprehensive financing cost; US GAAP requires that such amounts be recorded as part of the operating expenses.

Under MFRS, profit- sharing costs are considered as an “other expense” For USGAAP purposes, employee statutory profit-sharing is classified as an operating expense.

Under MFRS, Ps. 48,536 and Ps. 99,808 of other expenses were reclassified to operating expenses for US GAAP purposes in 2008 and 2007, respectively.

e) Backlog

The amount of backlog recorded in the Company’s 2006 purchase accounting under US GAAP differed from the amount reported under MFRS. This backlog has been fully amortized as of December 31, 2009, and thus the difference in equity presented below essentially relates to differences in the carrying value of goodwill between MFRS and US GAAP.

f) Inventory

Inventories under US GAAP are stated at cost, based on the average cost method. Inventories as of December 31, 2009 and 2008 are as follows:

	2009	2008
Land:		
Titled land	**Ps. 9,937,437**	Ps. 7,742,436
Contracted land	**2,673,289**	4,939,990
	12,610,726	12,682,426
Land held for future developments	**(10,912,389)**	(9,254,469)
Land	**1,698,337**	3,427,957
Other inventories:		
Construction-in-process	**10,727,532**	8,612,476
Construction materials	**512,355**	638,488
Total other inventories	**11,239,887**	9,250,964
Total inventories	**Ps. 12,938,224**	Ps. 12,678,921

Table of Contents

g) Goodwill

The amount of goodwill under US GAAP related to a 2006 acquisition is greater than that reported under MFRS, due to the difference in the revenue recognition methods between MFRS and US GAAP.
Goodwill is not amortized. However, it is subject to annual impairment tests as required by ASC 350.10 (formerly SFAS 142), and is adjusted for any impairment losses. Goodwill is allocated to the affordable entry-level segment.

h) Labor obligations

The Company has recorded liabilities for the seniority premium and termination indemnity (severance) liabilities for its Mexican subsidiaries with employees (Administradora Picsa, Desarrolladora de Casas del Noroeste and Altos Mandos de Negocios). For its MFRS consolidated financial statements, the Company applies MFRS D-3. Significant assumptions (weighted-average rates) used in determining net periodic pension cost and the Company's related plan obligations for 2008 and 2007 are described in Note 13.

Severance indemnities: Under MFRS, effective 2005 revised Bulletin D-3 requires the recognition of a severance indemnity liability calculated based on actuarial valuations. Recognition criteria under US GAAP are established in ASC712.10 (formerly SFAS No. 112, "Employers' Accounting for Post-employment Benefits"), which requires that a liability for certain termination benefits provided under an ongoing benefit arrangement such as these statutorily mandated severance indemnities be recognized when the likelihood of future settlement is probable and the liability can be reasonably estimated. MFRS allows for the Company to amortize the transition obligation related to the adoption of revised Bulletin D-3 over the expected service life of the employees, but beginning January 1, 2008 the transition obligation must be amortized at most in five years. However, US GAAP required the Company to recognize such effect upon initial adoption under ASC715.10, which results in an immaterial difference in the amount recorded under the two accounting principles.

Table of Contents

Prior to the adoption of ASC715 (formerly SFAS No. 158), there was no difference in the liabilities recorded for pension plans and seniority premiums between MFRS and US GAAP.

	2009	2008
Unrecognized items:		
Transition obligation	**Ps. 9,613**	Ps. 11,251
Prior service cost	**9,522**	10,691
Net actuarial loss	**(17,634)**	(5,603)
Unrecognized items	**Ps. 1,501**	Ps. 16,339

For purposes of determining the cost of our pension plans, seniority premiums and severance indemnities under US GAAP, the Company uses a December 31 measurement date for its seniority premiums and severance indemnities.

	2009	2008
Change in benefit obligations:		
Benefit obligation at beginning of year	**Ps. 116,749**	Ps. 116,177
Net periodic cost	**49,152**	105,300
Benefits paid	**(29,424)**	(76,158)
Other comprehensive income	**(14,838)**	(28,570)
Unfunded status	**Ps. 121,639**	Ps. 116,749

Net periodic costs for 2009, 2008 and 2007 are summarized below:

	2009	2008	2007
Integration of Net Periodic Costs:			
Labor cost	**Ps. 25,360**	Ps. 15,750	Ps. 10,033
Financial cost	**11,083**	9,393	5,378
Amortization of transition liability	**1,639**	1,639	13,473
Actuarial losses	**9,902**	78,518	6,243
Amortization of prior services adjustments	**1,168**	—	—
Net periodic costs	**Ps. 49,152**	Ps. 105,300	Ps. 35,127

i) Disclosure about fair value of financial instruments

In September 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Statement No. 157, “Fair Value Measurements” (“FAS 157”). FAS 157 was later codified into ASC 820.10. ASC 820.10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

When possible the Company uses quoted prices to determine fair value. Where quoted prices are not available, the fair value is internally derived based upon appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value presented herein is based on information available at December 31, 2009 and 2008. Although management is not aware of any factors that would be significantly affect the fair value amounts, such amounts have not been updated since those dates. Therefore the current estimates of fair value at dates after December 31, 2009 and 2008 could differ significantly from these amounts.

The fair value of total debt, excluding capital leases and interest payables, is estimated for variable rate debt whereby changes in interest rates generally do not impact the fair value of the debt instrument, and quoted market prices are used for senior guaranteed notes at December 31, 2009 and 2008. As of December 31, 2009 and 2008, the carrying value of total debt is Ps.10,005,640 and Ps. 7,332,999, respectively. The fair value is Ps.9,484,226 at December 31, 2009 and Ps. 5,625,724 at December 31, 2008.

The Company’s estimate of the derivative’s fair value was made using Level 2 evidence as per the ASC820.10 hierarchy discussed above.

ASC 820.10 requires the fair value of an asset or liability to be determined based on the assumptions that market participants would use in pricing the asset or liability. Therefore, if market participants would consider counterparty credit risk in pricing the derivative contract, then an entity’s valuation methodology under US GAAP should incorporate the effect of this risk on fair value. MFRS does not specifically require the inclusion of the counterparty’s credit risk in the computation of fair value. The Company has incorporated the counterparty credit risk into the valuation of their derivative positions under US GAAP, but not under MFRS.

The Company determined the US GAAP fair value of its principal-only and interest-only swaps as of December 31, 2009 to be Ps. 191,369, resulting in a difference of Ps. 72,285 from the carrying value of Ps.119,084 shown in the December 31, 2009 MFRS balance sheet. Differences attributable to counterparty credit risk were immaterial during periods prior to 2009, and thus have not been reflected as reconciling items in those years.

j) Prepaid sales commissions

The amortization of the prepaid sales commission expense asset is based on an amortization methodology tied to MFRS revenue recognition (percentage-of-completion). For US GAAP purposes this prepaid expense is amortized linked to the revenue recognition method applied under ASC No. 360.20.

k) Capitalization of net comprehensive financing cost

Under MFRS, the capitalization of net comprehensive financing cost (interest, foreign exchange gains and losses and monetary position gains and losses) incurred to finance investment projects is capitalized starting in 2007.

Under US GAAP, if interest is incurred during the construction of qualifying assets, capitalization is required as part of the cost of such assets. The Company applies the weighted-average interest rate on all outstanding debt to the balance of construction-in-progress additions during the period. Accordingly, a reconciling item for the capitalization of interest is included in the US GAAP reconciliation of net income and equity, and the effect of interest capitalized to the cost of inventories is included within operating income for US GAAP purposes.

l) Commitments and contingencies

The Company holds insurance that covers defects, hidden or visible, during construction and which also covers the warranty period provided by the Company to home buyers. As mentioned in Note 25 to the financial statements, the Company provides a two year warranty to all of our customers. This warranty could apply to damages derived either from Company operations or from defects in materials supplied by third parties (such as electrical installations, plumbing, gas, waterproofing, etc.) or other circumstances outside the Company’s control.

For manufacturing defects, the Company does not recognize a warranty accrual in the accompanying consolidated financial statements since it obtains a security bond from our contractors to cover the claims related to their work. The Company withholds a guarantee deposit from them, which is reimbursed to the contractors once the warranty for manufacturing defects period expires. The Company believes that at December 31, 2009 and 2008, there were no unrecorded losses with respect to these warranties.

Table of Contents

28. Reconciliation of MFRS net income and equity to US GAAP net income and equity and the presentation of condensed financial statements in accordance with US GAAP.

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 160, "Non-controlling Interest in Consolidated Financial Statements — an amendment of ARB No. 51" ("FAS 160"). FAS 160 was codified as a component of ASC 810.10. ASC 810.10 requires non-controlling interests held by parties other than the parent in subsidiaries to be clearly identified, labeled, and presented in the consolidated statements of financial position within equity, but separate from the parent's equity. Additionally, consolidated net income shall be adjusted to include the net income attributed to the non-controlling interest. The consolidated cumulative other comprehensive income shall be adjusted to include the net income attributed to the non-controlling interest.

Accordingly, in 2009 no further classification difference exists related to non-controlling interests. Previous year's reconciliations of net income and equity presented below have been retrospectively adjusted (reclassified) for all periods to reflect the adoption of ASC 810.10. The adoption of this new guidance resulted in a retrospective adjustment of equity and income statement, for presentation and disclosures purposes as follows:

	As originally issued 2008	Reclassification	As reclassified 2008
Non-controlling interest	Ps. 246,343	Ps. (246,343)	Ps. —
Equity	9,247,218	246,343	9,493,561
Net income	567,782	38,131	605,913

	As originally issued 2007	Reclassification	As reclassified 2007
Non-controlling interest	Ps. 208,212	Ps. (208,212)	Ps. —
Equity	8,627,504	208,212	8 835,716
Net income	1,667,234	128,612	1,795,846

Table of Contents

a. Reconciliation of Consolidated Net Income for the Year

	2009	2008 (reclassified)	2007 (reclassified)
Consolidated net income according to MFRS	**Ps. 1,829,927**	Ps. 1,619,007	Ps. 2,361,678
US GAAP adjustments:			
Reversal of revenue recognized under percentage-of-completion method of accounting (Note 27a)	**(1,767,542)**	(3,957,078)	(2,366,873)
Reversal of cost recognized under percentage-of-completion method of accounting (Note 27a)	**1,214,675**	2,617,373	1,608,498
Amortization of backlog (Notes 27e)	**—**	—	(16,747)
Labor obligations (Note 27h)	**(6,692)**	11,109	(17,416)
Capitalization of interest (Note 27k)	**159,215**	(203,914)	(261,734)
Deferral of unsecured homebuyers' receivables	**(37,712)**	(8,705)	3,451
Deferral of future involvement	**(365)**	3,529	2,119
Prepaid sales commissions (Note 27j)	**32,337**	71,449	36,825
Fair value adjustment to financial instruments (Note 27i)	**(72,285)**	—	—
Other items	**—**	29,667	—
Effects of inflation on US GAAP adjustments	**—**	—	203,634
Total US GAAP adjustments before tax effects	**(478,369)**	(1,436,570)	(808,243)
Tax effects on US GAAP adjustments	**148,448**	423,476	242,411
Total US GAAP adjustments	**(329,921)**	(1,013,094)	(565,832)
Net income according to US GAAP	**Ps. 1,500,006**	Ps. 605,913	Ps. 1,795,846

Table of Contents

b. Reconciliation of Consolidated Equity

	2009	2008 (reclassified)	2007 (reclassified)
Consolidated equity according to MFRS	**Ps. 13,222,963**	Ps. 11,517,257	Ps. 9,841,130
US GAAP adjustments:			
Reversal of revenue recognized under percentage-of-completion method of accounting (Note 27a)	**(12,604,856)**	(10,837,314)	(6,880,237)
Reversal of cost recognized under percentage-of-completion method of accounting (Note 27a)	**9,152,646**	7,937,971	5,320,597
Backlog (Note 27e)	**(237,001)**	(237,001)	(237,001)
Labor obligations (Note 27h)	**(23,442)**	(31,589)	(67,175)
Prepaid sales commissions (Note 27j)	**227,566**	195,229	123,782
Deferral of unsecured homebuyers' receivables of the year	**(109,328)**	(71,616)	(62,911)
Deferral of future involvement	**(2,291)**	(1,926)	(5,455)
Acquisition of non controlling interest	**79,437**	79,437	79,437
Fair value adjustment to financial instruments (Note 27i)	**(72,285)**	—	—
Capitalization of interest (Note 27k)	**173,808**	14,593	218,506
Goodwill, net (Note 27g)	**86,754**	86,754	86,754
Total US GAAP adjustments before tax effects	**(3,328,992)**	(2,865,462)	(1,423,703)
Tax effects on US GAAP adjustments	**990,214**	841,766	418,289
Total US GAAP adjustments	**(2,338,778)**	(2,023,696)	(1,005,414)
Equity according to US GAAP	**Ps. 10,884,185**	Ps. 9,493,561	Ps. 8,835,716

c. Reconciliation of Consolidated Comprehensive Income

	2009	2008 (reclassified)	2007 (reclassified)
Consolidated net income according to MFRS	**Ps. 1,829,927**	Ps. 1,619,007	Ps. 2,361,678
Comprehensive income adjustments	**(42,400)**	23,362	(481)
Labor obligations	**14,838**	28,570	(22,896)
Financial instruments	**(87,872)**	—	—
Net US GAAP adjustments:			
Net income	**(329,921)**	(1,013,094)	(565,832)
Comprehensive income according to US GAAP	**Ps. 1,384,572**	Ps. 657,845	Ps. 1,772,469

Table of Contents

d. Condensed Consolidated Balance Sheets according to US GAAP

	2009	2008 (reclassified)
Assets		
Current assets	**Ps. 18,389,873**	Ps. 18,052,424
Land for development	**10,912,389**	9,254,469
Property and equipment	**1,110,582**	1,402,928
Goodwill	**650,344**	650,344
Other assets	**550,064**	1,414,114
Total assets	**Ps. 31,613,252**	Ps. 30,774,279
Liabilities and equity		
Current liabilities	**Ps. 10,625,255**	Ps. 14,274,161
Long-term liabilities	**10,103,812**	7,006,557
Equity	**10,884,185**	9,493,561
Total liabilities and equity	**Ps. 31,613,252**	Ps. 30,774,279

e. Condensed Consolidated Statements of Operations according to US GAAP

	2009	2008 (reclassified)	2007 (reclassified)
Revenues	**Ps. 17,615,888**	Ps. 14,884,701	Ps. 13,849,728
Costs	**12,658,080**	10,398,464	9,814,725
Gross profit	**4,957,808**	4,486,237	4,035,003
Operating income	**2,527,445**	2,108,793	2,116,650
Income before income taxes	**2,534,550**	894,612	2,504,715
Income taxes	**1,034,544**	288,699	708,869
Consolidated net income according to US GAAP	**Ps. 1,500,006**	Ps. 605,913	Ps. 1,795,846
Less: income attributable to the non-controlling interests	**(11,351)**	38,131	128,612
Net income attributable to the controlling interests	**Ps. 1,511,357**	Ps. 567,782	Ps. 1,667,234
Consolidated net income according to US GAAP	**Ps. 1,500,006**	Ps. 605,913	Ps. 1,795,846
Other comprehensive income	**(115,435)**	51,932	(23,377)
Consolidated comprehensive income	**1,384,571**	657,845	1,772,469
Less: comprehensive income attributable to the non-controlling interest	**(11,351)**	38,131	128,612
Comprehensive income attributable to the controlling interest	**Ps. 1,395,922**	Ps. 619,714	Ps. 1,643,857
Weighted average shares outstanding (in thousands)	**334,830**	334,870	335,688
Earnings per share of controlling interest according to US GAAP (basic and diluted)	**Ps. 4.51**	Ps. 1.70	Ps. 4.96

Table of Contents

f. Condensed statements of cash flows according to US GAAP

Under MFRS, statements of changes in financial position identify the sources and uses of resources based on the differences between beginning and ending consolidated financial statement balances in constant pesos. Monetary position results and unrealized foreign exchange results are treated as cash items in the determination of resources provided by operations. Under US GAAP (ASC230), statements of cash flows present only cash items and exclude non-cash items. ASC 230 does not provide guidance with respect to inflation-adjusted financial statements. The differences between MFRS and US GAAP in the amounts reported are mainly due to: (i) the treatment of restrictive cash balances, (ii) elimination of inflationary effects of monetary assets and liabilities from financing and investing activities against the corresponding monetary position result in operating activities, and (iii) the recognition in operating, financing and investing activities of the US GAAP adjustments, and the presentation of short-term debt activity with financing activities.

The following cash flow statements were prepared in accordance with ASC230 provided by operating, financing and investing activities, giving effect to the US GAAP adjustments, excluding the effect of inflation required by Bulletin B-10. The following information is presented in thousands of historical pesos and is not presented in pesos of constant purchasing power:

Table of Contents

	2009	2008 (reclassified)	2007 (reclassified)
Operating activities:			
Adjusted consolidated net income	**Ps. 1,500,006**	Ps. 605,913	Ps. 1,795,846
Non-cash items:			
Depreciation	**371,402**	323,727	175,717
Deferred income tax and statutory profit-sharing	**781,178**	150,191	575,996
Share-based payment transactions	**10,638**	—	—
Amortization	**91,054**	91,054	106,566
Exchange (gain) loss	**(184,346)**	715,500	20,000
Change in valuation effects of derivative instruments	**66,451**	313,962	(139,749)
Changes in operating assets and liabilities	**(2,964,381)**	(6,003,726)	(1,952,405)
Net cash flows (used in) provided by operating activities	**(327,998)**	(3,803,379)	581,971
Investing activities:			
Investments in:			
Property and equipment	**(95,465)**	(575,379)	(680,748)
Restricted cash	**(1,297)**	28,045	(119,855)
Net cash flows used in investing activities	**(96,762)**	(547,334)	(800,603)
Financing activities:			
Short-term (payments) borrowings, net	**(1,672,256)**	1,143,732	—
Proceeds from long-term borrowings	**4,168,004**	2,377,795	2,647,276
Repayments of long-term borrowings	**(84,468)**	(237,508)	(2,408,739)
Shares repurchased for employee stock option plan	**(4,586)**	—	(99,342)
Dividends paid by subsidiary	**—**	—	(9,133)
Net cash flows provided by financing activities	**2,406,694**	3,284,019	130,062
Net increase (decrease) in cash and cash equivalents	**1,981,934**	(1,066,694)	(88,570)
Cash and cash equivalents at the beginning of the year	**1,140,140**	2,206,834	2,295,404
Cash and cash equivalents at the end of the year	**Ps. 3,122,074**	Ps. 1,140,140	Ps. 2,206,834
Supplemental cash flow information:			
Interest paid	**Ps. 874,911**	Ps. 665,807	Ps. 399,943
Income tax paid	**Ps. 16,403**	Ps. 123,351	Ps. 132,873
Income tax recovered	**Ps. 59,675**	Ps. —	Ps. —
Non-cash financing activities:			
Capital lease obligation incurred	**Ps. 47,035**	Ps. 97,131	Ps. 350,331

Table of Contents

g. Consolidated Statements of Changes in Equity according to US GAAP

	Common Stock	Additional paid-in capital	Treasury stock (Note 16)	Retained earnings	Other comprehensive income	Equity of non-controlling interest	Equity	Comprehensive income of the year
Balances as of January 1, 2007	Ps. 528,011	Ps. 3,280,222	Ps. —	Ps. 3,296,218	Ps. (21,462)	Ps. 79,600	Ps. 7,162,589	Ps.
Shares repurchased for employee stock option plan			(99,342)				(99,342)	
Comprehensive income adjustment					(481)		(481)	(481)
Labor obligations					(22,896)		(22,896)	(22,896)
Net income				1,667,234		128,612	1,795,846	1,795,846
Balances as of December 31, 2007	528,011	3,280,222	(99,342)	4,963,452	(44,,839)	208,212	8,835,716	1,772,469
Comprehensive income adjustment					23,362		23,362	23,362
Labor obligations					28,570		28,570	28,570
Net income				567,782		38,131	605,913	605,913
Balances as of December 31, 2008	528,011	3,280,222	(99,342)	5,531,234	7,093	246,343	9,493,561	657,845
Shares repurchased for stock option plan			(4,586)				(4,586)	
Share-based compensation transactions		10,638					10,638	
Changes in fair value of derivative instruments					(87,872)		(87,872)	(87,872)
Labor obligations					14,838		14,838	14,838
Net income				1,511,357	(42,400)	(11,351)	1,457,606	1,457,606
Balances as of December 31, 2009	**Ps. 528,011**	**Ps. 3,290,860**	**Ps. (103,928)**	**Ps. 7,042,591**	**Ps. (108,341)**	**Ps. 234,992**	**Ps. 10,884,185**	**Ps. 1,384,572**

Table of Contents

29. Additional US GAAP disclosure information

a) Accounting for uncertainty in income taxes

The Company adopted the provisions of ASC740 (formerly FASB Interpretation No. 48,"Accounting for Uncertainty in Income Taxes" (FIN48) as of January 1, 2007). The adoption of ASC740 did not have an impact on the Company's financial statements and did not result in a cumulative adjustment to retained earnings at adoption,

The Company establishes reserves to remove some or all of the tax benefit of any of tax positions at the time it determines that it becomes uncertain based upon one of the following conditions: (1) the tax position is not "more likely than not" to be sustained, (2) the tax position is "more likely than not" to be sustained, but for a lesser amount, or (3) the tax position is "more likely than not" to be sustained, but not in the financial period in which the tax position was originally taken.

For purposes of evaluating whether or not a tax position is uncertain, (1) the Company presumes the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information, (2) the technical merits of a tax position are derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position, and (3) each tax position is evaluated without consideration of the possibility of offset or aggregation with other tax positions taken.

A number of years may elapse before a particular uncertain tax position is audited and finally resolved or when a tax assessment is raised. The number of years subject to tax assessments varies depending on the tax jurisdiction and is generally five years for the countries in which the Company principally operates. The tax benefit that has been previously reserved because of a failure to meet the "more likely than not" recognition threshold would be recognized in our income tax expense in the first period when the uncertainty disappears under any one of the following conditions: (1) the tax position is "more likely than not" to be sustained, (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the relevant taxing authority to examine and challenge the tax position has expired.

b) Recent accounting pronouncements

U.S. GAAP

The most relevant US GAAP standards that came into force in each of the three years ended December 31, 2009 are described below:

In 2009:

ASC 810.10 (formerly FAS 160)

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 160, "Non-controlling Interest in Consolidated Financial Statements — an amendment of ARB No. 51" ("FAS 160"). FAS 160 was codified as a component of ASC 810.10. ASC 810.10 requires non-controlling interests held by parties other than the parent in subsidiaries to be clearly identified, labeled, and presented in the consolidated statements of financial position within equity, but separate from the parent's equity.

This new guidance is effective for fiscal years beginning after December 15, 2008. The Company's US GAAP financial information included in Note 28 has been retrospectively adjusted for all periods to reflect the adoption of ASC 810.10.

ASC 805.10 (formerly FAS 141 (R))

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("FAS 141 (R)"). FAS 141 (R) was a revision of FAS 141 and was codified as a component of ASC 805.10. This new guidance requires that costs incurred to effect the acquisition (i.e., acquisition-related cost) be recognized separately from the acquisition. In addition, restructuring costs that the acquirer expected but was not obligated to incur, which included changes to benefit plans, were recognized as if they were a liability assumed at the acquisition date. This new guidance requires the acquirer to recognize those costs separately from the business combination. This new guidance is effective for the Company in 2009, and did not have any impact on the Company's consolidated financial statements, primarily as no acquisitions occurred during the year.

Table of Contents

ASC 815.10 (formerly FAS 161)

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133” (“FAS 161”). FAS 161 was codified as a component of ASC 815.10. This new guidance requires enhanced disclosures about an entity’s derivatives and hedging activities to improve the transparency of financial reporting. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. This new guidance increases year end disclosures but did not have an impact on the Company’s consolidated financial position and results of operations.

ASC 350.10 (formerly FSP FAS 142-3)

In April 2008, the FASB issued FASB Staff Position FAS 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP FAS 142-3”). FSP FAS 142-3 was codified as a component of ASC 350. This new guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008. This pronouncement did not have any impact on the Company’s financial position and results of operation.

ASC 323.10 (formerly EITF 08-6)

In November 2008, the Emerging Issues Task Force (EITF) reached a consensus on EITF 08-6, “Equity Method Investment Accounting Considerations”. EITF 08-6 was codified as a component of ASC 323.10. This new guidance provides guidance on the application of the equity method. It states equity-method investments should be recognized using a cost accumulation model. Also, it requires that equity method investments as a whole be assessed for other-than-temporary impairments. This new guidance is effective on a prospective basis for transactions in an investee’s shares occurring or impairments recognized in fiscal years beginning on or after December 15, 2008. During the years ended December 31, 2009, the Company’s equity method investments did not represent a significant component of its operations. Accordingly, the adoption of this EITF did not have a significant impact on its consolidated financial statements.

ASC 350.30 (formerly EITF 08-7)

In November 2008, the EITF reached a consensus on EITF 08-7 “Accounting for Defensive Intangible Assets”. EITF 08-7 was codified as a component of ASC 350.30. This new guidance provides that intangible assets that an acquirer intends to use as defensive assets, intangible assets acquired in a business combination or an asset acquisition that an entity does not intend to actively use but does intend to prevent others from using, are a separate unit of account from the existing intangible assets of the acquirer. It also states that a defensive intangible asset should be amortized over the period that fair value of the defensive intangible asset diminishes. This new guidance is effective on a prospective basis for transactions occurring in fiscal years beginning on or after December 15, 2008. This new guidance did not have any impact on the Company’s consolidated financial position and results of operations.

ASC 855 (formerly FAS 165)

In May 2009, the FASB issued ASC 855, “Subsequent Events”. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, ASC 855 sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. In accordance with ASC 855, an entity should apply the requirements to annual financial periods ending after June 15, 2009. Subsequent events have been considered through the financial statement approval date specified in Note 1 above.

In 2008:

ASC 820.10 (formerly FAS 157)

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurement.” SFAS No. 157 was codified as a component of ASC 820.10. This guidance defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The statement does not require any new fair value measures.

The statement is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007 and it is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. When adopted in 2008, this guidance did not have an impact on the Company’s consolidated financial position and results of operations at adoption.

ASC 820.10 (formerly FSP 157-3)

In October 2008, the FASB issued FASB Staff Position 157-3, “Determining the Fair Value of a Financial Assets When the Market of that Asset is not Active” (FSP 157-3). FSP 157-3 was codified as a component of ASC 820.10. This new guidance provides an example that clarifies and reiterates certain provisions of the existing fair value standard, including basing fair value on orderly transactions and usage of management and broker inputs. This new guidance was effective immediately and did not have a material impact on financial position or results of operations of the Company.

ASC 825.10 (formerly FAS 159)

In February 2007, the FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (the “Statement” or “Statement 159”). FAS 159 was codified as a component of ASC 825.10. This guidance allows entities to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities (as well as certain nonfinancial instruments that are similar to financial instruments) at fair value (the “fair value option”, or “FVO”). The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, the Statement specifies that all subsequent changes in fair value for that instrument shall be reported in earnings (or another performance indicator for entities such as not-for-profit organizations that do not report earnings).

The fair value option will mitigate some of the volatility in reported earnings that results from the use of different measurement attributes to account for financial assets and financial liabilities. By electing the fair value option, an entity can achieve consistent accounting for related assets and liabilities without having to apply complex hedge accounting provisions.

Statement 159 requires extensive disclosures whose primary objective is to facilitate comparison among entities that choose different measurement attributes for similar assets and liabilities, as well as, comparison of similar assets and liabilities for which an individual entity selects different measurement attributes.

The Statement is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007 (January 1, 2008 for the Company). The Company did not elect the Fair Value Option for any of its financial assets

or liabilities, and therefore, the adoption of ASC 825.10 in 2008 had no impact on the Company's financial position, results of operations or cash flows at adoption.

In 2007:

ASC 740.10 Income taxes (formerly FIN 48)

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) as of January 1, 2007. FIN 48 was codified as a component of ASC 740.10. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC 740.20 Income taxes, (formerly FAS 109). The adoption of FIN 48 in 2007 did not have an impact on the Company's financial statements and did not result in a cumulative adjustment to retained earnings at adoption.

The most relevant US GAAP standards that have yet to come into force are described below. The Company is currently in the process of evaluating the impact that these new pronouncements will have on its consolidated financial statements.

ASC 715.20 (formerly FSP FAS 132(R)-1)

In December 2008, the FASB issued FASB Staff Position FAS 132(R)-1, "Employers´ Disclosures about Postretirement Benefit Plan Assets" ("FSP FAS 132(R)-1"). FSP FAS 132(R)-1 was codified as a component of ASC 715. This new guidance amends previous US GAAP in that this guidance replaces the requirement to disclose the percentage of fair value of total plan assets with a requirement to disclose the fair value of each major asset category. It also clarifies that defined benefits pension or other postretirement plan assets not subject to certain disclosure requirements. This new guidance is effective for fiscal years ending after December 2009.

ASC 860.10 (formerly FAS 166)

FASB Statement No. 166 "Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140" ("FAS 166") was codified as a component of ASC 860. ASC 860 provides for removal of the concept of a qualifying special-purpose entity and removes the exception from applying variable interest entity accounting, to qualifying special-purpose entities. It also clarifies that one objective of US GAAP is to determine whether a transferor and all of the entities included in the transferor's financial statements being presented have surrendered control over transferred financial assets. ASC 860 modifies the financial-components approach used in US GAAP and limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. ASC 860 also defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

ASC 860 requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. Enhanced disclosures are also required by ASC 860. This new guidance must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. This guidance must be applied to transfers occurring on or after the effective date.

Table of Contents

ASC 810.10 (formerly FAS 167)

FAS 167 was codified as a component of ASC 810. The FASB's objective in issuing this new guidance was to improve financial reporting by enterprises involved with variable interest entities. The Board undertook this project to address (1) the effects on certain provisions of ASC 810 (formerly FIN 46R "Consolidation of Variable Interest Entities"("FIN 46R")), as a result of the elimination of the qualifying special-purpose entity concept in FAS 166, and (2) constituent concerns about the application of certain key provisions, including those in which the accounting and disclosures under previous guidance do not always provide timely and useful information about an enterprise's involvement in a variable interest. The new guidance shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. Earlier application is prohibited.

ASC 505 — ASU 2010-01

In January 2010, the FASB issued ASU 2010-01, "Accounting for Distributions to Shareholders with Components of Stock and Cash." The ASU clarifies when the stock portion of a distribution allows shareholders to elect to receive cash or stock, with a potential limitation on the total amount of cash which all shareholders could elect to receive in the aggregate, the distribution would be considered a share issuance as opposed to a stock dividend and the share issuance would be reflected in earnings per share prospectively.

30. Valuation and qualifying accounts for the years ended December 31, 2009, 2008 and 2007

Description	Beginning balance accrual	Additions charged to income	Writte-off	Ending balance accrual
Allowance for doubtful accounts				
2009	Ps. 48,184	Ps. 26,968	Ps. (17,873)	Ps. 57,279
2008	89,318	29,173	(70,307)	48,184
2007	73,554	115,572	(99,808)	89,318
Allowance for doubtful accounts sundry debtors included within current assets				
2009	Ps. 5,643	Ps. 25,445	Ps. 1,891	Ps. 29,197
2008	—	29,098	23,455	. 5,643

31. Supplemental guarantor information

Supplemental guarantor information

The Senior Guaranteed Notes due 2015 and 2019 are fully and unconditionally guaranteed, on an unsecured senior, joint and several basis, by each of the Company's significant subsidiaries. Each of the guarantor subsidiaries (for Senior Guaranteed Notes due 2015: Proyectos Inmobiliarios de Culiacán, S. A. de C. V. (PICSA), Desarrollodora de Casas del Noroeste, S. A. de C. V. (DECANO), Casas Beta del Centro, S. de R.L. de C.V. (CBC), Casas Beta del Norte, S. de R.L. de C.V., Casas Beta del Noroeste, S. de R.L. de C.V., Edificaciones Beta, S. de R.L. de C.V.,

Table of Contents

Edificaciones Beta del Norte, S. de R. L. de C.V. and Edificaciones Beta del Noroeste, S. de R.L. de C.V. and for Senior Guaranteed Notes due 2019: PICSA, DECANO and CBC) is a wholly-owned subsidiary. The following condensed combining financial information includes the guarantor subsidiaries, non-guarantor-subsidiaries and the parent company for both Senior Guaranteed Notes 2005 and 2009. The wholly-owned guarantor subsidiaries column includes both the guarantors of our Senior Guaranteed Notes 2005 and the guarantors of our Senior Guaranteed Notes 2009.

Investments in subsidiaries are accounted for by the parent company under the equity method for purpose of the supplemental combining presentation. Earnings of subsidiaries are therefore reflected in the parent company’s investment account and earnings. The principal elimination entries eliminate the parent company’s investment in subsidiaries and intercompany balances and transactions.

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Combining Financial Information
Balance Sheet as of December 31, 2009
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Assets							
Currents assets:							
Cash and cash equivalents	Ps. 1,568	Ps. 2,986,406	Ps. —	Ps. 2,987,974	Ps. 134,100	Ps.	Ps. 3,122,074
Restricted cash	6,533			6,533	122,809		129,342
Trade accounts receivable, net		11,906,929		11,906,929	1,131,282		13,038,211
Accounts receivable from affiliates	7,716,083	15,831,862	(23,062,610)	485,335	4,130,235	(4,615,570)	
Inventories	12,025	3,769,269		3,781,294	226,080		4,007,374
Prepaid expenses and other current assets, net	10,927	281,640	(64,555)	228,012	332,322	(15,036)	545,298
Total current assets	7,747,136	34,776,106	(23,127,165)	19,396,077	6,076,828	(4,630,606)	20,842,299
Land held for future development		10,741,650		10,741,650	170,739		10,912,389
Property and equipment, net		716,059		716,059	394,523		1,110,582
Investment in shares	14,277,083	216,755	(13,937,163)	556,675	190,802	(747,477)	
Other assets, net	195,714	23,287		219,001	110,718	(5,326)	324,393
Goodwill	731,861			731,861			731,861
Deferred income taxes						643,640	643,640
Total	**Ps. 22,951,794**	**Ps. 46,473,857**	**Ps. (37,064,328)**	**Ps. 32,361,323**	**Ps. 6,943,610**	**Ps. (4,739,769)**	**Ps. 34,565,164**
Liabilities and stockholders' equity							
Current liabilities:							
Current debt and current portion of long-term debt	Ps. 85,588	Ps. —	Ps. —	Ps. 85,588	Ps. 185,007	Ps. —	Ps. 270,595
Current portion of leases		99,858		99,858	8,579		108,437
Trade accounts payable	14,385	1,937,583		1,951,968	287,770	(6,257)	2,233,481
Land suppliers		1,333,526		1,333,526	4,700		1,338,226
Advances from customers		972,481		972,481	305,329		1,277,810
Taxes other than income taxes	153,242	286,858	(5,726)	434,374	328,433	(18,027)	744,780
Due to related parties	1,188,949	21,873,661	(23,062,610)		4,615,570	(4,615,570)	
Income taxes	7,589	172,620	(58,829)	121,380	20,298	2,242	143,920
Employee statutory profit-sharing		16,799		16,799	190		16,989
Provision for uncertain tax positions		240,460		240,460	8,321		248,781
Total current liabilities	1,449,753	26,933,846	(23,127,165)	5,256,434	5,764,197	(4,637,612)	6,383,019
Long-term debt	8,571,425	888,738		9,460,163			9,460,163
Long-term leases		235,786		235,786	18,893		254,679
Financial instruments	119,084			119,084			119,084
Long-term land suppliers		14,368		14,368	60,291		74,659
Employee benefit obligations		41,636		41,636	44,450	13,101	98,187
Deferred income taxes	12,065	4,279,748		4,291,813	78,411	582,186	4,952,410
Total liabilities	10,152,327	32,394,122	(23,127,165)	19,419,284	5,965,242	(4,042,325)	21,342,201
Stockholders' equity:							
Common stock	528,011	4,288,789	(4,288,789)	528,011	995,558	(995,558)	528,011
Additional paid-in capital	3,288,761			3,288,761	(16,145)	18,245	3,290,861
Shares repurchased for employee stock option plan, at cost	(103,928)			(103,928)			(103,928)
Retained earnings	9,219,092	9,752,706	(9,648,374)	9,323,424	8,100	18,469	9,349,993
Derivative instruments	(132,469)			(132,469)		44,597	(87,872)
Other stockholders' equity accounts		38,240		38,240	(9,145)	(18,189)	10,906
Stockholders' equity of controlling interest	12,799,467	14,079,735	(13,937,163)	12,942,039	978,368	(932,436)	12,987,971
Non-controlling interest in consolidated subsidiaries						234,992	234,992
Total stockholders' equity	12,799,467	14,079,735	(13,937,163)	12,942,039	978,368	(697,444)	13,222,963
Total liabilities and stockholders' equity	**Ps. 22,951,794**	**Ps. 46,473,857**	**Ps. (37,064,328)**	**Ps. 32,361,323**	**Ps. 6,943,610**	**Ps. (4,739,769)**	**Ps. 34,565,164**

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Combining Financial Information
Balance Sheet as of December 31, 2008
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Assets							
Currents assets:							
Cash and cash equivalents	Ps. 435	Ps. 1,009,895	Ps. —	Ps. 1,010,330	Ps. 129,810	Ps.	Ps. 1,140,140
Restricted cash					128,045		128,045
Trade accounts receivable, net		10,295,586		10,295,586	1,549,944		11,845,530
Accounts receivable from affiliates	4,809,186	10,427,108	(14,631,078)	605,216	2,313,820	(2,919,036)	
Inventories	6,374	4,984,524		4,990,898	100,006		5,090,904
Other current assets, net	(91,819)	340,129	(1,200)	247,110	193,012	3,044	443,166
Total current assets	4,724,176	27,057,242	(14,632,278)	17,149,140	4,414,637	(2,915,992)	18,647,785
Land held for future development		9,254,469		9,254,469			9,254,469
Property and equipment, net		967,175		967,175	435,753		1,402,928
Investment in shares	11,655,349	356,495	(11,105,966)	905,878	42,380	(948,258)	
Other assets, net	275,949	48,748		324,697	146,716	(3,044)	468,369
Goodwill	731,861			731,861			731,861
Deferred income taxes	49,431	231,759		281,190	47,408		328,598
Total	**Ps.** 17,436,766	**Ps.** 37,915,888	**Ps.** (25,738,244)	**Ps.** 29,614,410	**Ps.** 5,086,894	**Ps.** (3,867,294)	**Ps.** 30,834,010
Liabilities and stockholders' equity							
Current liabilities:							
Current debt and current portion of long-term debt	Ps. 670,858	Ps. 735,275	Ps.	Ps. 1,406,133	Ps. 11,271	Ps.	Ps. 1,417,404
Current portion of leases		89,255		89,255			89,255
Trade accounts payable	140,999	3,596,771		3,737,770	268,083		4,005,853
Land suppliers		2,259,827		2,259,827	66,209		2,326,036
Advances from customers		139,440		139,440	226,522		365,962
Taxes other than income taxes	19,591	211,517		231,108	126,713		357,821
Due to related parties	120,575	14,510,545	(14,631,120)		2,919,036	(2,919,036)	
Income taxes	7,588	2,023	(1,160)	8,451	17,721		26,172
Provision for uncertain tax positions	—	102,969	—	102,969	—	—	102,969
Employee profit-sharing		69,432		69,432	1,013		70,445
Total current liabilities	959,611	21,717,054	(14,632,280)	8,044,385	3,636,568	(2,919,036)	8,761,917
Long-term debt	5,521,449	468,670		5,990,119			5,990,119
Long-term leases		314,639		314,639			314,639
Financial instruments					18,403		18,403
Long-term land suppliers		405,426		405,426			405,426
Employee benefit obligations		44,187		44,187	40,963		85,150
Deferred income taxes		3,607,041		3,607,041	134,058		3,741,099
Total liabilities	6,481,060	26,557,017	(14,632,280)	18,405,797	3,829,992	(2,919,036)	19,316,753
Stockholders' equity:							
Common stock	528,011	2,683,789	(2,683,789)	528,011	704,018	(704,018)	528,011
Additional paid-in capital	3,280,223			3,280,223			3,280,223
Shares repurchased for employee stock option plan	(99,342)			(99,342)			(99,342)
Retained earnings	7,246,814	8,636,842	(8,422,175)	7,461,481	537,817	(490,583)	7,508,715
Other stockholders' equity accounts		38,240		38,240	15,067		53,307
Majority stockholders' equity	10,955,706	11,358,871	(11,105,964)	11,208,613	1,256,902	(1,194,601)	11,270,914
Minority interest in consolidated subsidiaries						246,343	246,343
Total stockholders' equity	10,955,706	11,358,871	(11,105,964)	11,208,613	1,256,902	(948,258)	11,517,257
Total liabilities and stockholders' equity	**Ps.** 17,436,766	**Ps.** 37,915,888	**Ps. (25,738,244)**	**Ps.** 29,614,410	**Ps.** 5,086,894	**Ps. (3,867,294)**	**Ps.** 30,834,010

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Combining Financial Information
Statement of Income for the Year Ended December 31, 2009
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Revenues	Ps. 185,533	Ps. 29,550,672	Ps. (10,534,341)	Ps. 19,201,864	Ps. 2,046,398	Ps. (1,823,080)	Ps. 19,425,182
Cost of sales		23,110,319	(9,601,808)	13,508,511	240,025	(120)	13,748,416
Gross profit	185,533	6,440,353	(932,533)	5,693,353	1,806,373	(1,822,960)	5,676,766
Operating expenses	162,876	2,322,479	(182,555)	2,302,800	2,026,906	(1,822,950)	2,506,756
Income from operations	22,657	4,117,874	(749,978)	3,390,553	(220,533)	(10)	3,170,010
Other (expense) income, net	18,271	44,824	(98)	62,997	(13,522)		49,475
Net comprehensive financing cost:							
Interest expense	772,586	1,398,698	(2,109,646)	61,638	322,127		383,765
Interest income	(570,557)	(660,381)	1,367,762	136,824	(320,964)		(184,140)
Exchange (gain) loss	(429,273)	131,120	181,745	(116,408)	56,898		(59,510)
Valuation effects of derivative instruments	66,451			66,451			66,451
	(160,793)	869,437	(560,139)	148,505	58,061		206,566
Income before income taxes	201,721	3,293,261	(189,937)	3,305,045	(292,116)	(10)	3,012,919
Income tax (benefit) expense	61,497	1,164,909		1,226,406	(15,532)	(27,882)	1,182,992
Equity in income of associated companies	1,689,703	(46,507)	(1,643,196)				
Consolidated net income	Ps. 1,829,927	Ps. 2,081,845	Ps. (1,833,133)	Ps. 2,078,639	Ps. (276,584)	Ps. 27,872	Ps. 1,829,927
Net income of controlling interest	1,841,278	2,081,845	(1,833,133)	2,089,990	(276,584)	27,872	1,841,278
Net (loss) income of non-controlling interest	(11,351)			(11,351)			(11,351)
Consolidated net income	**Ps.** 1,829,927	**Ps.** 2,081,845	**Ps.** (1,833,133)	**Ps.** 2,078,639	**Ps.** (276,584)	**Ps.** 27,872	**Ps.** 1,829,927

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Combining Financial Information
Statement of Income for the Year Ended December 31, 2008
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Revenues	Ps. 664,806	Ps. 27,816,590	Ps. (10,582,176)	Ps. 17,899,220	Ps. 2,817,243	Ps. (1,865,967)	Ps. 18,850,496
Cost of sales		21,708,407	(8,911,344)	12,797,063	686,879	(10,685)	13,473,257
Gross profit	664,806	6,108,183	(1,670,832)	5,102,157	2,130,364	(1,855,282)	5,377,239
Selling, general and administrative expenses	164,305	2,760,111	(644,298)	2,280,118	1,954,744	(1,857,216)	2,377,646
Income (loss) from operations	500,501	3,348,072	(1,026,534)	2,822,039	175,620	1,934	2,999,593
Other (expense) income, net	3,181	(47,855)	(215)	(44,889)	(65,037)		(109,926)
Net comprehensive financing cost:							
Interest expense	412,426	1,071,488	(1,393,358)	90,556	146,477		237,033
Interest income	(173,079)	(615,387)	857,103	68,637	(225,988)		(157,351)
Exchange (gain) loss	(88,086)	796,934	(713,825)	(4,977)	169,818		164,841
Valuation effects of derivative instruments	313,962			313,962			313,962
	465,223	1,253,035	(1,250,080)	468,178	90,307		558,485
Income before income tax	38,459	2,047,182	223,331	2,308,972	20,276	1,934	2,331,182
Income tax (benefit) expense	89,542	647,374		736,916	(24,741)		712,175
Equity in income of associated companies	1,670,090	36,934	(1,707,024)				
Consolidated net income	Ps. 1,619,007	Ps. 1,436,742	Ps. (1,483,693)	Ps. 1,572,056	Ps. 45,017	Ps. 1,934	Ps. 1,619,007
Net income of controlling interest	1,580,876	1,436,742	(1,483,693)	1,533,925	45,017	1,934	1,580,876
Net (loss) income of non-controlling interest	38,131			38,131			38,131
Consolidated net income	**Ps.** 1,619,007	**Ps.** 1,436,742	**Ps.** (1,483,693)	**Ps.** 1,572,056	**Ps.** 45,017	**Ps.** 1,934	**Ps.** 1,619,007

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Combining Financial Information
Statement of Income for the Year Ended December 31, 2007
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Revenues	Ps. 160,475	Ps. 22,878,186	Ps. (8,444,373)	Ps. 14,594,288	Ps. 2,995,300	Ps. (1,367,064)	Ps. 16,222,524
Costs	—	18,108,058	(8,134,779)	9,973,279	1,068,177	—	11,041,456
Gross profit	160,475	4,770,128	(309,594)	4,621,009	1,927,123	(1,367,064)	5,181,068
Selling, general and administrative expenses	135,086	1,687,420	—	1,822,506	1,511,825	(1,535,902)	1,798,429
Income (loss) from operations	25,389	3,082,708	(309,594)	2,798,503	415,298	168,838	3,382,639
Other income, net	1,744	210,137	—	211,881	(2,658)	—	209,223
Net comprehensive financing cost:							
Interest expense	321,151	968,190	(1,021,046)	268,295	76,633	—	344,928
Interest income	(107,484)	(708,277)	770,447	(45,314)	(94,888)	—	(140,202)
Exchange (gain) loss	(117,084)	7,919	(12,594)	(121,759)	564	—	(121,195)
Monetary position loss (gain)	(92,346)	189,907	83,889	181,450	13,923	—	195,373
	4,237	457,739	(179,304)	282,672	(3,768)	—	278,904
Income (loss) before income tax	22,896	2,835,106	(130,290)	2,727,712	416,408	168,838	3,312,958
Income tax (benefit) expense	59,828	783,058	—	842,886	108,394	—	951,280
Equity in income of associated companies	2,398,610	(621)	(2,397,989)	—	—	—	—
Consolidated net income	Ps. 2,361,678	Ps. 2,051,427	Ps. (2,528,279)	Ps. 1,884,826	Ps. 308,014	Ps. 168,838	Ps. 2,361,678
Net income of controlling interest	2,233,066	2,051,427	(2,528,279)	1,756,214	308,014	168,838	2,233,066
Net income of non-controlling interest	128,612	—	—	128,612	—	—	128,612
Consolidated net income	**Ps.** 2,361,678	**Ps.** 2,051,427	**Ps.** (2,528,279)	**Ps.** 1,884,826	**Ps.** 308,014	**Ps.** 168,838	**Ps.** 2,361,678

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Statement of Cash Flows
Statement of Cash Flows for the Year Ended December 31, 2009
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Cash flows generated by (used in) operating activities							
Income before income tax	Ps. 201,721	Ps. 3,293,261	Ps. (189,937)	Ps. 3,305,045	Ps. (292,116)	Ps. (10)	Ps. 3,012,919
Items related to investing activities:							
Depreciation and amortization	112,007	300,472		412,479	70,930		483,409
Loss (gain) on sale of property and equipment		3,179		3,179	23,527		26,706
Interest income	(570,557)	(660,381)	1,187,472	(43,466)	(320,964)	180,290	(184,140)
Gain on sale of other investment					(11,676)		(11,676)
Items related to financing activities:							
Interest expense	752,458	1,205,893	(1,187,472)	770,879	302,244	(186,974)	886,149
Share-based payment transactions	10,638			10,638			10,638
Valuation effects of derivative instruments	66,451			66,451			66,451
Deferred profit-sharing		24,646		24,646,	1,960		26,606
Exchange (gain) loss	(182,525)			(182,525)	(1,821)		(184,346)
	390,193	4,167,070	(189,937)	4,367,326	(227,916)	(6,694)	4,132,716
Increase in trade accounts receivable		(1,611,343)		(1,611,343)	418,662		(1,192,681)
Increase in trade accounts receivable from affiliates	(2,906,897)	(5,404,754)	8,431,532	119,881	(1,816,415)	1,696,534	
Increase in inventories and land held for future developments	(5,651)	(271,927)		(277,578)	(296,812)		(574,390)
(Increase) Decrease in prepaid expenses and other assets	(175,621)	(813,971)	588,071	(401,521)	189,078	(8,374)	(220,817)
Interest income collected	570,557	660,381	(1,187,472)	43,466	320,964	(180,290)	184,140
(Decrease) Increase in trade accounts payable	(6,093)	(1,659,188)		(1,665,281)	19,687	(6,257)	(1,651,851)
Decrease in accounts payable to affiliates	1,068,374	7,363,117	(8,431,491)		1,696,534	(1,696,534)	
Decrease in accounts payable to land suppliers		(1,317,359)		(1,317,359)	(1,218)		(1,318,577)
Increase in other liabilities	138,548	839,775	(5,726)	972,597	274,975	(1,023)	1,246,549
Increase in employee benefits obligations		(2,551)		(2,551)	2,487	13,101	13,037
Payments of derivative instruments	(123,271)			(123,271)			(123,271)
Income tax recovered (paid)		59,675		59,675	(16,403)		43,272
Net cash flows from operating activities	(1,049,861)	2,008,925	(795,023)	164,041	563,623	(189,537)	538,127
Cash flows generated by (used in) investing activities							
Acquisition of property and equipment		(62,924)		(62,924)	(26,428)		(89,352)
Proceeds from sale of property and equipment		28,396		28,396	2,229		30,625
Net cash flows from investing activities		(34,528)		(34,528)	(24,199)		(58,727)
Cash flows generated by (used in) financing activities							
Proceeds and payments from affiliates							
Proceeds from new borrowings	9,869,733	5,677,352		15,547,085	202,066		15,749,151
Payments of notes payable	(7,237,583)	(6,054,368)		(13,291,951)	(45,920)		(13,337,871)
Net proceeds from affiliates	(1,398,915)	968,636	795,023	364,744	(547,597)	182,853	
Interest paid	(171,122)	(589,506)		(760,628)	(120,967)	6,684	(874,911)
Shares repurchased	(4,586)			(4,586)			(4,586)
Net cash flows from financing activities	1,057,527	2,114	795,023	1,854,664	(512,418)	189,537	1,531,783
Net increase (decrease) of cash and cash equivalents	7,666	1,976,511		1,984,177	27,006		2,011,183
Translation adjustment					(27,952)		(27,952)
Cash, cash equivalents							

and restricted cash at the beginning of the year	435	1,009,895		1,010,330	257,855	1,268,185
Cash, cash equivalents and restricted cash at the end of the year	**Ps.** 8,101	**Ps.** 2,986,406	**Ps.**	**Ps.** 2,994,507	**Ps.** 256,909	**Ps.** 3,251,416

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Statement of Cash Flows
Statement of Cash Flows for the Year Ended December 31, 2008
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Cash flows generated by (used in) operating activities							
Income before income tax	Ps. 38,459	Ps. 2,047,182	Ps. 223,331	Ps. 2,308,972	Ps. 20,276	Ps. 1,934	Ps. 2,331,182
Items related to investing activities:							
Depreciation and amortization	101,294	273,349		374,643	50,378		425,021
Loss (gain) on sale of property and equipment		(8,893)		(8,893)	122		(8,771)
Interest income	(173,079)	(615,387)	730,563	(57,903)	(225,988)	126,540	(157,351)
Items related to financing activities:							
Interest expense	404,279	981,505	(730,563)	655,221	135,084	(126,540)	663,765
Valuation effects of derivative instruments	313,962			313,962			313,962
Deferred profit-sharing		7,899		7,899	(4,838)		3,061
Exchange (gain) loss	714,347	(900)		713,447	2,053		715,500
	1,399,262	2,684,755	223,331	4,307,348	(22,913)	1,934	4,286,369
Increase in trade accounts receivable		(4,421,350)		(4,421,350)	700,582	(575,504)	(4,296,272)
Increase in trade accounts receivable from affiliates	(5,173,903)	(24,074,337)	28,053,096	(1,195,144)	(4,005,031)	5,200,175	
Increase in inventories and land held for future developments	(1,491)	(3,023,230)	20,946	(3,003,775)	125,587		(2,878,188)
(Increase) decrease in prepaid expenses and other assets	69,194	332,578	(244,236)	157,536	(66,035)	1,110	92,611
Interest income collected	173,079	615,387	(730,563)	57,903	225,988	(126,540)	157,351
(Decrease) increase in trade accounts payable	(4,556)	206,667		202,111	(348,552)	575,504	429,063
Decrease in accounts payable to affiliates	14,351,016	13,702,080	(28,053,096)		5,200,216	(5,200,216)	
Decrease in accounts payable to land suppliers		(1,016,245)		(1,016,245)			(1,016,245)
Increase in other liabilities	13,670	328,011		341,681	76,470		418,151
Increase in employee benefits obligations		20,179		20,179	20,063		40,242
Payments of derivative instruments	(340,912)			(340,912)			(340,912)
Income tax recovered (paid)	2,244	(82,866)		(80,622)	(39,865)	(3,044)	(123,531)
Net cash flows from operating activities	10,487,603	(14,728,371)	(730,522)	(4,971,290)	1,866,510	(126,581)	(3,231,361)
Cash flows generated by (used in) investing activities							
Increase in the investment in associate					(27,727)		(27,727)
Acquisition of property and equipment		(467,318)		(467,318)	(96,405)		(563,723)
Proceeds from sale of property and equipment		98,421		98,421	299		98,720
Net cash flows from investing activities		(368,897)		(368,897)	(123,833)		(492,730)
Cash flows generated by (used in) financing activities							
Proceeds and payments from affiliates	(12,760,369)	14,309,035		1,548,667	(1,548,667)		
Proceeds from new borrowings	5,593,465	3,551,493		9,144,958	322		9,145,280
Payments of notes payable	(2,915,465)	(2,940,485)		(5,855,950)	(5,111)		(5,861,061)
Interest paid	(406,523)	(981,270)	730,522	(657,271)	(135,117)	126,581	(665,807)
Net cash flows from financing activities	(10,488,892)	13,938,773	730,522	4,180,404	(1,688,573)	126,581	2,618,412
Net increase (decrease) of cash and cash equivalents	(1,289)	(1,158,495)		(1,159,783)	54,104		(1,105,679)
Translation adjustment					10,940		10,940
Cash, cash equivalents and restricted cash at the beginning of the year	1,724	2,168,389		2,170,113	192,811		2,362,924
Cash, cash equivalents and restricted cash at the end of the year	**Ps.** 435	**Ps.** 1,009,894	**Ps.**	**Ps.** 1,010,330	**Ps.** 257,855		**Ps.** 1,268,185

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Combining Financial Information
Statement of Changes in Financial Position for the Year Ended December 31, 2007
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Operating activities:							
Consolidated net income	Ps. 2,361,678	Ps. 2,051,427	Ps. (2,528,279)	Ps. 1,884,826	Ps. 308,014	Ps. 168,838	Ps. 2,361,678
Add items that did not require resources:							
Depreciation	—	156,117	—	156,117	40,190	—	196,307
Equity in income subsidiaries	(2,398,610)	621	2,397,989	—	—	—	—
Amortization of BETA trademark and backlog	105,410	—	—	105,410	—	—	105,410
Labor obligations		11,696		11,696	6,720		18,416
Deferred income taxes	43,267	719,270	—	762,537	55,870	—	818,407
	111,745	2,939,131	(130,290)	2,920,586	410,794	168,838	3,500,218
Changes in operating assets and liabilities							
(Increase) decrease in:							
Trade accounts receivable	—	(1,205,585)	—	(1,205,585)	(962,441)	159,854	(2,008,172)
Accounts receivable from affiliates	149,018	890,556	(1,429,106)	(389,532)	(6,326)	395,858	—
Inventories and land held for future development	(4,883)	(2,310,372)	(20,946)	(2,336,201)	246,114	—	(2,090,087)
Other assets	21,230	(89,045)	(51,046)	(118,861)	(5,514)		(124,375)
Increase (decrease) in:							
Trade accounts payable	(4,944)	1,310,562	—	1,305,618	175,367	(159,854)	1,321,131
Land suppliers	(2,306)	230,688	52,275	280,657	(34,845)		245,812
Accrued expenses and taxes	(109,054)	(26,871)	150,007	14,082		(168,911)	(154,829)
Due to related parties	172,290	(1,601,396)	1,429,106	—	395,785	(395,785)	—
Other liabilities	—	(11,511)	—	(11,511)	(18,018)		(29,529)
Net resources used in operating activities	333,096	126,157	—	459,253	200,916	—	660,169
Financing activities:							
Proceeds from new borrowings, net	(232,131)	328,088	—	95,957	(5,396)	—	90,561
Shares repurchased for employee stock option plan	(99,342)	—	—	(99,342)	—	—	(99,342)
Dividends paid by subsidiary company	—	(9,133)	—	(9,133)	—	—	(9,133)
Net resources generated by financing activities	(331,473)	318,955	—	(12,518)	(5,396)	—	(17,914)
Investing activities:							
Restricted cash	—	—	—	—	(118,493)	—	(118,493)
Investment in associates	—	—	—	—	(17,869)	—	(17,869)
Acquisition of property and equipment	—	(600,961)	—	(600,961)	(79,787)	—	(680,748)
Net resources used in investing activities	—	(600,961)	—	(600,961)	(216,149)	—	(817,110)
Cash, cash equivalents and restricted cash:							
Net increase (decrease)	1,623	(155,849)	—	(154,226)	(20,629)	—	(174,855)
Balance at beginning of year	101	2,324,238	—	2,324,339	57,350	—	2,381,689
Balance at end of year	**Ps.** 1,724	**Ps.** 2,168,389	**Ps.** —	**Ps.** 2,170,113	**Ps.** 36,721	—	**Ps.** 2,206,834

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Combining Reconciliation of Mexican Financial Reporting Standards (MFRS) to US GAAP
As of and for the Year Ended December 31, 2009
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Consolidated net income according to MFRS	Ps. 1,829,927	Ps. 2,081,845	Ps. (1,833,133)	Ps. 2,078,639	Ps. (276,584)	Ps. 27,872	Ps. 1,829,927
US GAAP adjustments:							
Reversal of revenue recognized under percentage-of-completion method of accounting		(2,180,672)		(2,180,672)	413,130		(1,767,542)
Reversal of cost recognized under percentage-of-completion method of accounting		1,498,583		1,498,583	(283,908)		1,214,675
Capitalization of interest	115,420	43,795		159,215			159,215
Amortization of Backlog							
Labor obligations		(4,407)		(4,407)	(2,285)		(6,692)
Deferral of unsecured homebuyers' receivables		(35,772)		(35,772)	(1,940)		(37,712)
Deferral of future involvement		(365)		(365)			(365)
Fair value adjustment to financial instruments	(72,285)			(72,285)			(72,285)
Other							
Prepaid sales commissions		39,895		39,895	(7,558)		32,337
Total US GAAP adjustments before tax effects	43,135	(638,943)		(595,808)	117,439		(478,369)
Tax effects on US GAAP adjustments	(13,386)	198,278		184,892	(36,444)		148,448
Total US GAAP adjustments	29,749	(440,665)		(410,916)	80,995		(329,921)
Net income according to US GAAP	**Ps.** 1,859,676	**Ps.** 1,641,180	**Ps.** (1,833,133)	**Ps.** 1,667,723	**Ps.** (195,589)	**Ps.** 27,872	**Ps.** 1,500,006
Consolidated equity according to MFRS U.S. GAAP adjustments	Ps. 12,799,467	Ps. 14,079,735	Ps. (13,937,163)	Ps. 12,942,039	Ps. 978,368	Ps. (697,444)	Ps. 13,222,963
US GAAP adjustments:							
Reversal of revenue recognized under percentage-of-completion method of accounting		(11,413,970)		(11,413,970)	(1,190,886)		(12,604,856)
Reversal of cost recognized under percentage-of-completion method of accounting		8,287,919		8,287,919	864,727		9,152,646
Goodwill, net	86,754			86,754			86,754
Backlog	(237,001)			(237,001)			(237,001)
Labor obligations		(10,741)		(10,741)	(12,701)		(23,442)
Prepaid sales commissions		206,066		206,066	21,500		227,566
Deferral of future involvement		(2,291)		(2,291)			(2,291)
Acquisition of non controlling interest		79,437		79,437			79,437
Fair value adjustment to financial instruments	(72,285)			(72,285)			(72,285)
Capitalization of interest	125,999	47,809		173,808			173,808
Deferral of unsecured homebuyers' receivables of the year		(101,848)		(101,848)	(7,480)		(109,328)
Total US GAAP adjustments before tax effects	(96,533)	(2,907,619)		(3,004,152)	(324,840)		(3,328,992)
Tax effects on US GAAP adjustments	28,714	864,876		893,590	96,624		990,214
Total U.S. GAAP adjustments	(67,819)	(2,042,743)		(2,110,562)	(228,216)		(2,338,778)
Equity according to US GAAP	**Ps.** 12,731,648	**Ps.** 12,036,992	**Ps.** (13,937,163)	**Ps.** 10,831,477	**Ps.** 750,152	**Ps.** (697,444)	**Ps.** 10,884,185

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Combining Reconciliation of Mexican Financial Reporting Standards (MFRS) to US GAAP
As of and for the Year Ended December 31, 2008
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Consolidated net income according to MFRS	Ps. 1,619,007	Ps. 1,436,742	Ps. (1,483,693)	Ps. 1,572,056	Ps. 45,017	Ps. 1,934	Ps. 1,619,007
US GAAP adjustments:							
Reversal of revenue recognized under percentage-of-completion method of accounting		(4,017,365)		(4,017,365)	60,287		(3,957,078)
Reversal of cost recognized under percentage-of-completion method of accounting		2,657,250		2,657,250	(39,877)		2,617,373
Capitalization of interest	(154,903)	(49,011)		(203,914)			(203,914)
Amortization of backlog							
Labor obligations		(23,780)		(23,780)	34,889		11,109
Deferral of unsecured homebuyers' receivables		(8,003)		(8,003)	(702)		(8,705)
Deferral of future involvement		3,529		3,529			3,529
Other items		38,240		38,240	(8,573)		29,667
Prepaid sales commissions		72,537		72,537	(1,088)		71,449
Effects of inflation on US GAAP adjustments							
Tax effects on US GAAP adjustments	44,739	394,192		438,931	(15,455)		423,476
Total US GAAP adjustments	(110,164)	(932,411)		(1,042,575)	29,481		(1,013,094)
Net income according to US GAAP	**Ps.** 1,508,843	**Ps.** 504,331	**Ps.** (1,483,693)	**Ps.** 529,480	**Ps.** 74,499	**Ps.** 1,934	**Ps.** 605,913
Consolidated equity according to MFRS	Ps. 10,955,706	Ps. 11,358,871	Ps. (11,105,964)	Ps. 11,208,613	Ps. 1,256,902	Ps. (948,258)	Ps. 11,517,257
US GAAP adjustments:							
Reversal of revenue recognized under percentage-of-completion method of accounting		(9,233,245)		(9,233,245)	(1,604,069)		(10,837,314)
Reversal of cost recognized under percentage-of-completion method of accounting		6,763,044		6,763,044	1,174,927		7,937,971
Goodwill, net	86,754			86,754			86,754
Backlog	(237,001)			(237,001)			(237,001)
Labor obligations		(14,779)		(14,779)	(16,810)		(31,589)
Prepaid sales commissions		166,332		166,332	28,897		195,229
Deferral of future involvement		(1,926)		(1,926)			(1,926)
Acquisition of non controlling interest		79,437		79,437			79,437
Capitalization of interest	11,085	3,508		14,593			14,593
Deferral of unsecured homebuyers' receivables of the year		(66,077)		(66,077)	(5,539)		(71,616)
Total US GAAP adjustments before tax effects	(139,162)	(2,303,706)		(2,442,868)	(422,594)		(2,865,462)
Tax effects on US GAAP adjustments	40,881	676,743		717,624	124,142		841,766
Total US GAAP adjustments	(98,281)	(1,626,963)		(1,725,244)	(298,452)		(2,023,696)
Equity according to US GAAP	**Ps.** 10,857,425	**Ps.** 9,731,908	**Ps.** (11,105,964)	**Ps.** 9,483,369	**Ps.** 958,450	**Ps.** (948,258)	**Ps.** 9,493,561

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Combining Reconciliation of Mexican Financial Reporting Standards (MFRS) to US GAAP
As of and for the Year Ended December 31, 2007
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Consolidated net income according to MFRS	Ps. 2,361,678	Ps. 2,051,427	Ps. (2,528,279)	Ps. 1,884,826	Ps. 308,014	Ps. 168,838	Ps. 2,361,678
US GAAP adjustments:							
Reversal of revenue recognized under percentage-of-completion method of accounting	—	(1,541,648)	—	(1,541,648)	(825,225)	—	(2,366,873)
Reversal of cost recognized under percentage-of-completion method of accounting	—	957,725	—	957,725	650,773	—	1,608,498
Capitalization of interest	(197,377)	(63,368)		(260,745)	(989)	—	(261,734)
Amortization of backlog	(16,747)		—	(16,747)	—	—	(16,747)
Labor obligations	—	(8,382)	—	(8,382)	(9,034)	—	(17,416)
Deferral of unsecured homebuyers' receivables	—	3,451	—	3,451	—	—	3,451
Deferral of future involvement	—	2,119	—	2,119	—	—	2,119
Prepaid sales commissions	—	27,461	—	27,461	9,364	—	36,825
Effects of inflation on US GAAP adjustments	—	153,309	—	153,309	50,325	—	203,634
Tax effects on US GAAP adjustments	49,552	139,911	—	189,463	52,948	—	242,411
Total US GAAP adjustments	(164,572)	(329,422)	—	(493,994)	(71,838)	—	(565,832)
Net income according to US GAAP	**Ps.** 2,197,106	**Ps.** 1,722,005	**Ps.** (2,528,279)	**Ps.** 1,390,832	**Ps.** 236,176	**Ps.** 168,838	**Ps.** 1,795,846
Consolidated equity according to MFRS	Ps. 9,608,727	Ps. 9,628,965	Ps. (9,590,418)	Ps. 9,647,274	Ps. 1,116,358	Ps. (922,502)	Ps. 9,841,130
US GAAP adjustments:							
Reversal of revenue recognized under percentage-of-completion method of accounting	—	(5,179,898)	—	(5,179,898)	(1,700,339)	—	(6,880,237)
Reversal of cost recognized under percentage-of-completion method of accounting	—	4,135,231	—	4,135,231	1,185,366	—	5,320,597
Goodwill, net	86,754	—	—	86,754	—	—	86,754
Backlog	(237,001)	—	—	(237,001)	—	—	(237,001)
Labor obligations	—	(33,810)	—	(33,810)	(33,365)	—	(67,175)
Prepaid sales commissions	—	92,933	—	92,933	30,849	—	123,782
Deferral of future involvement	—	(5,455)	—	(5,455)	—	—	(5,455)
Acquisition of non controlling interest	—	79,437	—	79,437	—	—	79,437
Capitalization of interest	164,778	52,903	—	217,681	825		218,506
Deferral of unsecured homebuyers' receivables of the year	—	(62,911)	—	(62,911)	—	—	(62,911)
Total US GAAP adjustments before tax effects	14,531	(921,570)	—	(907,039)	(516,664)	—	(1,423,703)
Tax effects on US GAAP adjustments	23,660	277,167	—	300,827	117,462	—	418,289
Total US GAAP adjustments	38,191	(644,403)		(606,212)	(399,202)		(1,005,414)
Equity according to US GAAP	**Ps.** 9,646,918	**Ps.** 8,984,562	**Ps.** (9,590,418)	**Ps.** 9,041,062	**Ps.** 717,156	**Ps.** (922,502)	**Ps.** 8,835,716

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Statement of Cash Flows — US GAAP
Statement of Cash Flows for the Year Ended December 31, 2009
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Operating activities							
Adjusted consolidated net income	Ps. 1,859,676	Ps. 1,641,180	Ps. (1,833,133)	Ps. 1,667,723	Ps. (195,589)	Ps. 27,872	Ps. 1,500,006
Non-cash items:							
Depreciation		300,472		300,472	70,930		371,402
Equity income in subsidiaries	(1,879,639)	46,506	1,833,133				
Deferred income tax and statutory profit-sharing	74,882	705,190		780,072	1,106		781,178
Shared-based payment transactions	10,638			10,638			10,638
Amortization	91,054			91,054			91,054
Exchange (gain) loss	(182,525)			(182,525)	(1,821)		(184,346)
Changes in valuation effects of derivative instruments	66,451			66,451			66,451
Changes in operating assets and liabilities	(1,276,436)	(1,180,429)	(795,023)	(3,251,886)	498,232	(210,725)	(2,964,381)
Net cash flows (used in) provided by operating activities	(1,235,899)	1,512,919	(795,023)	(518,003)	372,858	(182,853)	(327,998)
Investing activities:							
Investments in:							
Property and equipment		(69,037)		(69,037)	(26,428)		(95,465)
Restricted cash	(6,533)			(6,533)	5,236		(1,297)
Net cash flows used in investing activities	(6,533)	(69,037)		(75,570)	(21,192)		(96,762)
Financing activities:							
Net Proceeds from affiliates	(1,398,915)	968,636	795,023	364,744	(547,597)	182,853	
Short-term (payments) borrowings, net	(585,434)	(1,259,758)		(1,845,192)	172,936		(1,672,256)
Proceeds from long-term borrowings	3,232,500	908,219		4,140,719	27,285		4,168,004
Repayments of long-term borrowings		(84,468)		(84,468)			(84,468)
Share repurchased for employee stock option plan	(4,586)			(4,586)			(4,586)
Net cash flows provided by (used in) financing activities	1,243,565	532,629	795,023	2,571,217	(347,376)	182,853	2,406,694
Net increase (decrease) in cash and cash equivalents	1,133	1,976,511		1,977,644	4,290		1,981,934
Cash and cash equivalents at the beginning of the year	435	1,009,895		1,010,330	129,810		1,140,140
Cash and cash equivalents at the end of the year	**Ps.** 1,568	**Ps.** 2,986,406	**Ps.**	**Ps.** 2,987,974	**Ps.** 134,100		**Ps.** 3,122,074

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Statement of Cash Flows — US GAAP
Statement of Cash Flows for the Year Ended December 31, 2008
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Operating activities							
Adjusted consolidated net income	Ps. 1,508,843	Ps. 504,331	Ps. (1,483,693)	Ps. 529,480	Ps. 74,499	Ps. 1,934	Ps. 605,913
Non-cash items:							
Depreciation		273,349		273,349	50,378		323,727
Equity income in subsidiaries	(1,446,759)	(36,934)	1,1483,693				
Deferred income tax and statutory profit-sharing	44,803	147,800		192,603	(42,412)		150,191
Amortization	91,054			91,054			91,054
Exchange (gain) loss	714,347	(900)		713,447	2,053		715,500
Changes in valuation effects of derivative instruments	313,962			313,962			313,962
Changes in operating assets and liabilities	8,909,263	(16,539,560)		(7,630,297)	1,628,505	(1,934)	(6,003,726)
Net cash flows (used in) provided by operating activities	10,135,513	(15,651,914)		(5,516,401)	1,713,022		(3,803,379)
Investing activities:							
Investments in:							
Property and equipment		(478,975)		(478,975)	(96,404)		(575,379)
Restricted cash					28,045		28,045
Net cash flows used in investing activities		(478,975)		(478,975)	(68,359)		(547,334)
Financing activities:							
Net Proceeds from affiliates	(12,760,368)	14,309,035		1,548,667	(1,548,667)		
Short-term (payments) borrowings, net	600,000	543,732		1,143,732			1,143,732
Proceeds from long-term borrowings	2,078,000	299,795		2,377,795			2,377,795
Repayments of long-term borrowings	(54,434)	(180,167)		(234,601)	(2,907)		(237,508)
Net cash flows provided by (used in) financing activities	(10,136,802)	14,972,395		4,835,593	(1,551,574)		3,284,019
Net increase (decrease) in cash and cash equivalents	(1,289)	(1,158,494)		(1,159,783)	93,089		(1,066,694)
Cash and cash equivalents at the beginning of the year	1,724	2,168,389		2,170,113	36,721		2,206,834
Cash and cash equivalents at the end of the year	**Ps.** 435	**Ps.** 1,009,895	**Ps.**	**Ps.** 1,010,330	**Ps.** 129,810		**Ps.** 1,140,140

Table of Contents

Desarrolladora Homex, S.A.B de C.V. and Subsidiaries
Supplemental Condensed Statement of Cash Flows — US GAAP
Statement of Cash Flows for the Year Ended December 31, 2007
(In thousands of Mexican pesos (Ps.))

	Parent company	Wholly-owned guarantor subsidiaries	Eliminations	Parent company and wholly-owned guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Operating activities							
Adjusted consolidated net income	Ps. 2,197,106	Ps. 1,722,005	Ps. (2,528,279)	Ps. 1,390,832	Ps. 236,176	Ps. 168,838	Ps. 1,795,846
Non-cash items:							
Depreciation		139,742		139,742	35,975		175,717
Equity income in subsidiaries	(2,398,610)	621	2,397,989	—			
Deferred income tax and statutory profit-sharing	(6,285)	579,359		573,074	2,922		575,996
Amortization	106,566			106,566			106,566
Exchange (gain) loss	20,000			20,000			20,000
Changes in valuation effects of derivative instruments	(139,749)			(139,749)			(139,749)
Changes in operating assets and liabilities	2,328,180	(4,318,194)	130,290	(1,859,724)	76,157	(168,838)	(1,952,405)
Net cash flows (used in) provided by operating activities	2,107,208	(1,876,467)	—	230,741	351,230	—	581,971
Investing activities:							
Investments in:							
Property and equipment		(600,961)		(600,961)	(79,787)		(680,748)
Restricted cash					(119,855)		(119,855)
Net cash flows used in investing activities		(600,961)		(600,961)	(199,642)		(800,603)
Financing activities:							
Net Proceeds from affiliates	(1,922,084)	2,086,828		164,744	(164,744)		
Proceeds from long-term borrowings	503,911	2,148,761		2,652,672	(5,396)		2,647,276
Repayments of long-term borrowings	(588,066)	(1,820,673)		(2,408,739)			(2,408,739)
Shares repurchased for employee stock option plan	(99,342)			(99,342)			(99,342)
Dividends paid by subsidiary		(9,133)		(9,133)			(9,133)
Net cash flows provided by (used in) financing activities	(2,105,581)	2,405,783		300,202	(170,140)		130,062
Net increase (decrease) in cash and cash equivalents	1,627	(71,645)		(70,018)	(18,552)		(88,570)
Cash and cash equivalents at the beginning of the year	97	2,240,034		2,240,131	55,273		2,295,404
Cash and cash equivalents at the end of the year	**Ps.** 1,724	**Ps.** 2,168,389	**Ps.**	**Ps.** 2,170,113	**Ps.** 36,721		**Ps.** 2,206,834

DOC 2 Header

Exhibit 2(b)(5)

DESARROLLADORA HOMEX, S.A.B. DE C.V.,

The SUBSIDIARY GUARANTORS Party Hereto

AND

THE BANK OF NEW YORK MELLON,

as TRUSTEE

9.500% SENIOR GUARANTEED NOTES DUE 2019

INDENTURE

Dated as of December 11, 2009

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

INDENTURE, dated as of December 11, 2009, between Desarrolladora Homex, S.A.B. de C.V., a limited liability public company with variable capital (*sociedad anónima bursátil de capital variable*) organized and existing under the laws of the United Mexican States (the "Company"), the Subsidiary Guarantors party hereto, and The Bank of New York Mellon (the "Trustee"), as Trustee.

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Company's 9.500% Senior Guaranteed Notes due December 11, 2019 issued hereunder.

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 Definitions.

"Acquired Indebtedness" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"Additional Amounts" has the meaning assigned to it in Section 3.21.

"Additional Note Board Resolutions" means resolutions duly adopted by the Board of Directors of the Company and delivered to the Trustee in an Officers' Certificate providing for the issuance of Additional Notes.

"Additional Note Guarantee" has the meaning assigned to it in Section 10.5.

"Additional Subsidiary Guarantor" has the meaning assigned to it in Section 10.5.

"Additional Note Supplemental Indenture" means a supplement to this Indenture duly executed and delivered by the Company, each Subsidiary Guarantor and the Trustee pursuant to Article IX providing for the issuance of Additional Notes.

"Additional Notes" means the Company's 9.500% Senior Guaranteed Notes due December 11, 2019 originally issued after the Issue Date pursuant to Section 2.13, including any replacement Notes as specified in the relevant Additional Note Board Resolutions or Additional Note Supplemental Indenture issued therefor in accordance with this Indenture.

"Affiliate" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For

purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Agent Members" has the meaning assigned to it in Section 2.6(b).

"Asset Acquisition" means:

(a) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary;

(b) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(c) any Revocation with respect to an Unrestricted Subsidiary.

"Asset Sale" means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including a Sale and Leaseback Transaction (each, a "disposition") by the Company or any Restricted Subsidiary of:

(a) any Capital Stock of any Restricted Subsidiary (but not Capital Stock of the Company); or

(b) any property or assets (other than cash or Cash Equivalents or Capital Stock of the Company) of the Company or any Restricted Subsidiary.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under Section 4.1;

(2) sales of homes and land in the ordinary course of business;

(3) land, infrastructure and other properties donated to communities in connection with construction and development of housing complexes by the Company or its Restricted Subsidiaries in the ordinary course of business consistent with past practice;

(4) sales, leases, conveyances or other dispositions, including, without limitation, exchanges or swaps of real estate, for the development of the Company's or any of its Restricted Subsidiaries' projects in the ordinary course of business;

(5) sales, leases, sale-leasebacks or other dispositions of amenities, model homes and other improvements at the Company's or its Restricted Subsidiaries' projects in the ordinary course of business;

(6) for purposes of Section 3.12 only, the making of a Restricted Payment permitted under Section 3.11 or any Permitted Investment;

(7) a disposition to the Company or a Restricted Subsidiary, including a Person that is or will become a Restricted Subsidiary immediately after the disposition;

(8) any single transaction or series of related transactions that involves assets or Capital Stock of a Restricted Subsidiary having a Fair Market Value of less than US$5 million;

(9) a transfer of assets between or among the Company and any of its Restricted Subsidiaries;

(10) an issuance or sale of Capital Stock by a Restricted Subsidiary of the Company to the Company or any of its Restricted Subsidiaries;

(11) a disposition of accounts receivable in connection with a Receivables Transaction;

(12) any sale or other disposition of damaged, worn-out, obsolete or no longer useful assets or properties in the ordinary course of business;

(13) any sale of assets received by the Company or any of its Restricted Subsidiaries upon the foreclosure on a Lien in the ordinary course of business; and

(14) the good faith surrender or waiver of contract rights, tort claims or statutory rights in connection with a settlement.

"Asset Sale Offer" has the meaning assigned to it in Section 3.12.

"Asset Sale Offer Amount" has the meaning assigned to it in Section 3.12.

"Asset Sale Offer Notice" means notice of an Asset Sale Offer made pursuant to Section 3.12, which shall be mailed first class, postage prepaid, to each record Holder as shown on the Note Register within 20 days following the 365th day after the receipt of Net Cash Proceeds of any Asset Sale, with a copy to the Trustee which notice shall govern the terms of the Asset Sale Offer, and shall state:

(1) the circumstances of the Asset Sale or Sales, the Net Cash Proceeds of which are included in the Asset Sale Offer, that an Asset Sale Offer is being made pursuant to Section 3.12, and that all Notes that are timely tendered will be accepted for payment;

(2) the Asset Sale Offer Amount and the Asset Sale Offer Payment Date;

(3) that any Notes or portions thereof not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Company defaults in the payment of the Asset Sale Offer Amount with respect thereto, all Notes or portions thereof accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest from and after the Asset Sale Offer Payment Date;

(5) that any Holder electing to have any Notes or portions thereof purchased pursuant to the Asset Sale Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Asset Sale Offer Payment Date;

(6) that any Holder shall be entitled to withdraw such election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Asset Sale Offer Payment Date, a facsimile transmission or letter, setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing such Holder's election to have such Notes or portions thereof purchased pursuant to the Asset Sale Offer;

(7) that any Holder electing to have Notes purchased pursuant to the Asset Sale Offer must specify the principal amount that is being tendered for purchase, which principal amount must be US$1,000 or an integral multiple thereof;

(8) that any Holder of Certificated Notes whose Certificated Notes are being purchased only in part will be issued new Certificated Notes equal in principal amount to the unpurchased portion of the Certificated Note or Notes surrendered, which unpurchased portion will be equal in principal amount to US$1,000 or an integral multiple thereof;

(9) that the Trustee will return to the Holder of a Global Note that is being purchased in part, such Global Note with a notation on the schedule of increases or decreases thereof adjusting the principal amount thereof to be equal to the unpurchased portion of such Global Note; and

(10) any other information reasonably necessary to enable any Holder to tender Notes and to have such Notes purchased pursuant to Section 3.12.

"Asset Sale Offer Payment Date" shall be a Business Day no earlier than 30 days nor later than 60 days from the date the Asset Sale Offer Notice is mailed (other than as may be required by law).

"Asset Sale Transaction" means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (2) of that definition.

"Authenticating Agent" has the meaning assigned to it in Section 2.2(d).

"Authorized Agent" has the meaning assigned to it in Section 11.7(c).

"Bankruptcy Law" means Title 11, U.S. Code or any similar Federal, state or non-U.S. law for the relief of debtors, including the Mexican Ley de Concursos Mercantiles.

"Bankruptcy Law Event of Default" means:

(1) the entry by a court of competent jurisdiction of: (i) a decree or order for relief in respect of any Bankruptcy Party in an involuntary case or proceeding under any Bankruptcy Law or (ii) a decree or order (A) adjudging any Bankruptcy Party a bankrupt or insolvent, (B) approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of, or in respect of, any Bankruptcy Party under any Bankruptcy Law, (C) appointing a Custodian of any Bankruptcy Party or of any substantial part of the property of any Bankruptcy Party, or (D) ordering the winding-up or liquidation of the affairs of any Bankruptcy Party, and in each case, the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive calendar days; or

(2) (i) the commencement by any Bankruptcy Party of a voluntary case or proceeding under any Bankruptcy Law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, (ii) the consent by any Bankruptcy Party to the entry of a decree or order for relief in respect of any Bankruptcy Party in an involuntary case or proceeding under any Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against any Bankruptcy Party, (iii) the filing by any Bankruptcy Party of a petition or answer or consent seeking reorganization or relief under any Bankruptcy Law, (iv) the consent by any Bankruptcy Party to the filing of such petition or to the appointment of or taking possession by a Custodian of any Bankruptcy Party or of any substantial part of the Property of any Bankruptcy Party, (v) the making by any Bankruptcy Party of an assignment for the benefit of creditors, (vi) the admission by any Bankruptcy Party in writing of its inability to pay its debts generally as they become due, or (vii) the approval by stockholders of any Bankruptcy Party of any plan or proposal for the liquidation or dissolution of any Bankruptcy Party, or (viii) the taking of corporate action by any Bankruptcy Party in furtherance of any action referred to in clauses (i) — (vii) above.

"Bankruptcy Party" means the Company or any of its Restricted Subsidiaries.

"Board of Directors" means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banking institutions are authorized or required by law to close in New York City or Mexico.

"Capitalized Lease Obligations" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under MFRS. For purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with MFRS.

"Capital Stock" means:

(1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;

(2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and

(3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

"Cash Equivalents" means:

(1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;

(2) *Certificados de la Tesoreria de la Federación* (Cetes) or *Bonos de Desarrollo del Gobierno Federal* (Bondes), in each case, issued by the government of Mexico and maturing not later than one year after the acquisition thereof;

(3) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's or any successor thereto;

(4) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's;

(5) demand deposits, certificates of deposit, time deposits or bankers' acceptances maturing within one year from the date of acquisition thereof issued by (a) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (b) any U.S. branch of a non-U.S. bank having at the date of acquisition thereof combined capital and surplus of not less than US$500 million, or (c) in the case of Mexican peso deposits, any of the five top-rated banks (as evaluated by an internationally recognized rating agency) organized under the laws of Mexico;

(6) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (5) above; and

(7) investments in money market funds which invest substantially all of their assets in securities of the types described in clauses (1) through (6) above.

"Certificated Note" means any Note issued in fully-registered certificated form (other than a Global Note), which shall be substantially in the form of Exhibit A, with appropriate legends as specified in Section 2.7 and Exhibit A.

"Change of Control" means the occurrence of one or more of the following events:

(1) any Person or Group other than the Permitted Holders is or becomes the beneficial owner (as defined below), directly or indirectly, in the aggregate of more than 50% of the total voting power of the Voting Stock of the Company (including a Surviving Entity, if applicable);

(2) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company, together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board of Directors of the Company then in office;

(3) the Company consolidates with, or merges with or into, another Person, or the Company sells, conveys, assigns, transfers, leases or otherwise disposes of all or substantially all of the assets of the Company, determined on a consolidated basis, to any Person, other than a transaction where the Person or Persons that, immediately prior to such transaction "beneficially owned" the outstanding Voting Stock of the Company are, by virtue of such prior ownership, or Permitted Holders are, the "beneficial owners" in the aggregate of a majority of the total voting power of the then outstanding Voting Stock of the surviving or transferee person (or if such surviving or transferee Person is a direct or indirect wholly-owned subsidiary of another Person, such Person who is the ultimate parent entity), in each case whether or not such transaction is otherwise in compliance with this Indenture; or

(4) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company, whether or not otherwise in compliance with the provisions of this Indenture.

For purposes of this definition:

(a) "beneficial owner" shall have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act, except that any Person or Group shall be deemed to have "beneficial ownership" of all securities that such Person or Group has the right to acquire, whether such right is exercisable immediately, only after the passage of time or, except in the case of the Permitted Holders, upon the occurrence of a subsequent condition.

(b) "Person" and "Group" shall have the meanings for "person" and "group" as used in Sections 13(d) and 14 (d) of the Exchange Act; and

(c) the Permitted Holders or any other Person or Group shall be deemed to beneficially own any Voting Stock of a corporation held by any other corporation (the "parent corporation") so long as the Permitted Holders or such other Person or Group, as the case may be, beneficially own, directly or indirectly, in the aggregate at least 50% of the voting power of the Voting Stock of the parent corporation and no other Person or Group beneficially owns an equal or greater amount of the Voting Stock of the parent corporation.

"Change of Control Notice" means notice of a Change of Control Offer made pursuant to Section 3.8, which shall be (i) mailed first-class, postage prepaid, to each record Holder as shown on the Note Register within 30 days following the date upon which a Change of Control occurred, with a copy to the Trustee, and (ii) published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*), which notice shall govern the terms of the Change of Control Offer and shall state:

(1) that a Change of Control has occurred, the circumstances or events causing such Change of Control and that a Change of Control Offer is being made pursuant to Section 3.8 , and that all Notes that are timely tendered will be accepted for payment;

(2) the Change of Control Payment, and the Change of Control Payment Date;

(3) that any Notes or portions thereof not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Company defaults in the payment of the Change of Control Payment with respect thereto, all Notes or portions thereof accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest from and after the Change of Control Payment Date;

(5) that any Holder electing to have any Notes or portions thereof purchased pursuant to a Change of Control Offer will be required to tender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that any Holder shall be entitled to withdraw such election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter, setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing such Holder's election to have such Notes or portions thereof purchased pursuant to the Change of Control Offer;

(7) that any Holder electing to have Notes purchased pursuant to the Change of Control Offer must specify the principal amount that is being tendered for purchase, which principal amount must be US$1,000 or an integral multiple thereof;

(8) that any Holder of Certificated Notes whose Certificated Notes are being purchased only in part will be issued new Certificated Notes equal in principal amount to the unpurchased portion of the Certificated Note or Notes surrendered, which unpurchased portion will be equal in principal amount to US$1,000 or an integral multiple thereof;

(9) that the Trustee will return to the Holder of a Global Note that is being purchased in part, such Global Note with a notation on Schedule A thereof adjusting the principal amount thereof to be equal to the unpurchased portion of such Global Note;

(10) that, in the event that Holders of not less than 95% of the aggregate principal amount of the outstanding Notes accept a Change of Control Offer and the Company or third party purchases all of the Notes held by such Holders, the Company will have the right, upon prior notice, to redeem all of the Notes that remain outstanding in accordance with Section 3.8(e); and

(11) any other information necessary to enable any Holder to tender Notes and to have such Notes purchased pursuant to Section 3.8.

"Change of Control Offer" has the meaning assigned to it in Section 3.8.

"Change of Control Payment" has the meaning assigned to it in Section 3.8.

"Change of Control Payment Date" shall be a Business Day no earlier than 30 days nor later than 60 days subsequent to the date on which the Change of Control Notice is mailed (other than as may be required by law);

"Clearstream Luxembourg" means Clearstream Banking, société anonyme, or the successor to its securities clearance and settlement operations.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commodity Agreement" means any commodity or raw material futures contract, commodity or raw materials option, or any other agreement designed to protect against or manage exposure to fluctuations in commodity or raw materials prices.

"Common Stock" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

"Company" means the party named as such in the introductory paragraph to this Indenture and its successors and assigns, including any Surviving Entity.

"Company Order" has the meaning assigned to it in Section 2.2(c).

"Consolidated EBITDA" means, for any Person for any period, Consolidated Net Income for such Person for such period, plus the following, without duplication, to the extent deducted or added in calculating such Consolidated Net Income:

(1) Consolidated Income Tax Expense for such Person for such period;

(2) Consolidated Interest Expense for such Person for such period;

(3) Consolidated Non-cash Charges for such Person for such period;

(4) net after-tax losses from Asset Sale Transactions or abandonments or reserves relating thereto for such period;

(5) any income or loss from discontinued operations;

less (x) all non-cash credits and gains increasing Consolidated Net Income for such Person for such period, other than any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required under MFRS and (y) all cash payments made by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period relating to non-cash charges that were added back in determining Consolidated EBITDA in any prior period.

Notwithstanding the foregoing, the items specified in clauses (1) and (3) above for any Subsidiary (Restricted Subsidiary in the case of the Company) shall be added to Consolidated Net Income in calculating Consolidated EBITDA for any period:

(a) in proportion to the percentage of the total Capital Stock of such Subsidiary (Restricted Subsidiary in the case of the Company) held directly or indirectly by such Person at the date of determination, and

(b) to the extent that a corresponding amount would be permitted at the date of determination to be distributed to such Person by such Subsidiary (Restricted Subsidiary in the case of the Company) pursuant to its charter and bylaws and each law, regulation, agreement or judgment applicable to such distribution.

"Consolidated Fixed Charge Coverage Ratio" means, for any Person as of any date of determination, the ratio of the aggregate amount of Consolidated EBITDA of such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination (the "Four Quarter Period") to Consolidated Fixed Charges for such Person for such Four Quarter Period. For purposes of this definition, "Consolidated EBITDA" and "Consolidated Fixed Charges" will be calculated after giving effect on a pro forma basis in accordance with Regulation S-X under the Securities Act for the period of such calculation to:

(1) the Incurrence or repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four Quarter Period or at any time subsequent to the last day of such Four Quarter Period and on or prior to such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four Quarter Period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries, in the case of the Company), including any Asset Sale Transaction or Asset Acquisition giving rise to the need to make such determination occurring

during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four Quarter Period.

Furthermore, in calculating "Consolidated Fixed Charges" for purposes of determining the denominator (but not the numerator) of this "Consolidated Fixed Charge Coverage Ratio,"

(a) interest on outstanding Indebtedness determined on a fluctuating basis as of the date of determination and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on such date of determination;

(b) if interest on any Indebtedness actually Incurred on such date of determination may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on such date of determination shall be deemed to have been in effect during the Four Quarter Period;

(c) notwithstanding clause (a) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by Hedging Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements;

(d) interest on a Capital Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capital Lease Obligation in accordance with MFRS; and

(e) for purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

"Consolidated Fixed Charges" means, for any Person for any period, the sum, without duplication, of:

(1) Consolidated Interest Expense for such Person for such period,

plus

(2) the amount of all cash and non-cash dividend payments on any series of Preferred Stock or Disqualified Capital Stock of such Person (other than dividends paid in Qualified Capital Stock) or any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) paid, accrued or scheduled to be paid or accrued during such period, excluding dividend payments on Preferred Stock or Disqualified Capital Stock paid, accrued or scheduled to be paid to such Person or another Subsidiary (Restricted Subsidiary in the case of the Company).

"Consolidated Income Tax Expense" means, with respect to any Person for any period, the provision for U.S. federal, state, local and non-U.S. income taxes payable by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period as determined on a consolidated basis in accordance with MFRS.

"Consolidated Interest Expense" means, for any Person for any period, the sum of, without duplication determined on a consolidated basis in accordance with MFRS:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period determined on a consolidated basis in accordance with MFRS, including, without limitation (whether or not interest expense in accordance with MFRS):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) in the form of additional Indebtedness,

(b) any amortization of deferred financing costs,

(c) the net costs under Hedging Obligations (but excluding amortization of fees),

(d) all capitalized interest,

(e) the interest portion of any deferred payment obligation,

(f) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances, and

(g) any interest expense paid in respect of Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company) or secured by a Lien on the assets of such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company); and

(2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with MFRS; *provided*, that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary gains or losses;

(3) the net income (but not loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiary in the case of the Company); except that, solely for purposes of calculating Consolidated Net Income pursuant to Section 3.11(a)(3) only, Consolidated Net Income of the Company will include the Company's proportionate share of the net income of:

(a) any Person acquired in a "pooling of interests" transaction accrued prior to the date it becomes a Restricted Subsidiary or is merged or consolidated with the Company or any Restricted Subsidiary; or

(b) a Surviving Entity prior to assuming the Company's obligations under this Indenture and the Notes pursuant to Section 4.1;

(4) the net income (but not loss) of any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) to the extent that (and only so long as) a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary (Restricted Subsidiary in the case of the Company) or any law, regulation, agreement or judgment applicable to any such distribution;

(5) any increase (but not decrease) in net income attributable to minority interests in any Subsidiary (Restricted Subsidiary in the case of the Company);

(6) any gain (or loss) from foreign exchange translation or change in net monetary position;

(7) any gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of Indebtedness and Hedging Obligations; and

(8) the cumulative effect of changes in accounting principles.

"Consolidated Net Worth" means, for any Person at any time, the consolidated stockholders' equity of such Person at such time, determined on a consolidated basis in accordance with MFRS, less (without duplication) amounts attributable to Disqualified Capital Stock of such Person.

"Consolidated Non-cash Charges" means, for any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period, determined on a consolidated basis in accordance with MFRS (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

"Consolidated Tangible Assets" means, for any Person at any time, the total consolidated assets of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) as set forth on the balance sheet as of the most recent fiscal quarter of such Person, prepared in accordance with MFRS, less (i) Intangible Assets and (ii) any assets securing Non-Recourse Indebtedness.

"Consolidated Tangible Net Worth" means, for any Person at any time, the Consolidated Net Worth of such Person at such time, less the amount of Intangible Assets reflected on the consolidated balance sheet of such Person at such time.

"Corporate Trust Office" means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the date hereof is located at 101 Barclay Street, 4 East, New York, NY 10286, Fax (212) 815-5802, Attention: Global Finance Americas, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Company).

"Covenant Defeasance" has the meaning assigned to it in Section 8.1(c).

"Credit Facilities" means one or more debt facilities, commercial paper facilities or Debt Issuances, in each case with banks, investment banks, insurance companies, mutual funds and/or other institutional lenders or institutional investors providing for revolving credit loans, term loans, letters of credit or Debt Issuances, in each case, as amended, extended, renewed, restated, Refinanced (including, Refinancing with Debt Issuances), supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

"Currency Agreement" means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

"Custodian" means any receiver, trustee, assignee, liquidator, *conciliador*, *síndico*, sequestrator or similar official under any Bankruptcy Law.

"Debt Issuances" means, with respect to the Company or any Restricted Subsidiary, one or more issuances after the Issue Date of Indebtedness evidenced by notes, debentures, bonds or other similar securities or instruments.

"Default" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Defaulted Interest" has the meaning assigned to it in paragraph 1 of the Form of Reverse Side of Note contained in Exhibit A.

"Designation" and "Designation Amount" have the meanings set forth in Section 3.13.

"Disqualified Capital Stock" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the final maturity date of the Notes; *provided*, *however*, that any variable portion of the Company's Capital Stock shall not

constitute Disqualified Stock and any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the final maturity of the Notes shall not constitute Disqualified Stock if:

(1) the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the terms applicable to the Notes and described under Section 3.8 and Section 3.12; and

(2) any such requirement only becomes operative after compliance with such terms applicable to the Notes, including the purchase of any Notes tendered pursuant thereto.

The amount of any Disqualified Capital Stock shall be equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined hereunder; *provided*, *however*, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price shall be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

"Distribution Compliance Period" means, in respect of any Regulation S Global Note, the 40 consecutive days beginning on and including the later of (a) the day on which any Notes represented thereby are offered to persons other than distributors (as defined in Regulation S under the Securities Act) pursuant to Regulation S and (b) the issue date for such Notes.

"DTC" means The Depository Trust Company, its nominees and their respective successors and assigns, or such other depositary institution hereinafter appointed by the Company that is a clearing agency registered under the Exchange Act.

"Equity Offering" has the meaning set forth under Section 5 of Exhibit A.

"Euroclear" means Euroclear S.A./N.V., as operator of the Euroclear System, or its successor in such capacity.

"Event of Default" has the meaning assigned to it in Section 6.1.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"Fair Market Value" means, with respect to any asset, the price (after deducting any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided*, that the Fair Market Value of any

such asset or assets will be determined conclusively by the Board of Directors of the Company acting in good faith, and will be evidenced by a Board Resolution.

"Four Quarter Period" has the meaning set forth in the definition of Consolidated Fixed Charge Coverage Ratio above.

"Global Note" means any Note issued in fully-registered certificated form to DTC (or its nominee), as depositary for the beneficial owners thereof, which shall be substantially in the form of Exhibit A, with appropriate legends as specified in Section 2.7 and Exhibit A.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part,

provided, that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"Holder" means the Person in whose name a Note is registered in the Note Register.

"Incur" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and "Incurrence," "Incurred" and "Incurring" will have meanings correlative to the preceding).

"Indebtedness" means with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 180 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);

(5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;

(6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;

(8) all obligations under Hedging Obligations of such Person;

(9) to the extent not otherwise included in this definition, the Receivables Transaction Amount outstanding relating to any Receivables Transaction; and

(10) all Disqualified Capital Stock issued by such Person.

For the avoidance of doubt, the recognition and acknowledgement by the Company or any Restricted Subsidiary of its obligation to make payment of a trade payable arising in the ordinary course of business to a bank following the sale and assignment thereof pursuant to the terms of Supplier Factoring Facilities shall not be Indebtedness.

"Indenture" means this Indenture as amended or supplemented from time to time, including the Exhibits hereto.

"Independent Financial Advisor" means an accounting firm, appraisal firm, investment banking firm or consultant of internationally recognized standing that is, in the judgment of the Company's Board of Directors, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

"Intangible Assets" means with respect to any Person all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights and all other items which would be treated as intangibles on the consolidated balance sheet of such Person prepared in accordance with MFRS.

"Interest Payment Date" means the stated due date of an installment of interest on the Notes as specified in the Form of Face of Note contained in Exhibit A.

"Interest Rate Agreement" of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative

instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

"Investment" means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person,

(2) capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) any other Person, or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"Investment" will exclude accounts receivable or deposits arising in the ordinary course of business. "Invest," "Investing" and "Invested" will have corresponding meanings.

For purposes of Section 3.11, the Company shall be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which shall be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

"Investment Grade Rating" means a rating equal to or higher than (i) Baa3 (or the equivalent) by Moody's or (ii) BBB- (or the equivalent) by S&P, or, if either such entity ceases to rate the Notes for reasons outside of the control of the Issuer, the equivalent investment grade credit rating from any other Rating Agency.

"Investment Return" means, in respect of any Investment (other than a Permitted Investment) made after the Issue Date by the Company or any Restricted Subsidiary:

(1) the proceeds in cash and the Fair Market Value of property other than cash received by the Company or any Restricted Subsidiary upon the sale, liquidation or repayment of such Investment or, in the case of a Guarantee, the amount of the Guarantee upon the unconditional release of the Company and its Restricted Subsidiaries in full, less any payments previously made by the Company or any Restricted Subsidiary in respect of such Guarantee;

(2) in the case of the Revocation of the Designation of an Unrestricted Subsidiary, an amount equal to the lesser of:

(a) the Company's Investment in such Unrestricted Subsidiary at the time of such Revocation;

(b) that portion of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time of Revocation that is proportionate to the Company's equity interest in such Unrestricted Subsidiary at the time of Revocation; and

(c) the Designation Amount with respect to such Unrestricted Subsidiary upon its Designation which was treated as a Restricted Payment; and

(3) in the event the Company or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, the Fair Market Value of the Investment of the Company and its Restricted Subsidiaries in such Person,

in the case of each of (1), (2) and (3), up to the amount of such Investment that was treated as a Restricted Payment under Section 3.11 less the amount of any previous Investment Return in respect of such Investment.

"Issue Date" means December 11, 2019.

"Issue Date Notes" means the US$250,000,000 aggregate principal amount of Notes originally issued on the Issue Date, and any replacement Notes issued therefor in accordance with this Indenture.

"Legal Defeasance" has the meaning assigned to it in Section 8.1(b).

"Legal Holiday" has the meaning assigned to it in Section 11.6.

"Lien" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder.

"Luxembourg" means the Grand Duchy of Luxembourg.

"Luxembourg Paying Agent" means The Bank of New York Mellon (Luxembourg) S.A. until such party resigns or is removed by the Company from such role, *provided that*, if such party is replaced by a successor in accordance with the terms of this Indenture, "Luxembourg Paying Agent" shall thereafter mean such successor.

"MFRS" means Mexican Financial Reporting Standards that are in effect as of the Issue Date.

"Maturity Date" means December 11, 2019.

"Moody's" means Moody's Investors Service, Inc. and its successors and assigns.

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

(1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);

(2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

(3) repayment of Indebtedness secured by a Lien permitted under this Indenture that is required to be repaid in connection with such Asset Sale; and

(4) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with MFRS, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

"Non-Recourse Indebtedness" with respect to any Person means Indebtedness of such Person for which (1) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred within 365 days after the acquisition or construction of such property and (2) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness.

"Non-U.S. Person" means a person who is not a U.S. person, as defined in Regulation S.

"Note Custodian" means the custodian with respect to any Global Note appointed by DTC, or any successor Person thereto, and shall initially be the Trustee.

"Note Guarantee" means the guarantee of the Company's Obligations under this Indenture and the Notes by a Restricted Subsidiary pursuant to Article X.

"Note Register" has the meaning assigned to it in Section 2.3(a).

"Notes" means any of the Company's 9.500% Senior Guaranteed Notes due December 11, 2019 issued and authenticated pursuant to this Indenture.

"Obligations" means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the Notes and the Note Guarantees, this Indenture.

"Officer" means, when used in connection with any action to be taken by the Company or a Subsidiary Guarantor, as the case may be, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, the Controller, the Secretary of the Company or such Subsidiary Guarantor, as the case may be, or any other representative with full power and authority to represent and act on behalf of the Company or such Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means, when used in connection with any action to be taken by the Company or a Subsidiary Guarantor, as the case may be, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company or such Subsidiary Guarantor, as the case may be and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in this Indenture) and which opinion shall be reasonably acceptable to the Trustee.

"Outstanding" means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, *except*:

(i) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Notes, or portions thereof, for the payment, redemption or, in the case of an Asset Sale Offer or Change of Control Offer, purchase of which money in the necessary amount has been theretofor deposited with the Trustee or any Paying Agent (other than the Company, a Subsidiary Guarantor or an Affiliate of the Company) in trust or set aside and segregated in trust by the Company, a Subsidiary Guarantor or an Affiliate of the Company (if the Company, a Subsidiary Guarantor or such Affiliate of the Company is acting as Paying Agent) for the Holders of such Notes; *provided* that, if Notes (or portions thereof) are to be redeemed or purchased, notice of such redemption or purchase has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Notes which have been surrendered pursuant to Section 2.9 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Company; and

(iv) solely to the extent provided in Article VIII, Notes which are subject to Legal Defeasance or Covenant Defeasance as provided in Article VIII;

provided, however, that in determining whether the Holders of the requisite aggregate principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Trust Officer of the Trustee actually knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor.

"Paying Agent" has the meaning assigned to it in Section 2.3(a).

"Permitted Acquisition Indebtedness" means Indebtedness of the Company or any of its Restricted Subsidiaries to the extent such Indebtedness was Indebtedness of (i) a Subsidiary prior to the date on which such Subsidiary became a Restricted Subsidiary or (ii) a Person that was merged or amalgamated into the Company or a Restricted Subsidiary, *provided* that on the date such Subsidiary became a Restricted Subsidiary or the date such Person was merged and amalgamated into the Company or a Restricted Subsidiary, as applicable, after giving pro forma effect thereto, (a) the Company, would be permitted to incur at least US$1.00 of additional Indebtedness pursuant to Section 3.9(a), or (b) the Consolidated Fixed Charge Coverage Ratio of the Company and the Restricted Subsidiaries would be greater than the Consolidated Fixed Charge Coverage Ratio immediately prior to such transaction.

"Permitted Business" means the business or businesses conducted by the Company and its Restricted Subsidiaries as of the Issue Date and any business ancillary or complementary thereto.

"Permitted Holders" means (i) any member of the Board of Directors of the Company on the Issue Date, (ii) a parent, brother or sister of any of the individuals named in clause (i), (iii) the spouse or a former spouse of any individual named in clause (i) or (ii), (iv) the lineal descendants of any person named in clauses (i) through (iii) and the spouse or a former spouse of any such lineal descendant, (v) the estate or any guardian, custodian or other legal representative of any individual named in clauses (i) through (iv), (vi) any trust established principally for the benefit of any one or more of the individuals named in clauses (i) through (v), and (vii) any Person in a majority of the equity interests are owned, directly or indirectly, by any one or more of the Persons named in clauses (i) through (vi).

"Permitted Indebtedness" has the meaning set forth in Section 3.9.

"Permitted Investments" means:

(1) Investments by the Company or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary or constituting a merger or consolidation of such Person into the Company or with or into a

Restricted Subsidiary, except for a Guarantee of Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor;

(2) Investments by any Restricted Subsidiary in the Company;

(3) Investments in cash and Cash Equivalents;

(4) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);

(5) Investments permitted pursuant to Section 3.17(b)(2) and Section 3.17(b)(5);

(6) Investments received as a result of the bankruptcy or reorganization of any Person or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;

(7) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale under Section 3.12.

(8) Investments in the form of Hedging Obligations permitted under Section 3.9(b)(5);

(9) Investments in a Person engaged in a Permitted Business not to exceed 10% of Consolidated Tangible Assets of the Company and its Restricted Subsidiaries at any one time outstanding;

(10) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(11) payroll, travel, entertainment, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(12) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary;

(13) cash deposits with banks made in the ordinary course of business of the Company and its Restricted Subsidiaries, consistent with past practice, to secure payment of trade payables under Supplier Factoring Facilities;

(14) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers'

compensation, performance and other similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;

(15) Investments in a Receivables Entity in connection with a Receivables Transaction; *provided* that such Investment in any such Person is in the form of any equity interest or interests in receivables and related assets generated by the Company or any Restricted Subsidiary and transferred to such Person in connection with a Receivables Transaction; and

(16) any receivables or loans taken by the Company or its Restricted Subsidiaries in connection with the sale of homes, land, amenities and other improvements in the ordinary course of business consistent with past practice.

provided, however, that with respect to any Investment, the Company may, in its sole discretion, allocate all or any portion of any Investment and later re-allocate all or any portion of any Investment to, one or more of the above clauses (1) through (16) so that the entire Investment would be Permitted Investment.

"Permitted Liens" means any of the following:

(1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith;

(2) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(3) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(4) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(5) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;

(6) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with Section 3.9 and that are secured by the same assets as secure such Hedging Obligations;

(7) Liens existing on the Issue Date and Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness below which has been secured by a Lien permitted under Section 3.16 (other than pursuant to clauses (9) or (10) below) and which Indebtedness has been Incurred in accordance with Section 3.9; *provided*, that such new Liens:

(a) are no less favorable to the Holders of Notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced and

(b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;

(8) Liens securing Acquired Indebtedness Incurred in accordance with Section 3.9 not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided*, that

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and

(b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;

(9) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Company or a Restricted Subsidiary used in a Permitted Business; *provided*, that:

(a) the related Purchase Money Indebtedness does not exceed the cost of such property and shall not be secured by any property of the Company or any Restricted Subsidiary other than the property so acquired, and

(b) the Lien securing such Indebtedness will be created within 365 days of such acquisition;

(10) Liens securing an amount of Indebtedness under Credit Facilities outstanding at any one time not to exceed the greater of (x) US$100 million and (y) 10% of the Consolidated Tangible Assets of the Company at such time;

(11) any pledge or deposit of cash or property in conjunction with obtaining surety and performance bonds and letters of credit required to engage in constructing on-site and off-site improvements required by municipalities or other governmental authorities in the ordinary course of business;

(12) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(13) Liens encumbering customary initial deposits and margin deposits, and other Liens that are customary in the industry and incurred in the ordinary course of business securing Indebtedness under Hedging Obligation and forward contracts, options, futures contracts, futures options or similar agreements or arrangement designed to protect the Company and its Restricted Subsidiaries from fluctuations in the price of commodities;

(14) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with MFRS has been made therefor;

(15) licenses of intellectual property in the ordinary course of business;

(16) Liens to secure a defeasance trust;

(17) easements, rights of way, zoning and similar restrictions, reservations, restrictions or encumbrances in respect of real property or title defects that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties (as such properties are used by the Company or its Restricted Subsidiaries) or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(18) Liens arising from precautionary Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(19) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings that may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such legal proceedings may be initiated shall not have expired;

(20) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary; or

(21) Liens on accounts receivable or related assets incurred in connection with a Receivables Transaction.

"Person" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Post-Petition Interest" means all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the

agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

"Preferred Stock" of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"Private Placement Legend" has the meaning assigned to it in Section 2.7(c).

"Purchase Money Indebtedness" means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided*, that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of Refinancing.

"QIB" means any "qualified institutional buyer" (as defined in Rule 144A).

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

"Rating Agencies" means S&P and Moody's.

"Record Date" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Receivables Entity" means a Person in which the Company or any Restricted Subsidiary makes an Investment and:

(1) to which the Company or any Restricted Subsidiary transfers receivables and related assets in connection with a Receivables Transaction;

(2) which engages in no activities other than in connection with the Receivables Transaction;

(3) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(a) is guaranteed by the Company or any Restricted Subsidiary (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

(b) is recourse to or obligates the Company or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of the Company or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(4) with which neither the Company nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Receivables Transaction) other than on terms no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing receivables; and

(5) to which neither the Company nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"Receivables Transaction" means any securitization, factoring, discounting or similar financing transaction or series of transactions that may be entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business pursuant to which the Company or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any Person (including a Receivables Entity), or may grant a security interest in, any receivables (whether now existing or arising in the future) of the Company or any of its Restricted Subsidiaries, and any assets related thereto, including all collateral securing such receivables, all contracts and all guarantees or other obligations in respect of such receivables, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with securitization, factoring or discounting involving receivables.

"Receivables Transaction Amount" means the amount of obligations outstanding under the legal documents entered into as part of a Receivables Transaction on any date of determination that would be characterized as principal if such Receivables Transaction were structured as a secured lending transaction rather than a purchase.

"Redemption Date" means, with respect to any redemption of Notes, the date fixed for such redemption pursuant to this Indenture and the Notes.

"Refinance" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. "Refinanced" and "Refinancing" will have correlative meanings.

"Refinancing Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing

such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and

(3) if the Indebtedness being Refinanced is:

(a) Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company and/or a Subsidiary Guarantor,

(b) Indebtedness of a Subsidiary Guarantor, then such Refinancing Indebtedness will be Indebtedness of the Company and/or such Subsidiary Guarantor, and

(c) Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the Notes or the relevant Note Guarantee, if applicable, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"Registrar" has the meaning assigned to it in Section 2.3(a).

"Regulation S" means Regulation S under the Securities Act or any successor regulation.

"Regulation S Global Note" has the meaning assigned to it in Section 2.1(e).

"Resale Restriction Termination Date" means, for any Restricted Note (or beneficial interest therein), one year (or such other period specified in Rule 144(d)) from the Issue Date or, if any Additional Notes that are Restricted Notes have been issued before the Resale Registration Termination Date for any Restricted Notes, from the latest such original issue date of such Additional Notes.

"Restricted Note" means any Issue Date Note (or beneficial interest therein) or any Additional Note (or beneficial interest therein) not originally issued and sold pursuant to an effective registration statement under the Securities Act, until such time as:

(i) the Resale Restriction Termination Date therefor has passed;

(ii) such Note is a Regulation S Global Note and the Distribution Compliance Period therefor has terminated; or

(iii) the Private Placement Legend therefor has otherwise been removed pursuant to Section 2.8(d) or, in the case of a beneficial interest in a Global Note, such

beneficial interest has been exchanged for an interest in a Global Note not bearing a Private Placement Legend.

"Restricted Payment" has the meaning set forth in Section 3.11(a).

"Restricted Subsidiary" means any Subsidiary of the Company, which, at the time of determination, is not an Unrestricted Subsidiary.

"Reversion Date" has the meaning set forth under Section 3.22(b).

"Revocation" has the meaning set forth under Section 3.13(b).

"Rule 144" means Rule 144 under the Securities Act (or any successor rule).

"Rule 144A" means Rule 144A under the Securities Act (or any successor rule).

"Rule 144A Global Note" has the meaning assigned to it in Section 2.1(d).

"S&P" means Standard & Poor's Ratings Services and its successors and assigns.

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Indebtedness" means the Notes and the Note Guarantees and any other Indebtedness of the Company or any Subsidiary Guarantor that ranks equal in right of payment with the Notes or the relevant Note Guarantee, as the case may be.

"Significant Subsidiary" means a Subsidiary of the Company constituting a "Significant Subsidiary" of the Company in accordance with Rule 1-02(w) of Regulation S-X under the Securities Act in effect on the date hereof.

"Special Record Date" has the meaning assigned to it in Section 2.12(a).

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Company or any Restricted Subsidiary, which are reasonably customary in securitization of receivables transactions.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision

providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subordinated Indebtedness" means, with respect to the Company or any Subsidiary Guarantor, any Indebtedness of the Company or such Subsidiary Guarantor, as the case may be which is expressly subordinated in right of payment to the Notes or the relevant Note Guarantee, as the case may be.

"Subsidiary" means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person's outstanding Voting Stock.

"Subsidiary Guarantor" means any Restricted Subsidiary which provides a Note Guarantee pursuant to this Indenture until such time as its Note Guarantee is released in accordance with this Indenture.

"Supplier Factoring Facilities" means supplier factoring facilities established by Mexican banks pursuant to (i) the Convenio Denominado Cadenas Productivas Para el Desarollo de Proveedores Por Medios Electrónicos or (ii) the AAA Homex Trust, Nacional Financiera, S.N.C., as trustee, established on May 12, 2003, in each case as in effect on the Issue Date and as amended from time to time on terms similar to those in effect on the Issue Date, which provide for the sale and assignment from time to time by suppliers on a discounted basis of then existing trade payables of the Company and its Restricted Subsidiaries, and any similar supplier factoring facilities supplementing or replacing such existing facilities; *provided* that any funds disbursed under such facilities shall be solely in consideration for the sale and assignment of then existing trade payables of the Company and its Restricted Subsidiaries generated in the ordinary course of business.

"Surviving Entity" has the meaning assigned to it in Section 4.1(a).

"Taxes" has the meaning assigned to it in Section 3.21.

"Taxing Authority" has the meaning assigned to it in Section 3.21.

"TIA" or "Trust Indenture Act" means the U.S. Trust Indenture Act of 1939, as amended, as in effect on the date of this Indenture (except as otherwise provided in this Indenture).

"Trustee" means the party named as such in the introductory paragraph of this Indenture until a successor replaces it in accordance with the terms of this Indenture and, thereafter, means the successor.

"Trust Officer" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of

such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Unrestricted Subsidiary" means any Subsidiary of the Company Designated as such pursuant to Section 3.13. Any such Designation may be revoked by a Board Resolution of the Company, subject to the provisions of Section 3.13.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"U.S. Legal Tender" means such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

"Voting Stock" with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"Wholly-Owned Subsidiary" means, for any Person, any Subsidiary (Restricted Subsidiary in the case of the Company) of which all the outstanding Capital Stock (other than, in the case of a Subsidiary not organized in the United States, directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) is owned by such Person or any other Person that satisfies this definition in respect of such Person.

Section 1.2 Incorporation by Reference of Trust Indenture Act. If any provision of this Indenture limits, qualifies or conflicts with the duties that would be imposed by any of Sections 310 to 317 of the TIA through operation of Section 318(c) thereof on any person if this Indenture were qualified under the TIA, such imposed duties shall control.

"obligor" on the indenture securities means the Company and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined in the TIA by reference to another statute or defined by Rules or Regulations of the SEC have the meanings assigned to them by such definitions.

Section 1.3 Rules of Construction. Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with MFRS;

(3) "or" is not exclusive;

(4) "including" means including without limitation;

(5) words in the singular include the plural and words in the plural include the singular;

(6) references to the payment of principal of the Notes shall include applicable premium, if any.

(7) references to payments on the Notes shall include Additional Amounts.

ARTICLE II

THE NOTES

Section 2.1 Form and Dating.

(a) The Issue Date Notes are being originally offered and sold by the Company pursuant to a Purchase Agreement, dated as of December 8, 2009, between the Company, the Subsidiary Guarantors party hereto, Credit Suisse Securities (USA) LLC and HSBC Securities (USA) Inc. The Notes will be issued in fully-registered certificated form without coupon, and only in denominations of US$2,000 and integral multiples of US$1,000 in excess thereof. The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A.

(b) The terms and provisions of the Notes, the form of which is in Exhibit A, shall constitute, and are hereby expressly made, a part of this Indenture, and, to the extent applicable, the Company, the Subsidiary Guarantors and the Trustee, by their execution and delivery of this Indenture expressly agree to such terms and provisions and to be bound thereby. Except as otherwise expressly permitted in this Indenture, all Notes shall be identical in all respects. Notwithstanding any differences among them, all Notes issued under this Indenture shall vote and consent together on all matters as one class.

(c) The Notes may have notations, legends or endorsements as specified in Section 2.7 or as otherwise required by law, stock exchange rule or DTC rule or usage. The Company and the Trustee shall approve the form of the Notes and any notation, legend or endorsement on them. Each Note shall be dated the date of its authentication.

(d) Notes originally offered and sold to QIBs in reliance on Rule 144A will be issued in the form of one or more permanent Global Notes (each, a "Rule 144A Global Note").

(e) Notes originally offered and sold outside the United States of America will be issued in the form of one or more permanent Global Notes (each, a "Regulation S Global Note").

Section 2.2 Execution and Authentication.

(a) Two Officers, one of whom shall be the Chairman of the Board, the President, the Chief Executive Officer or the Chief Financial Officer of the Company, shall sign the Notes for the Company by manual or facsimile signature. If an Officer whose signature is on a Note no longer holds that office or is no longer a representative with full power and authority to represent and act on behalf of the Company or a Subsidiary Guarantor, as the case may be, at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

(b) A Note shall not be valid until an authorized signatory of the Trustee manually authenticates the Note. The signature of the Trustee on a Note shall be conclusive evidence that such Note has been duly and validly authenticated and issued under this Indenture.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Trustee shall authenticate and make available for delivery Notes upon a written order of the Company signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company (the "Company Order"). A Company Order shall specify the amount of the Notes to be authenticated and the date on which the original issue of Notes is to be authenticated.

(d) The Trustee may appoint an agent (the "Authenticating Agent") reasonably acceptable to the Company to authenticate the Notes. Unless limited by the terms of such appointment, any such Authenticating Agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by the Authenticating Agent.

(e) In case a Surviving Entity has executed an indenture supplemental hereto with the Trustee pursuant to Article IV, any of the Notes authenticated or delivered prior to such transaction may, from time to time, at the request of the Surviving Entity, be exchanged for other Notes executed in the name of the Surviving Entity with such changes in phraseology and form as may be appropriate, but otherwise identical to the Notes surrendered for such exchange and of like principal amount; and the Trustee, upon Company Order of the Surviving Entity, shall authenticate and deliver Notes as specified in such order for the purpose of such exchange. If Notes shall at any time be authenticated and delivered in any new name of a Surviving Entity pursuant to this Section 2.2 in exchange or substitution for or upon registration of transfer of any Notes, such Surviving Entity, at the option of the Holders but without expense to them, shall

provide for the exchange of all Notes at the time Outstanding for Notes authenticated and delivered in such new name.

Section 2.3 Registrar and Paying Agent.

(a) The Company shall maintain an office or agency in the Borough of Manhattan, City of New York, and, so long as the Notes are listed on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, in Luxembourg, where Notes may be presented or surrendered for registration of transfer or for exchange (the "Registrar"), where Notes may be presented for payment (the "Paying Agent") and for the service of notices and demands to or upon the Company in respect of the Notes and this Indenture. The Registrar shall keep a register of the Notes and of their transfer and exchange (the "Note Register"). The Company may have one or more co-Registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent.

(b) The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent or co-Registrar not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of each such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.7. The Company or any Subsidiary Guarantor may act as Paying Agent, Registrar, co-Registrar or transfer agent.

(c) The Company initially appoints the Corporate Trust Office, as Registrar, Paying Agent and agent for service of demands and notices in connection with the Notes and this Indenture, until such time as another Person is appointed as such.

(d) The Company may change the Paying Agent and the Registrar without notice to Holders.

Section 2.4 Paying Agent to Hold Money in Trust. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that such Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by such Paying Agent for the payment of principal of or interest on the Notes and shall notify the Trustee in writing of any Default by the Company or any Subsidiary Guarantor in making any such payment. If the Company or any Subsidiary Guarantor or an Affiliate of the Company or any Subsidiary Guarantor acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent (other than the Trustee) to pay all money held by it to the Trustee, and to account for any funds disbursed by such Paying Agent. Upon complying with this Section 2.4, the Paying Agent (if other than the Company or a Subsidiary Guarantor) shall have no further liability for the money delivered to the Trustee. Upon any proceeding under any Bankruptcy Law with respect to the Company or any Subsidiary Guarantor or any Affiliate of the Company or any Subsidiary Guarantor, if the Company, a Subsidiary Guarantor or such Affiliate is then acting as Paying Agent, the Trustee shall replace the Company, such Subsidiary Guarantor or such Affiliate as Paying Agent.

Section 2.5 Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, or to the extent otherwise required under the TIA, the Company shall furnish to the Trustee, in writing at least seven Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

Section 2.6 Global Note Provisions.

(a) Each Global Note initially shall: (i) be registered in the name of DTC or the nominee of DTC, (ii) be delivered to the Note Custodian, and (iii) bear the appropriate legend, as set forth in Section 2.7 and Exhibit A. Any Global Note may be represented by more than one certificate. The aggregate principal amount of each Global Note may from time to time be increased or decreased by adjustments made on the records of the Note Custodian, as provided in this Indenture.

(b) Members of, or participants in, DTC ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by DTC or by the Note Custodian under such Global Note, and DTC may be treated by the Company, the Trustee, the Paying Agent and the Registrar and any of their agents as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee, the Paying Agent or the Registrar or any of their agents from giving effect to any written certification, proxy or other authorization furnished by DTC or impair, as between DTC and its Agent Members, the operation of customary practices of DTC governing the exercise of the rights of an owner of a beneficial interest in any Global Note. The registered Holder of a Global Note may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action that a Holder is entitled to take under this Indenture or the Notes.

(c) Except as provided below, owners of beneficial interests in Global Notes will not be entitled to receive Certificated Notes. Certificated Notes shall be issued to all owners of beneficial interests in a Global Note in exchange for such interests if:

(i) DTC notifies the Company that it is unwilling or unable to continue as depositary for such Global Note or DTC ceases to be a clearing agency registered under the Exchange Act, at a time when DTC is required to be so registered in order to act as depositary, and in each case a successor depositary is not appointed by the Company within 90 days of such notice,

(ii) the Company executes and delivers to the Trustee and Registrar an Officers' Certificate stating that such Global Note shall be so exchangeable, or

(iii) an Event of Default has occurred and is continuing and the Registrar has received a request from DTC.

In connection with the exchange of an entire Global Note for Certificated Notes pursuant to this paragraph (c), such Global Note shall be deemed to be surrendered to the Trustee for

cancellation, and the Company shall execute, and upon Company Order the Trustee shall authenticate and deliver, to each beneficial owner identified by DTC in exchange for its beneficial interest in such Global Note, an equal aggregate principal amount of Certificated Notes of authorized denominations.

Section 2.7 Legends.

(a) Each Global Note shall bear the legend specified therefor in Exhibit A on the face thereof.

(b) Upon receipt of the Company's instruction substantially in the form of Exhibit F hereto and signed by an Officer of the Company, the Trustee shall confirm (i) that the legend referenced in clause (a) of this Section 2.7 (other than the first three paragraphs thereof) shall be deemed removed, as specified in Exhibit A hereto and (ii) the CUSIP number for the Global Notes shall be deemed to be replaced with an unrestricted CUSIP number as specified in Exhibit A hereto.

(c) Each Restricted Note shall bear the private placement legend specified therefor in Exhibit A on the face thereof (the "Private Placement Legend").

Section 2.8 Transfer and Exchange.

(a) The following provisions shall apply with respect to any proposed transfer of an interest in a Rule 144A Global Note that is a Restricted Note: If (1) the owner of a beneficial interest in a Rule 144A Global Note wishes to transfer such interest (or portion thereof) to a Non-U.S. Person pursuant to Regulation S and (2) such Non-U.S. Person wishes to hold its interest in the Notes through a beneficial interest in the Regulation S Global Note, (x) upon receipt by the Note Custodian and Registrar of:

(A) instructions from the Holder of the Rule 144A Global Note directing the Note Custodian and Registrar to credit or cause to be credited a beneficial interest in the Regulation S Global Note equal to the principal amount of the beneficial interest in the Rule 144A Global Note to be transferred, and

(B) a certificate in the form of Exhibit C from the transferor,

and (y) subject to the rules and procedures of DTC, the Note Custodian and Registrar shall increase the Regulation S Global Note and decrease the Rule 144A Global Note by such amount in accordance with the foregoing.

(b) If the owner of an interest in a Regulation S Global Note wishes to transfer such interest (or any portion thereof) to a QIB pursuant to Rule 144A prior to the expiration of the Distribution Compliance Period therefor, (x) upon receipt by the Note Custodian and Registrar of:

(A) instructions from the Holder of the Regulation S Global Note directing the Note Custodian and Registrar to credit or cause to be credited a

beneficial interest in the Rule 144A Global Note equal to the principal amount of the beneficial interest in the Regulation S Global Note to be transferred, and

(B) a certificate in the form of Exhibit B duly executed by the transferor,

and (y) in accordance with the rules and procedures of DTC, the Note Custodian and Registrar shall increase the Rule 144A Global Note and decrease the Regulation S Global Note by such amount in accordance with the foregoing.

(c) Other Transfers. Any transfer of Restricted Notes not described above (other than a transfer of a beneficial interest in a Global Note that does not involve an exchange of such interest for a Certificated Note or a beneficial interest in another Global Note, which must be effected in accordance with applicable law and the rules and procedures of DTC, but is not subject to any procedure required by this Indenture) shall be made only upon receipt by the Registrar of such opinions of counsel, certificates and/or other information reasonably required by and satisfactory to it in order to ensure compliance with the Securities Act or in accordance with paragraph (d) of this Section 2.8.

(d) Use and Removal of Private Placement Legends. Upon the transfer, exchange or replacement of Notes (or beneficial interests in a Global Note) not bearing (or not required to bear upon such transfer, exchange or replacement) a Private Placement Legend, the Note Custodian and Registrar shall exchange such Notes (or beneficial interests) for beneficial interests in a Global Note (or Certificated Notes if they have been issued pursuant to Section 2.6(c)) that does not bear a Private Placement Legend. Upon the transfer, exchange or replacement of Notes (or beneficial interests in a Global Note) bearing a Private Placement Legend, the Note Custodian and Registrar shall deliver only Notes (or beneficial interests in a Global Note) that bear a Private Placement Legend unless:

(i) such Notes (or beneficial interests) are transferred pursuant to Rule 144 upon delivery to the Registrar of a certificate of the transferor in the form of Exhibit D and an Opinion of Counsel reasonably satisfactory to the Registrar;

(ii) such Notes (or beneficial interests) are transferred, replaced or exchanged after the Resale Restriction Termination Date therefor; or

(iii) in connection with such transfer, exchange or replacement the Registrar shall have received an Opinion of Counsel and other evidence reasonably satisfactory to it to the effect that neither such Private Placement Legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

The Private Placement Legend on any Note shall be removed at the request of the Holder on or after the Resale Restriction Termination Date therefor. The Holder of a Global Note may exchange an interest therein for an equivalent interest in a Global Note not bearing a Private Placement Legend (other than a Regulation S Global Note) upon transfer of such interest pursuant to any of clauses (i) through (iii) of this paragraph (d). The Company shall deliver to

the Trustee an Officers' Certificate promptly upon effectiveness, withdrawal or suspension of any Registration Statement.

(e) Consolidation of Global Notes and Exchange of Certificated Notes for Beneficial Interests in Global Notes.

(i) Nothing in this Indenture shall provide for the consolidation of any Notes with any other Notes to the extent that they constitute, as determined pursuant to an Opinion of Counsel, different classes of securities for U.S. federal income tax purposes.

(f) Retention of Documents. The Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Article II. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

(g) Execution, Authentication of Notes, etc.

(i) Subject to the other provisions of this Section 2.8, when Notes are presented to the Registrar or a co-Registrar with a request to register the transfer of such Notes or to exchange such Notes for an equal principal amount of Notes of other authorized denominations, the Registrar or co-Registrar shall register the transfer or make the exchange as requested if its requirements for such transaction are met; *provided* that any Notes presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Registrar or co-Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registrations of transfers and exchanges and subject to the other terms and conditions of this Article II, the Company will execute and upon Company Order the Trustee will authenticate Certificated Notes and Global Notes at the Registrar's or co-Registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charges payable upon exchange or transfer pursuant to Section 3.8, Section 3.12, Section 4.1 or Section 8.5.

(iii) The Registrar or co-Registrar shall not be required to register the transfer of or exchange of any Note for a period beginning: (1) 15 days before the mailing of a notice of an offer to repurchase or redeem Notes and ending at the close of business on the day of such mailing or (2) 15 days before an Interest Payment Date and ending on such Interest Payment Date.

(iv) Prior to the due presentation for registration of transfer of any Note, the Company, the Trustee, the Paying Agent, the Registrar or any co-Registrar may deem and treat the person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Note

and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Company, the Trustee, the Paying Agent, the Registrar or any co-Registrar shall be affected by notice to the contrary.

(v) All Notes issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Notes surrendered upon such transfer or exchange.

(h) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of an interest in a Global Note, a member of, or a participant in, DTC or other Person with respect to the accuracy of the records of DTC or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than DTC) of any notice (including any notice of redemption) or the payment of any amount or delivery of any Notes (or other security or property) under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders in respect of the Notes shall be given or made only to or upon the order of the registered Holders (which shall be DTC or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through DTC subject to the applicable rules and procedures of DTC. The Trustee may rely and shall be fully protected in relying upon information furnished by DTC with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among DTC participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

Section 2.9 Mutilated, Destroyed, Lost or Stolen Notes.

(a) If a mutilated Note is surrendered to the Registrar or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, the Company shall execute and upon Company Order the Trustee shall authenticate a replacement Note if the requirements of Section 8-405 of the Uniform Commercial Code are met and the Holder satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Company, such Holder shall furnish an affidavit of loss and indemnity bond sufficient in the judgment of the Company and the Trustee to protect the Company, the Trustee, the Paying Agent, the Registrar and any co-Registrar from any loss that any of them may suffer if a Note is replaced, and, in the absence of notice to the Company or the Trustee that such Note has been acquired by a protected purchaser, the Company shall execute and upon Company Order the Trustee shall authenticate and make available for delivery, in exchange for any such mutilated Note or in lieu

of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

(b) Upon the issuance of any new Note under this Section 2.9, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) in connection therewith.

(c) Every new Note issued pursuant to this Section 2.9 in exchange for any mutilated Note, or in lieu of any destroyed, lost or stolen Note, shall constitute an original additional contractual obligation of the Company, any Subsidiary Guarantor and any other obligor upon the Notes, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

Section 2.10 Temporary Notes. Until definitive Notes are ready for delivery, the Company may execute and upon Company Order the Trustee will authenticate temporary Notes. Temporary Notes will be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company will prepare and execute and upon Company Order the Trustee will authenticate definitive Notes. After the preparation of definitive Notes, the temporary Notes will be exchangeable for definitive Notes upon surrender of the temporary Notes at any office or agency maintained by the Company for that purpose and such exchange shall be without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Company will execute and upon Company Order the Trustee will authenticate and make available for delivery in exchange therefor one or more definitive Notes representing an equal principal amount of Notes. Until so exchanged, the Holder of temporary Notes shall in all respects be entitled to the same benefits under this Indenture as a Holder of definitive Notes.

Section 2.11 Cancellation. The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel and dispose of cancelled Notes in accordance with its policy of disposal or return to the Company all Notes surrendered for registration of transfer, exchange, payment or cancellation. The Company may not issue new Notes to replace Notes it has paid or delivered to the Trustee for cancellation for any reason other than in connection with a transfer or exchange upon Company Order.

Section 2.12 Defaulted Interest. When any installment of interest becomes Defaulted Interest, such installment shall forthwith cease to be payable to the Holders in whose names the Notes were registered on the Record Date applicable to such installment of interest. Defaulted Interest (including any interest on such Defaulted Interest) may be paid by the Company, at its election, as provided in Section 2.12(a) or (b).

(a) The Company may elect to make payment of any Defaulted Interest (including any interest on such Defaulted Interest) to the Holders in whose names the Notes are registered at the close of business on a special record date for the payment of such Defaulted

Interest (a "Special Record Date"), which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Holders entitled to such Defaulted Interest as provided in this Section 2.12(a). Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest, which shall be not more than 15 calendar days and not less than ten calendar days prior to the date of the proposed payment and not less than ten calendar days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be sent, first-class mail, postage prepaid, to each Holder at such Holder's address as it appears in the registration books of the Registrar, not less than ten calendar days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Holders in whose names the Notes are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to Section 2.12(b).

(b) Alternatively, the Company may make payment of any Defaulted Interest (including any interest on such Defaulted Interest) in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Section 2.12(b), such manner of payment shall be deemed practicable by the Trustee.

Section 2.13 Additional Notes. The Company may, from time to time, subject to compliance with any other applicable provisions of this Indenture, without the consent of the Holders, create and issue pursuant to this Indenture Additional Notes having terms and conditions set forth in Exhibit A identical to those of the other Outstanding Notes, except that Additional Notes:

(i) may have a different issue date from other Outstanding Notes;

(ii) may have a different amount of interest payable on the first Interest Payment Date after issuance than is payable on other Outstanding Notes;

(iii) may have terms specified in the Additional Note Board Resolution or Additional Note Supplemental Indenture for such Additional Notes making appropriate adjustments to this Article II and Exhibit A (and related definitions) applicable to such Additional Notes in order to conform to and ensure compliance with the Securities Act (or other applicable securities laws) and any registration rights or similar agreement applicable to such Additional Notes, which are not adverse in any material respect to the Holder of any Outstanding Notes (other than such Additional Notes); and

(iv) may be entitled to liquidated damages not applicable to other Outstanding Notes and may not be entitled to such liquidated damages applicable to other Outstanding Notes.

provided, that no adjustment pursuant to this Section 2.13 shall cause such Additional Notes to constitute, a different class of securities than the Issue Date Notes for U.S. federal income tax purposes except for Additional Notes that have a separate CUSIP number from other Outstanding Notes.

ARTICLE III

COVENANTS

Section 3.1 Payment of Notes.

(a) (1) The Company shall pay the principal of and interest (including Defaulted Interest) on the Notes in U.S. Legal Tender on the dates and in the manner provided in the Notes and in this Indenture. Prior to 11:00 a.m. New York City time on each Interest Payment Date and the Maturity Date, the Company shall deposit with the Paying Agent in immediately available funds U.S. Legal Tender sufficient to make cash payments due on such Interest Payment Date or Maturity Date, as the case may be. If the Company, a Subsidiary Guarantor or an Affiliate of the Company or a Subsidiary Guarantor is acting as Paying Agent, the Company, such Subsidiary Guarantor or such Affiliate shall, prior to 11:00 a.m. New York City time on each Interest Payment Date and the Maturity Date, segregate and hold in trust U.S. Legal Tender sufficient to make cash payments due on such Interest Payment Date or Maturity Date, as the case may be. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent (other than the Company, a Subsidiary Guarantor or an Affiliate of the Company or a Subsidiary Guarantor) holds in accordance with this Indenture U.S. Legal Tender designated for and sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Holders on that date pursuant to the terms of this Indenture. Notwithstanding the foregoing, the Company may elect to make the payments of interest by check mailed to the registered Holders at their registered addresses.

(2) If a Holder of US$10.0 million or more in aggregate principal amount of Notes has given wire transfer instructions to the Company at least 10 Business Days prior to the Interest Payment Date or the Maturity Date, the Company shall make all principal, premium and interest payments on those Notes in accordance with such instructions.

(b) Notwithstanding anything to the contrary contained in this Indenture, the Company may, to the extent it is required to do so by law, deduct or withhold income or other similar taxes imposed by the United States of America from principal or interest payments hereunder.

Section 3.2 Maintenance of Office or Agency.

(a) The Company shall maintain each office or agency required under Section 2.3. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

(b) The Company may also from time to time designate one or more other offices or agencies (in or outside of The City of New York) where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in The City of New York or, so long as the Notes are listed on the Euro MTF, the alternative market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, in Luxembourg, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such other office or agency.

Section 3.3 Corporate Existence. Subject to Article IV, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

Section 3.4 Payment of Taxes. The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon the Company or any Restricted Subsidiary or for which it or any of them are otherwise liable, or upon the income, profits or property of the Company or any Restricted Subsidiary; *provided, however*, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment or charge whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which appropriate reserves, if necessary (in the good faith judgment of management of the Company), are being maintained in accordance with MFRS or where the failure to effect such payment will not be disadvantageous to the Holders.

Section 3.5 Compliance Certificate.

The Company and each Subsidiary Guarantor shall deliver to the Trustee within 105 days after the end of each fiscal year of the Company an Officers' Certificate that complies with TIA § 314(a)(4) stating that in the course of the performance by the signers of their duties as Officers of the Company or such Subsidiary Guarantor, as the case may be, they would normally have knowledge of any Default or Event of Default and whether or not the signers know of any Default or Event of Default that occurred during the previous fiscal year. If they do, the certificate shall describe the Default or Event of Default, its status and what action the Company or such Subsidiary Guarantor is taking or proposes to take with respect thereto. The Company and the Subsidiary Guarantors also shall comply with any other applicable requirements of TIA § 314(a)(4).

Section 3.6 Further Instruments and Acts. The Company and each Subsidiary Guarantor will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper or as the Trustee may reasonably request to carry out more effectively the purpose of this Indenture.

Section 3.7 Waiver of Stay, Extension or Usury Laws. The Company and each Subsidiary Guarantor covenants (to the fullest extent permitted by applicable law) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company or such Subsidiary Guarantor from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture. The Company and each Subsidiary Guarantor hereby expressly waives (to the fullest extent permitted by applicable law) all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 3.8 Change of Control.

(a) Upon the occurrence of a Change of Control, the Company shall be required, if requested by any Holders, to purchase all or a portion (in integral multiples of US$1,000) of the Holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon through the date of purchase (the "Change of Control Payment").

(b) On the Change of Control Payment Date, the Company shall, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent funds in an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

(c) If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion thereof not purchased shall be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate).

(d) The Company shall not be required to make a Change of Control Offer upon a Change of Control if:

(1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or

(2) notice of redemption has been given pursuant to Section 5.3 hereof, unless and until there is a default in payment of the applicable redemption price.

(e) In the event that Holders of not less than 95% of the aggregate principal amount of the outstanding Notes accept a Change of Control Offer and the Company or a third party purchases all of the Notes held by such Holders, the Company shall have the right, on not less than 30 nor more than 60 days' prior notice, given not more than 30 days following the purchase pursuant to the Change of Control Offer described above, to redeem all of the Notes that remain outstanding following such purchase at a purchase price equal to the Change of Control Payment plus, to the extent not included in the Change of Control Payment, accrued and unpaid interest, if any, on the Notes that remain outstanding, to the date of redemption (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date).

(f) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations in connection with the purchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with this Section 3.8, the Company shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Indenture by doing so.

Section 3.9 Limitation on Incurrence of Additional Indebtedness.

(a) The Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness, including Acquired Indebtedness, except that:

(1) the Company and any Subsidiary Guarantor may Incur Indebtedness, including Acquired Indebtedness, and

(2) any Restricted Subsidiary may Incur Acquired Indebtedness not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation,

if, at the time of and immediately after giving pro forma effect to the Incurrence thereof and the application of the proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio of the Company is greater than 2.25 to 1.0.

(b) Notwithstanding clause (a) above, the Company and its Restricted Subsidiaries, as applicable, may Incur the following Indebtedness ("Permitted Indebtedness"):

(1) Indebtedness in respect of the Notes excluding Additional Notes;

(2) Guarantees by any Subsidiary Guarantor of Indebtedness of the Company or any other Subsidiary Guarantor permitted hereunder *provided*, that if any such Guarantee is of Subordinated Indebtedness, then the Note Guarantee of such Subsidiary Guarantor shall be senior to such Subsidiary Guarantor's Guarantee of such Subordinated Indebtedness;

(3) Indebtedness Incurred by the Company or any Subsidiary Guarantor under Credit Facilities in an aggregate principal amount at any time outstanding not to exceed the greater of (x) US$100 million or (y) 10% of Consolidated Tangible Assets;

(4) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date, other than Indebtedness otherwise specified under any of the other clauses of this definition of Permitted Indebtedness;

(5) Hedging Obligations entered into by the Company and its Restricted Subsidiaries in the ordinary course of business and not for speculative purposes;

(6) intercompany Indebtedness between the Company and any Restricted Subsidiary or between any Restricted Subsidiaries; *provided* that:

(x) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness and the payee is not the Company or any Subsidiary Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full of all obligations under the Notes and this Indenture, in the case of the Company, or such Subsidiary Guarantor's Note Guarantee, in the case of any such Subsidiary Guarantor, and

(y) in the event that at any time any such Indebtedness ceases to be held by the Company or a Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred and not permitted by this clause (6) at the time such event occurs;

(7) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided*, that such Indebtedness is extinguished within five business days of Incurrence;

(8) Indebtedness of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or any Restricted Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;

(9) Indebtedness of the Company or any Restricted Subsidiary represented by Capitalized Lease Obligations or Purchase Money Indebtedness, in each case Incurred for the purpose of acquiring or financing all or any part of the purchase price or cost of construction or improvement of property or equipment used in the business of the Company or such Restricted Subsidiary in an aggregate amount at any time not to exceed the greater of (x) US$15 million or (y) 1.5% of Consolidated Tangible Assets;

(10) Indebtedness in respect of bid, performance or surety bonds in the ordinary course of business for the account of the Company or any of its Restricted Subsidiaries, including Guarantees or obligations of the Company or any Restricted Subsidiary with respect to letters of credit supporting such bid, performance or surety obligations (in each case other than for the payment of borrowed money);

(11) Refinancing Indebtedness in respect of:

(x) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to clause (a) above (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such clause (a) above), or

(y) Indebtedness Incurred pursuant to clause (b)(1), (b)(4) (excluding Indebtedness outstanding on the Issue Date deemed to be incurred under clause (b)(3) above or Indebtedness owed to the Company or a Subsidiary of the Company) or (b)(12) of this Section;

(12) Permitted Acquisition Indebtedness in an aggregate principal amount not to exceed the greater of (x) US$175 million and (y) 17.5% of Consolidated Tangible Assets at any one time outstanding; and

(13) Additional Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed US$15 million at any one time outstanding (which amount may, but need not, be Incurred, in whole or in part, under Credit Facilities).

(c) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with

this Section 3.9, the amount of Indebtedness issued at a price that is less than the principal amount thereof shall be equal to the amount of the liability in respect thereof determined in accordance with MFRS. Accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms shall not be deemed to be an Incurrence of Indebtedness for purposes of this Section 3.9; *provided* that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of Section 3.9(b) shall be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision. For purposes of determining compliance with this Section 3.9, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories under clauses (1) through (13) of Section 3.9(b), or is entitled to be incurred pursuant to Section 3.9 (a) hereof, the Company shall be permitted to classify such item of Indebtedness on the date of its incurrence and shall only be required to include the amount and type of the above clauses, although the Company may divide and classify an item of Indebtedness in one or more of the types of Indebtedness and may later re-divide or reclassify all or a portion of such item of Indebtedness in any manner that complies with this Section 3.9. Notwithstanding any other provision of this Section 3.9, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur under this Section 3.9 shall not be deemed to be exceeded as a result solely of fluctuations in exchange rates or currency values.

Section 3.10 Limitation on Guarantees. The Company shall not permit any Restricted Subsidiary of the Company that is not a Subsidiary Guarantor to Guarantee any Indebtedness of the Company or to secure any Indebtedness of the Company with a Lien on the assets of such Restricted Subsidiary, unless contemporaneously therewith (or prior thereto) effective provision is made to Guarantee or secure the Notes on an equal and ratable basis with such Guarantee or Lien for so long as such Guarantee or Lien remains effective, and in an amount equal to the amount of Indebtedness so Guaranteed or secured. Any Guarantee by any such Restricted Subsidiary of Subordinated Indebtedness of the Company will be subordinated and junior in right of payment to the contemporaneous Guarantee of the Notes by such Restricted Subsidiary.

Section 3.11 Limitation on Restricted Payments.

(a) The Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a “Restricted Payment”):

(1) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:

(x) dividends or distributions payable in Qualified Capital Stock of the Company,

(y) dividends or distributions payable to the Company and/or a Restricted Subsidiary, or

(z) dividends, distributions or returns of capital made on a *pro rata* basis to the Company and its Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand (or on a less than *pro rata* basis to any minority holder);

(2) purchase, redeem or otherwise acquire or retire for value:

(x) any Capital Stock of the Company, or

(y) any Capital Stock of any Restricted Subsidiary held by an Affiliate of the Company (other than a Restricted Subsidiary) or any Preferred Stock of a Restricted Subsidiary, except for Capital Stock held by the Company or a Restricted Subsidiary or purchases, redemptions, acquisitions or retirements for value of Capital Stock on a *pro rata* basis from the Company and/or any Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand, according to their respective percentage ownership of the Capital Stock of such Restricted Subsidiary;

(3) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness (excluding (x) any intercompany Indebtedness between or among the Company and/or any Restricted Subsidiaries or (y) the purchase, repurchase or other acquisition of Indebtedness that is contractually subordinate to the Notes or any Note Guarantee, as the case may be, purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case within one year of such date of purchase, repurchase or acquisition); or

(4) make any Investment (other than Permitted Investments);

if at the time of the Restricted Payment and immediately after giving effect thereto:

(A) a Default or an Event of Default shall have occurred and be continuing;

(B) the Company is not able to Incur at least US$1.00 of additional Indebtedness pursuant to Section 3.9(a); or

(C) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof, shall exceed the sum of:

(i) 50% of cumulative Consolidated Net Income of the Company or, if such cumulative Consolidated Net Income of the Company is a loss, minus 100% of the loss, accrued during the period, treated as one accounting period, beginning on the fiscal quarter beginning January 1, 2010 to the end of the most recent fiscal quarter for which consolidated financial information of the Company is available; *plus*

(ii) 100% of the aggregate net cash proceeds received by the Company from any Person from any:

(1) contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock or issuance and sale of Qualified Capital Stock of the Company, in each case, subsequent to the Issue Date, or

(2) issuance and sale subsequent to the Issue Date (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness of the Company or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Company,

excluding, in each case, any net cash proceeds:

(x) received from a Subsidiary of the Company;

(y) used to redeem Notes in accordance with the provisions in Exhibit A under the heading “Optional Redemption Upon Equity Offerings”; or

(z) applied in accordance with Section 3.11(b)(2) or (3) below; *plus*

(iii) any Investment Return; *plus*

(iv) US$15 million.

(b) Notwithstanding the subsection (a) above, this Section 3.11 does not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption of Subordinated Indebtedness within 60 days after the date of declaration of such dividend or giving of the redemption notice, as the case may be, if the dividend or redemption would have been permitted on the date of declaration or notice pursuant to the preceding paragraph; *provided* that such redemption shall be included (without duplication for the declaration) in the calculation of the amount of Restricted Payments;

(2) the acquisition of any shares of Capital Stock of the Company,

(x) in exchange for Qualified Capital Stock of the Company, or

(y) through the application of the net proceeds received by the Company from a substantially concurrent sale of Qualified Capital Stock of the Company or a contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Company;

provided, that the value of any such Qualified Capital Stock issued in exchange for such acquired Capital Stock and any such proceeds shall be excluded from Section 3.11(a)(C)(ii) above (and were not included therein at any time);

(3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of:

(x) Qualified Capital Stock of the Company, or

(y) Refinancing Indebtedness for such Subordinated Indebtedness;

provided, that the value of any Qualified Capital Stock issued in exchange for Subordinated Indebtedness and any net proceeds referred to above shall be excluded from Section 3.11(a)(C)(ii) above (and were not included therein at any time);

(4) if no Default or Event of Default shall have occurred and be continuing, repurchases by the Company of Common Stock of the Company or options, warrants or other securities exercisable or convertible into Common Stock of the Company from any current or former employees, officers, directors or consultants of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of such employees, officers or directors, or the termination of retention of any such consultants, in an amount not to exceed US$5 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years) plus the cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries;

(5) the repurchase of Capital Stock deemed to occur upon the exercise of stock options or warrants to the extent such Capital Stock

represents a portion of the exercise price of those stock options or warrants;

(6) the declaration and payment of regularly scheduled or accrued dividends or distributions to holders of any class or series of Disqualified Capital Stock of the Company or any Restricted Subsidiary issued on or after the Issue Date in accordance with Section 3.9(a);

(7) upon the occurrence of a Change of Control and within 60 days after the completion of the offer to repurchase the Notes pursuant to Section 3.8, any repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness of the Company or any Subsidiary Guarantor required pursuant to the terms thereof as a result of such Change of Control; *provided* that (A) the terms of such purchase or redemption are substantially similar in all material respects to the comparable provision included herein, and (B) at the time of such purchase or redemption no Default or Event of Default shall have occurred and be continuing (or would result therefrom); and

(8) if no Default or Event of Default shall have occurred and be continuing, the purchase by the Company of fractional shares arising out of stock dividends, splits or combinations or business combinations.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend), (4) and (7) of paragraph (b) of this Section 3.11 shall be included in such calculation and amounts expended pursuant to clauses (2), (3), (5),(6), and (8) above shall not be included in such calculation.

Section 3.12 Limitation on Asset Sales and Sales of Subsidiary Stock.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Capital Stock sold or otherwise disposed of, and

(2) at least 75% of the consideration received for the assets or Capital Stock sold by the Company or the Restricted Subsidiary, as the case may be, in the Asset Sale shall be in the form of cash or Cash Equivalents received at the time of such Asset Sale; *provided* that each of the following will be deemed to be cash:

(x) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted

Subsidiary into cash or Cash Equivalents within 120 days of the receipt thereof (subject to ordinary settlement periods), to the extent of the cash or Cash Equivalents received in that conversion; and

(y) any Capital Stock of a Person engaged in a Permitted Business that will become, upon purchase, a Restricted Subsidiary or assets (other than current assets as determined in accordance with MFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business;

provided, that amounts received pursuant to clauses (x) and (y) shall not be deemed to constitute Net Cash Proceeds for purposes of making an Asset Sale Offer.

(b) The Company or such Restricted Subsidiary, as the case may be, may apply the Net Cash Proceeds of any such Asset Sale within 365 days thereof to:

(1) repay any Senior Indebtedness of the Company or a Restricted Subsidiary or Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor (including, in each case without limitation, Capital Lease Obligations), or

(2) make capital expenditures in a Permitted Business, or

(3) to purchase

(x) assets (other than current assets as determined in accordance with MFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business, or

(y) all or substantially all of the assets of, or any Capital Stock of, a Person engaged in a Permitted Business if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary,

from a Person other than the Company and its Restricted Subsidiaries;

provided that in the cases of clauses (x) and (y) the Company will have complied with its obligations if it enters into a binding commitment to acquire such assets or such Capital Stock within 365 days after receipt of such Net Cash Proceeds; *provided* further that such binding commitment shall be subject only to customary conditions and that such acquisition is consummated within six months from the date of signing such binding commitment.

(c) To the extent all or a portion of the Net Cash Proceeds of any Asset Sale are not applied within the 365 days of the Asset Sale as described in Section 3.12(b)(1), (2) and (3), the Company shall make an offer to purchase Notes (the "Asset Sale Offer"), at a purchase price equal to 100% of the principal amount of the Notes to be purchased, plus accrued and

unpaid interest thereon, to the date of purchase (the "Asset Sale Offer Amount"). The Company shall purchase pursuant to an Asset Sale Offer from all tendering Holders on a *pro rata* basis, and, at the Company's option, on a *pro rata* basis with the holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of Notes and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Company may satisfy its obligations under this Section 3.12 with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

(d) The purchase of Notes pursuant to an Asset Sale Offer shall occur on a date not less than 20 business days following the date thereof, or any longer period as may be required by law, nor more than 45 days following the 365th day following the Asset Sale. The Company may, however, defer an Asset Sale Offer until there is an aggregate amount of unapplied Net Cash Proceeds from one or more Asset Sales equal to or in excess of US$15 million. At that time, the entire amount of unapplied Net Cash Proceeds, and not just the amount in excess of US$15 million, shall be applied as required pursuant to this Section 3.12. Pending application in accordance with this Section 3.12, Net Cash Proceeds shall be applied to temporarily reduce revolving credit borrowings that can be reborrowed or Invested in Cash Equivalents.

(e) Upon receiving the Asset Sale Offer Notice, Holders may elect to tender their Notes in whole or in part in integral multiples of US$1,000 in exchange for cash.

(f) On the Asset Sale Offer Payment Date, the Company shall, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Asset Sale Offer;

(2) deposit with the Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

(g) To the extent Holders of Notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw Notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of unapplied Net Cash Proceeds, the Company shall purchase the Notes and the other Senior Indebtedness on a *pro rata* basis (based on amounts tendered). If only a portion of a Note is purchased pursuant to an Asset Sale Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as

appropriate). Notes (or portions thereof) purchased pursuant to an Asset Sale Offer shall be cancelled and cannot be reissued.

(h) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with this Section 3.12, the Company shall comply with those laws and regulations and shall not be deemed to have breached its obligations under this Section 3.12 by doing so.

(i) Upon completion of an Asset Sale Offer, the amount of Net Cash Proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of Notes and other Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of unapplied Net Cash Proceeds, the Company and its Restricted Subsidiaries may use any remaining Net Cash Proceeds for any purpose not otherwise prohibited hereby.

(j) In the event of the transfer of substantially all (but not all) of the property and assets of the Company and its Restricted Subsidiaries as an entirety to a Person in a transaction permitted under Section 4.1, the Surviving Entity shall be deemed to have sold the properties and assets of the Company and its Restricted Subsidiaries not so transferred for purposes of this Section 3.12, and shall comply with the provisions of this covenant with respect to the deemed sale as if it were an Asset Sale. In addition, the Fair Market Value of properties and assets of the Company or its Restricted Subsidiaries so deemed to be sold shall be deemed to be Net Cash Proceeds for purposes of this Section 3.12.

(k) If at any time any non-cash consideration received by the Company or any Restricted Subsidiary, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any non-cash consideration), the conversion or disposition shall be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof shall be applied in accordance with this Section 3.12 within 365 days of conversion or disposition.

Section 3.13 Limitation on Designation of Unrestricted Subsidiaries.

(a) The Company may designate after the Issue Date any Subsidiary of the Company as an "Unrestricted Subsidiary" under this Indenture (a "Designation") only if:

(1) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such Designation and any transactions between the Company or any of its Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with Section 3.17;

(2) at the time of and after giving effect to such Designation, the Company could Incur US$1.00 of additional Indebtedness pursuant to Section 3.9(a);

(3) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating

such Designation as an Investment at the time of Designation) as a Restricted Payment pursuant to Section 3.11 (a) or as a Permitted Investment in an amount (the "Designation Amount") equal to the amount of the Company's Investment in such Subsidiary on such date, and

(4) at the time of such Designation, neither the Company nor any Restricted Subsidiary will:

(1) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of such Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness);

(2) be directly or indirectly liable for any Indebtedness of such Subsidiary; or

(3) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of such Subsidiary, except for any non-recourse Guarantee given solely to support the pledge by the Company or any Restricted Subsidiary of the Capital Stock of such Subsidiary.

(b) The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "Revocation") only if:

(1) No Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Revocation; and

(2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of this Indenture.

(c) The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by resolutions of the Board of Directors of the Company, delivered to the Trustee certifying compliance with the preceding provisions.

Section 3.14 Limitation on Dividends; Payment Restrictions Affecting Restricted Subsidiaries.

(a) Except as provided in paragraph (b) of this Section 3.14, the Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any other Restricted Subsidiary or

pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(2) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Company or any other Restricted Subsidiary; or

(3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(b) Paragraph (a) of this Section 3.14 shall not apply to encumbrances or restrictions existing under or by reason of:

(1) applicable law rule, regulation or order;

(2) this Indenture, the Notes and the Note Guarantees;

(3) the terms of any Indebtedness outstanding on the Issue Date, and any amendment, modification, restatement, renewal, restructuring, replacement or refinancing thereof; *provided*, that any amendment, modification, restatement, renewal, restructuring, replacement or refinancing is not materially more restrictive, taken as a whole, with respect to such encumbrances or restrictions than those in existence on the Issue Date;

(4) customary non-assignment provisions of any contract and customary provisions restricting assignment or subletting in any lease governing a leasehold interest of any Restricted Subsidiary, or any customary restriction on the ability of a Restricted Subsidiary to dividend, distribute or otherwise transfer any asset which secures Indebtedness secured by a Lien, in each case permitted to be Incurred hereunder;

(5) any instrument governing Acquired Indebtedness not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

(6) restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary; *provided*, that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;

(7) customary restrictions imposed on the transfer of copyrighted or patented materials;

(8) an agreement governing Indebtedness of the Company or any Restricted Subsidiaries permitted to be Incurred subsequent to the date hereof in accordance with Section 3.9; *provided* that the provisions relating to such encumbrance or restriction contained in such agreement are no more restrictive than those contained in the agreement referred to in Section 3.14(b)(3) above;

(9) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in Section 3.14(a)(3) above;

(10) Liens permitted to be incurred under Section 3.16 that limits the right of the debtor to dispose of the assets securing such Indebtedness;

(11) provisions limiting the payment of dividends in the organizational documents, shareholders' agreements, joint venture agreements or similar documents of, or related to, Restricted Subsidiaries that are not Wholly Owned Subsidiaries and which have been entered into with the approval of the Company's Board of Directors;

(12) restrictions on cash deposited with banks in the ordinary course of business consistent with past practice to secure trade payable obligations and guarantees of such trade payable obligations of the Company and its Restricted Subsidiaries under Supplier Factoring Facilities; or

(13) restrictions customarily granted in connection with securitization, factoring or discounting involving receivables that are imposed in connection with a Receivables Transaction.

Section 3.15 Limitation on Layered Indebtedness. The Company shall not, and shall not permit any Subsidiary Guarantor to, directly or indirectly, Incur any Indebtedness that is subordinate in right of payment to any other Senior Indebtedness, unless such Indebtedness is expressly subordinate in right of payment to the Notes or, in the case of a Subsidiary Guarantor, its Note Guarantee to the same extent and on the same terms as such Indebtedness is subordinate to such other Indebtedness.

Section 3.16 Limitation on Liens.

(a) The Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness or trade payables unless contemporaneously therewith effective provision is made:

(1) in the case of the Company or any Restricted Subsidiary other than a Subsidiary Guarantor, to secure the Notes and all other amounts due hereunder; and

(2) in the case of a Subsidiary Guarantor, to secure such Subsidiary Guarantor's Note Guarantee and all other amounts due hereunder;

in each case, equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the Notes or such Note Guarantee, as the case may be, prior to such Indebtedness or other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

Section 3.17 Limitation on Transactions with Affiliates.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an "Affiliate Transaction"), unless:

(1) the terms of such Affiliate Transaction are no less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company;

(2) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US$5 million, the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Company (including a majority of the disinterested members thereof), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions; and

(3) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US$25 million, the Company will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Company and the relevant Restricted Subsidiary (if any) from a financial point of view from an Independent Financial Advisor and file the same with the Trustee.

(b) The provisions of Section 3.17(a) above will not apply to:

(1) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;

(2) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Company or any Restricted Subsidiary as determined in good faith by the Company's Board of Directors;

(3) Affiliate Transactions undertaken pursuant to any contractual obligations or rights in existence on the Issue Date and any amendment, modification or replacement of such agreement (so long as such amendment, modification or replacement is not materially more disadvantageous to the Holders of the Notes, taken as a whole, than the original agreement as in effect on the Issue Date);

(4) any Restricted Payments made in compliance with Section 3.11 or any Permitted Investments;

(5) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary for travel, entertainment, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding US$2.5 million outstanding at any one time; and

(6) any issuance of Capital Stock (other than Disqualified Stock) of the Company to Affiliates of the Company or to any director, officer, employee or consultant of the Company, and the granting and performance of registration rights.

Section 3.18 Conduct of Business. The Company and its Restricted Subsidiaries shall not engage in any business other than a Permitted Business.

Section 3.19 Reports to Holders.

(a) If the Company is

(i) required to file with the SEC information, documents, or reports pursuant to Section 13 or Section 15(d) of the Exchange Act, it shall deliver to the Trustee:

(A) annual reports on Form 20-F (or any successor form) containing the information required to be contained therein (or such successor form) within the time period required under the rules of the SEC for the filing of Form 20-F (or any successor form) by foreign private issuers subject thereto, and

(B) reports on Form 6-K (or any successor form) including, whether or not required, unaudited quarterly financial statements (which shall include at least a balance sheet, income statement and cash flow statement along with other financial information and a discussion of results in each case with a substantially similar level of information in all material respects as provided by the Company

in its Form 6-K for the third quarter of 2009, within 45 days after the end of each of the first three fiscal quarters of each fiscal year, or

(ii) not required to file with the SEC, information, documents, or reports pursuant to Section 13 or Section 15(d) of the Exchange Act, then it will deliver to the Trustee, in accordance with rules and regulations prescribed from time to time by the SEC, such of the supplementary and periodic information, documents and reports which may be required by Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations; provided, however, that if the Company files with the SEC, information, documents, or reports by virtue of its being subject to the requirements of Section 12, Section 13 or Section 15(d) of the Exchange Act and its duty to file with the SEC, such information, documents or reports is subsequently suspended or terminated, then the Company shall deliver to the Trustee, in lieu of the information, documents or reports previously filed with the SEC, such information, documents and reports in the English language that the Company is required to make public pursuant to Rule 12g3-2(b) under the Exchange Act.

(b) If MFRS are materially different, for purposes of calculations under the Indenture, than Mexican Financial Reporting Standards used for purposes of the financial statements provided pursuant to Section 3.19(a)(i) or (ii), no later than when due under Section 3.19(a)(i) or (ii), respectively, the Company will deliver to the Trustee (x) a description of the differences between accounting principles in the financial statements provided pursuant to Section 3.19(a)(i) or (ii) and the financial statements used for calculations under the Indenture, and (y) an unaudited quantitative reconciliation of revenues, Consolidated EBITDA, Consolidated Net Income, and the Consolidated Fixed Charge Coverage Ratio, and, after any Reversion Date has occurred, cumulative Consolidated Net Income since January 1, 2010.

(c) At any time when the Company is not subject to or is not current in its reporting obligations under Section 3.19(a)(i) or (ii), the Company shall make available, upon request, to any holder and any prospective purchaser of Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act.

(d) So long as the Notes are listed on Euro MTF, the alternative market of the Luxembourg Stock Exchange, the Company shall make available the information specified in Section 3.19(c) at the specified office of the Luxembourg Paying Agent for the Notes.

Section 3.20 Listing.

(a) In the event that the Notes are listed on Euro MTF, the alternative market of the Luxembourg Stock Exchange, the Company shall use its reasonable best efforts to maintain such listing; *provided* that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the “Transparency Directive”) or any legislation implementing the Transparency Directive the Company could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the

Notes from the Euro MTF in accordance with the rules of the Luxembourg Stock Exchange and seek an alternative admission to listing, trading and/or quotation for the Note on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Company may reasonably decide.

(b) From and after the date the Notes are listed on the Euro MTF, the alternative market of the Luxembourg Stock Exchange, and so long as it is required by the rules of such exchange, all notices to the Holders will be published in English in accordance with Section 11.1(b).

Section 3.21 Payment of Additional Amounts.

(a) The Company and the Subsidiary Guarantors shall pay to holders of the Notes all additional amounts ("Additional Amounts") that may be necessary so that every net payment of interest (including any premium paid upon redemption of the Notes) or principal to the Holder shall not be less than the amount provided for in the Notes. The term "net payment" means the amount the Company or its paying agent pay the Holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges ("Taxes") imposed with respect to that payment by a Mexican taxing authority ("Taxing Authority").

(b) The Company and the Subsidiary Guarantors shall not pay additional amounts to any Holder for or solely on account of any of the following:

(1) any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the Holder or beneficial owner of the Note and Mexico (or any political subdivision or territory or possession thereof), including such Holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment, or branch subject to taxation therein, or (iii) being or having been present or engaged in a trade or business therein (other than the mere receipt of a payment or the ownership or holding of a Note),

(2) any estate, inheritance, gift, transfer or similar tax, assessment or other governmental charge imposed with respect to the Notes,

(3) any taxes, duties, assessments or other governmental charges imposed solely because the Holder or any other person fails to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Mexico (or any political subdivision or territory or possession thereof) of the Holder or any beneficial owner of the Note, if compliance is required by statute, regulation, officially published administrative practice of the taxing jurisdiction or by an applicable income tax treaty, which is in effect to which Mexico is a party, as a precondition to exemption from, or reduction in the rate of, the tax,

assessment or other governmental charge and we have given the Holders at least 30 days' notice that Holders will be required to provide such information and identification;

(4) any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on the Notes,

(5) any taxes, duties, assessments or other governmental charges with respect to such Note presented for payment more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to Holders, whichever occurs later, except to the extent that the holders of such Note would have been entitled to such additional amounts on presenting such Note for payment on any date during such 30 day period, and

(6) any payment on the Note to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of the Note.

(c) (1) The limitations on the Company's and Subsidiary Guarantors' obligations to pay Additional Amounts set forth in Section 3.21(b)(3) above shall not apply:

(i) if the provision of information, documentation or other evidence described in such Section 3.21(b)(3) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Holder or beneficial owner of a Note, taking into account any relevant differences between U.S. and Mexican law, regulation or administrative practice, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States-Mexico income tax treaty), regulation (including proposed regulations) and administrative practice.

(ii) unless (A) the provision of the information, documentation or other evidence described in such Section 3.21(b)(3) becomes expressly required by the applicable Mexican statutes, regulations and administrative practices and the Company cannot obtain such information, documentation or other evidence on its own through reasonable diligence, and (B) the Company otherwise would not meet the requirements for application of the reduced Mexican tax rate.

(iii) if the provisions of Article 195, Section II, subsection a) of the Mexican Income Tax Law (or a substitute equivalent provision) are not complied with by the Company or any Subsidiary Guarantor, and a higher withholding tax would apply.

(2) In addition, such Section 3.21(b)(3) does not require, and shall not be construed to require that any person, including any non-Mexican pension fund, retirement fund or financial institution, register with the Ministry of

Finance and Public Credit to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

(d) Upon request, the Company and the Subsidiary Guarantors shall provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Mexican taxes in respect of which we have paid any Additional Amount. The Company shall make copies of such documentation available to the Holders of the Notes or the Paying Agent upon request.

(e) In the event that Additional Amounts actually paid with respect to the Notes pursuant to this Section 3.21 are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the Holder of such Notes, and as a result thereof such Holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such Holder shall, by accepting such Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to the Company. However, by making such assignment, the Holder makes no representation or warranty that the Company will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

(f) In the event of any merger or other transaction described and permitted under Section 4.1, then all references to Mexico, Mexican law or regulations, and Mexican taxing authorities under this Section 3.21 (other than Section 3.21(c)(1)) and under Article V and Section 5 of Exhibit A shall be deemed to also include the United States and any political subdivision therein or thereof, United States law or regulations, and any taxing authority of the United States or any political subdivision therein or thereof, respectively.

Section 3.22 Suspension of Covenants.

(a) During any period of time that (i) the Notes have Investment Grade Ratings from both Rating Agencies and (ii) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "Covenant Suspension Event"), the Company and its Restricted Subsidiaries will not be subject to Sections 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.17, 3.18, 3.19(b) and 4.1(a)(2) (collectively, the "Suspended Covenants").

(b) In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") one of the Rating Agencies withdraws its Investment Grade Rating or downgrades its rating assigned to the Notes below an Investment Grade Rating, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the Suspension Date and the Reversion Date is referred to as the "Suspension Period." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

(c) On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified to have been incurred pursuant to Section 3.9(a) or Section 3.9(b) (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to Section 3.9(a) or Section 3.9(b), such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under Section 3.9(b)(4). Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under Section 3.11 will be made as though Section 3.11 had been in effect since the Issue Date and throughout the Suspension Period.

ARTICLE IV

SURVIVING ENTITY

Section 4.1 Merger, Consolidation and Sale of Assets.

(a) The Company shall not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

(1) either:

(i) the Company shall be the surviving or continuing corporation, or

(ii) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):

(A) shall be a corporation, organized and validly existing under the laws of Mexico or the United States of America, any State thereof or the District of Columbia, and

(B) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of every covenant of the Notes and this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction and the assumption contemplated by Section (a)(1)(ii)(B) of this Section 4.1 (including giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or

anticipated to be Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be:

(i) will be able to Incur at least US$1.00 of additional Indebtedness pursuant to Section 3.9(a), or

(ii) will have a Consolidated Fixed Charge Coverage Ratio of not less than the Consolidated Fixed Charge Coverage Ratio of the Company and its Restricted Subsidiaries immediately prior to such transaction;

provided that provisions of the subsection (2)(i) above shall not apply to:

(A) any transfer of the properties or assets of a Restricted Subsidiary to the Company or to a Subsidiary Guarantor;

(B) any merger of a Restricted Subsidiary into the Company or a Subsidiary Guarantor; or

(C) any merger of the Company into a Wholly Owned Subsidiary of the Company created for the purpose of holding the Capital Stock of the Company;

so long as, in each case the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

(3) immediately before and immediately after giving effect to such transaction and the assumption contemplated by Section (a)(1)(ii)(B) of this Section 4.1 (including, without limitation, giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing;

(4) each Subsidiary Guarantor (including Persons that become Subsidiary Guarantors as a result of the transaction) has confirmed by supplemental indenture that its Note Guarantee will apply for the Obligations of the Surviving Entity in respect of this Indenture and the Notes;

(5) if the Company is organized under Mexican law and merges with a corporation, or the Surviving Entity is, organized under the laws of the United States, any State thereof or the District of Columbia or the Company is organized under the laws of the United States, any State thereof or the District of Columbia and merges with a corporation, or the Surviving Entity is, organized under the laws of Mexico, the Company or the Surviving Entity will have delivered to the Trustee an Opinion of Counsel from each of Mexico and the United States to the effect that, as applicable:

(i) the holders of the Notes will not recognize income, gain or loss for U.S. or Mexican income tax purposes as a result of the transaction and will be taxed in the holder’s home jurisdiction in the same manner and on the same amounts (assuming

solely for this purpose that no Additional Amounts are regarded to be paid on the Notes) and at the same times as would have been the case if the transaction had not occurred,

(ii) any payment of interest or principal under or relating to the Notes or any Note Guarantees will be paid in compliance with any requirements under Section 3.21, and

(iii) no other taxes on income, including capital gains, will be payable by holders of the Notes under the laws of Mexico or the United States relating to the acquisition, ownership or disposition of the Notes, including the receipt of interest or principal thereon; *provided* that the holder does not use or hold, and is not deemed to use or hold the Notes in carrying on a business in Mexico or the United States, and

(6) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of this Indenture and that all conditions precedent herein relating to the transaction have been satisfied.

(b) For purposes of this Section 4.1, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company (determined on a consolidated basis for the Company and its Restricted Subsidiaries), shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

(c) Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with this Section 4.1, in which the Company is not the continuing corporation, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture and the Notes with the same effect as if such Surviving Entity had been named as such. For the avoidance of doubt, compliance with this Section 4.1 will not affect the obligations of the Company (including a Surviving Entity, if applicable) under Section 3.8, if applicable.

(d) Each Subsidiary Guarantor shall not, and the Company shall not cause or permit any Subsidiary Guarantor to, consolidate with or merge into, or sell or dispose of all or substantially all of its assets to, any Person (other than the Company) that is not a Subsidiary Guarantor unless:

(1) such Person (if such Person is the surviving entity) assumes all of the obligations of such Subsidiary Guarantor in respect of its Note Guarantee by executing a supplemental indenture and providing the Trustee with an Officers' Certificate and Opinion of Counsel, and such transaction is otherwise in compliance herewith;

(2) such Note Guarantee is to be released as provided under Section 10.2 or

(3) such sale or other disposition of substantially all of such Subsidiary Guarantor's assets is made in accordance with Section 3.12.

ARTICLE V

OPTIONAL REDEMPTION OF NOTES

Section 5.1 Optional Redemption. The Company may redeem the Notes, as a whole or from time to time in part, subject to the conditions and at the redemption prices specified in the form of Notes in Exhibit A.

Section 5.2 Election to Redeem. The Company shall evidence its election to redeem any Notes pursuant to Section 5.1 by a Board Resolution.

Section 5.3 Notice of Redemption.

(a) The Company shall give or cause the Trustee to give notice of redemption, in the manner provided for in Section 11.1, not less than 30 nor more than 60 days prior to the Redemption Date by first-class mail, postage prepaid, to each Holder of Notes to be redeemed at its registered address. If the Company itself gives the notice, it shall also deliver a copy to the Trustee.

(b) If either (i) the Company is not redeeming all Outstanding Notes, or (ii) the Company elects to have the Trustee give notice of redemption, then the Company shall deliver to the Trustee, at least 45 days prior to the Redemption Date (unless the Trustee is satisfied with a shorter period), an Officers' Certificate requesting that the Trustee select the Notes to be redeemed and/or give notice of redemption and setting forth the information required by paragraph (c) of this Section 5.3 (with the exception of the identification of the particular Notes, or portions of the particular Notes, to be redeemed in the case of a partial redemption). If the Company elects to have the Trustee give notice of redemption, the Trustee shall give the notice in the name of the Company and at the Company's expense.

(c) All notices of redemption shall state:

(1) the Redemption Date,

(2) the redemption price and the amount of any accrued interest payable as provided in Section 5.6,

(3) whether or not the Company is redeeming all Outstanding Notes,

(4) if the Company is not redeeming all Outstanding Notes, the aggregate principal amount of Notes that the Company is redeeming and the aggregate principal amount of Notes that will be Outstanding after the partial redemption, as well as the identification of the particular Notes, or portions of the particular Notes, that the Company is redeeming,

(5) if the Company is redeeming only part of a Note, the notice that relates to that Note shall state that on and after the Redemption Date, upon surrender of that Note, the Holder will receive, without charge, a new Note or Notes of authorized denominations for the principal amount of the Note remaining unredeemed,

(6) that on the Redemption Date the redemption price and any accrued interest payable to the Redemption Date as provided in Section 5.6 will become due and payable in respect of each Note, or the portion of each Note, to be redeemed, and, unless the Company defaults in making the redemption payment, that interest on each Note, or the portion of each Note, to be redeemed, will cease to accrue on and after the Redemption Date,

(7) the place or places where a Holder must surrender the Holder's Notes for payment of the redemption price, and

(8) the CUSIP or ISIN number, if any, listed in the notice or printed on the Notes, and that no representation is made as to the accuracy or correctness of such CUSIP or ISIN number.

Section 5.4 Selection of Notes to Be Redeemed in Part.

(a) If the Company is not redeeming all Outstanding Notes, the Trustee shall select the Notes to be redeemed in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not then listed on a national securities exchange, on a *pro rata* basis, by lot or any other method as the Trustee shall deem fair and appropriate (subject to the procedures of DTC); *provided, however*, that if a partial redemption is made with the proceeds of a Equity Offering, selection of the Notes, or portions of the Notes, for redemption shall, subject to this Section, be made by the Trustee only on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to the procedures of DTC), unless that method is otherwise prohibited. The Trustee shall make the selection from the Outstanding Notes not previously called for redemption. The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount of the Notes to be redeemed. In the event of a partial redemption by lot, the Trustee shall select the particular Notes to be redeemed not less than 30 nor more than 60 days prior to the relevant Redemption Date from the Outstanding Notes not previously called for redemption. The Company may redeem Notes in denominations of US$1,000 only in whole. The Trustee may select for redemption portions (equal to US$1,000 or any integral multiple of US$1,000) of the principal of Notes that have denominations larger than US$1,000.

(b) For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of that Note which has been or is to be redeemed.

Section 5.5 Deposit of Redemption Price. Prior to 10:00 a.m. New York City time on the relevant Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as Paying Agent, segregate and hold in trust as provided in Section 2.4) an amount of money in immediately available funds sufficient to pay the redemption price of, and accrued interest on, all the Notes that the Company is redeeming on that date.

Section 5.6 Notes Payable on Redemption Date. If the Company, or the Trustee on behalf of the Company, gives notice of redemption in accordance with this Article V, the Notes, or the portions of Notes, called for redemption, shall, on the Redemption Date, become due and payable at the redemption price specified in the notice (together with accrued interest, if any, to the Redemption Date), and from and after the Redemption Date (unless the Company shall default in the payment of the redemption price and accrued interest) the Notes or the portions of Notes shall cease to bear interest. Upon surrender of any Note for redemption in accordance with the notice, the Company shall pay the Notes at the redemption price, together with accrued interest, if any, to the Redemption Date (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date). If the Company shall fail to pay any Note called for redemption upon its surrender for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Notes.

Section 5.7 Unredeemed Portions of Partially Redeemed Note. Upon surrender of a Note that is to be redeemed in part, the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder of the Note at the expense of the Company, a new Note or Notes, of any authorized denomination as requested by the Holder, in an aggregate principal amount equal to, and in exchange for, the unredeemed portion of the principal of the Note surrendered, *provided* that each new Note will be in a principal amount of US$2,000 or integral multiple of US$1,000.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.1 Events of Default.

(a) Each of the following is an “Event of Default”:

(1) default in the payment when due of the principal of or premium, if any, on any Notes, including the failure to make a required payment to purchase Notes tendered pursuant to an optional redemption, Change of Control Offer or an Asset Sale Offer;

(2) default for 30 days or more in the payment when due of interest, Additional Amounts or liquidated damages, if any, on any Notes;

(3) the failure to perform or comply with any of the provisions described under Section 4.1;

(4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained herein or in the Notes for 45 days or more after written notice to the Company from the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes;

(5) default by the Company or any Restricted Subsidiary under any Indebtedness which:

(1) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of any applicable grace period provided in such Indebtedness on the date of such default; or

(2) results in the acceleration of such Indebtedness prior to its stated maturity;

and the principal or accreted amount of Indebtedness covered by (i) or (ii) at the relevant time, aggregates US$15 million or more;

(6) failure by the Company or any of its Restricted Subsidiaries to pay one or more final judgments against any of them, aggregating US$15 million or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;

(7) a Bankruptcy Law Event of Default; or

(8) except as permitted herein, any Note Guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or any Subsidiary Guarantor, or any Person acting on behalf of any Subsidiary Guarantor, denies or disaffirms such Subsidiary Guarantor's obligations under its Note Guarantee.

(b) The Company shall deliver to the Trustee upon becoming aware of any Default or Event of Default written notice of events which would constitute such Default or Event of Default, their status and what action the Company is taking or proposes to take in respect thereof.

Section 6.2 Acceleration.

(a) If an Event of Default (other than an Event of Default specified in Section 6.1(a)(7) above with respect to the Company) shall occur and be continuing, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in Section 6.1(a)(7) above occurs with respect to the Company, then the unpaid principal of (and

premium, if any) and accrued and unpaid interest on all the Notes shall become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

(b) At any time after a declaration of acceleration with respect to the Notes as described in Section 6.2(a), the Holders of a majority in principal amount of the Notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses (including the fees and expenses of its counsel), disbursements and advances.

No rescission shall affect any subsequent Default or impair any rights relating thereto.

Section 6.3 Other Remedies.

(a) If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

(b) The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

Section 6.4 Waiver of Past Defaults. The Holders of a majority in principal amount of the Notes may waive any existing Default or Event of Default hereunder, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any Notes.

Section 6.5 Control by Majority. Subject to the provisions of this Indenture and applicable law, the Holders of a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

Section 6.6 Limitation on Suits.

(a) No Holder of any Notes shall have any right to institute any proceeding with respect hereto or for any remedy hereunder, unless:

(1) such Holder gives to the Trustee written notice of a continuing Event of Default;

(2) Holders of at least 25% in principal amount of the then outstanding Notes make a written request to pursue the remedy;

(3) such Holders of the Notes provide to the Trustee satisfactory indemnity;

(4) the Trustee does not comply within 60 days; and

(5) during such 60 day period the Holders of a majority in principal amount of the outstanding Notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided, that a Holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note.

Section 6.7 Rights of Holders to Receive Payment. Notwithstanding any other provision hereof (including, without limitation, Section 6.6), the right of any Holder to receive payment of principal of or interest on the Notes held by such Holder, on or after the respective due dates, Redemption Dates or repurchase date expressed herein or the Notes, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.8 Collection Suit by Trustee. If an Event of Default specified in Section 6.1(a)(1) and Section 6.1(a)(2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company and each Subsidiary Guarantor for the whole amount then due and owing (together with applicable interest on any overdue principal and, to the extent lawful, interest on overdue interest) and the amounts provided for in Section 7.7. Subject to all provisions hereof and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

Section 6.9 Trustee May File Proofs of Claim, etc.

(a) The Trustee may (irrespective of whether the principal of the Notes is then due):

(1) file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders under this Indenture and the Notes allowed in any bankruptcy, insolvency, liquidation or other judicial proceedings relative to the Company, any Subsidiary

Guarantor or any Subsidiary of the Company or their respective creditors or properties; and

(2) collect and receive any moneys or other property payable or deliverable in respect of any such claims and distribute them in accordance with this Indenture.

Any receiver, trustee, liquidator, sequestrator (or other similar official) in any such proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, taxes, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due to the Trustee pursuant to Section 7.7.

(b) Nothing in this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 Priorities. If the Trustee collects any money or property pursuant to this Article VI, it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.7;

SECOND: if the Holders proceed against the Company directly without the Trustee in accordance with this Indenture, to Holders for their collection costs;

THIRD: to Holders for amounts due and unpaid on the Notes for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

FOURTH: to the Company or, to the extent the Trustee collects any amount pursuant to Article X from any Subsidiary Guarantor, to such Subsidiary Guarantor, or to such party as a court of competent jurisdiction shall direct.

The Trustee may, upon notice to the Company, fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

Section 6.11 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by the Company, a suit by a Holder pursuant to Section 6.7 or a suit by Holders of more than 10% in principal amount of Outstanding Notes.

ARTICLE VII

TRUSTEE

Section 7.1 Duties of Trustee.

(a) If a Default or an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of a Default or an Event of Default:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine such certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph (c) does not limit the effect of paragraph (b) of this Section 7.1;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.2, Section 6.5 or Section 6.8.

(d) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company.

(e) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(f) No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VII.

(h) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(i) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities that might be incurred by it in compliance with such request or direction.

Section 7.2 Rights of Trustee. Subject to Section 7.1:

(a) The Trustee may rely on any document reasonably believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting at the direction of the Company or any Subsidiary Guarantor, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any attorney or agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers, subject to Section 7.1(c).

(e) The Trustee may consult with counsel of its selection, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) If the Trustee shall determine, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney.

(g) The Trustee shall not be deemed to have notice of any Default or Event of Default (other than payment default under Section 6.1 (a)(1) or (2)) unless a Trust Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(h) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

(i) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(j) The Trustee makes no representation as to the validity or sufficiency of this Indenture, of any offering materials or of the Notes. The Trustee shall not be accountable for the use or application by the Company of the Notes or of the proceeds thereof.

(k) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it with respect to Notes in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount Outstanding of the Notes relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(l) Anything in this Indenture to the contrary notwithstanding, in no event shall the Trustee or any Agent be liable under or in connection with this Indenture for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits, whether or not foreseeable, even if the Trustee or such Agent has been advised of the possibility thereof and regardless of the form of action in which such damages are sought.

(m) The Trustee shall not be deemed to have notice of any Event of Default with respect to a Series of Notes unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee.

(n) Notwithstanding any provision herein to the contrary, in no event shall the Trustee be liable for any failure or delay in the performance of its obligations under this Indenture because of circumstances beyond its control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, strikes or work stoppages for any reason, embargo, government action, including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Indenture, inability to obtain material, equipment, communications or computer facilities, or the failure of equipment

or interruption of communications or computer facilities, and other causes beyond its control whether or not of the same class or kind as specifically named above.

(o) Neither the Company nor any Agent shall have any responsibility or obligation to any beneficial owner of an interest in a global note, a member of, or a participant in, DTC or other person with respect to the accuracy of the records of DTC or its nominee of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other person (other than DTC) of any notice (including any notice of redemption) or the payment of any amount or delivery of any Notes (or other security or property) under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders in respect of the Notes shall be given or made only to or upon the order of the registered Holders (which shall be DTC or its nominee in the case of a global note). The rights of beneficial owners in any global not shall be exercised only through DTC subject to the applicable rules and procedures of DTC. The Company and each Agent may rely and shall be fully protected in relying upon information furnished by DTC with respect to its members, participants and any beneficial owners.

(p) No agent shall be under any obligation or have any duty to (i) monitor compliance with or with respect to securities or tax laws (including but not limited to any United States federal or state or other securities or tax laws, or (ii) except as specifically provided herein, obtain documentation on any transfers or exchanges of the Notes.

Section 7.3 Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company, the Subsidiary Guarantors or any of their Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar or co-Registrar may do the same with like rights. However, the Trustee must comply with Section 7.10 and Section 7.11.

Section 7.4 Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes or the Note Guarantees, it shall not be accountable for the Company's use of the proceeds from the Notes, and it shall not be responsible for any statement of the Company in this Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication.

Section 7.5 Notice of Defaults. If a Default or Event of Default occurs and is continuing and if it is a payment default or a Trust Officer has actual knowledge thereof, or has received written notice thereof pursuant to 7.3(g) above the Trustee shall mail to each Holder notice of the Default or Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold the notice if and so long as its Trust Officer in good faith determines that withholding the notice is in the interests of the Holders.

Section 7.6 Reports by Trustee to Holders. The Trustee shall comply with TIA § 313. The Company agrees to notify promptly the Trustee whenever the Notes become listed on any stock exchange and of any delisting thereof.

Section 7.7 Compensation and Indemnity.

(a) The Company shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder as the Company and the Trustee shall from time to time agree in writing. The Company shall pay the reasonable fees and expenses of the Trustee's counsel incurred in the review, negotiation and delivery of this Indenture and related documentation, and in connection with any amendments or supplements hereto. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, costs of preparing and reviewing reports, certificates and other documents, costs of preparation and mailing of notices to Holders and reasonable fees and expenses of counsel retained by the Trustee, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts.

(b) The Company and the Subsidiary Guarantors shall jointly and severally indemnify the Trustee against any and all loss, liability or expense (including reasonable attorneys' fees and expenses) incurred by it without negligence, willful misconduct or bad faith on its part in connection with the acceptance and administration of this trust and the performance of its duties hereunder, including the costs and expenses of enforcing this Indenture (including this Section 7.7) and of defending itself against any claims (whether asserted by any Holder, the Company, any Subsidiary Guarantor or otherwise). The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee may have separate counsel and the Company shall pay the fees and expenses of such counsel, *provided* that the Company shall not be required to pay such fees and expenses if it assumes the Trustee's defense, and, the Company's counsel is reasonably acceptable to the Trustee, in the reasonable judgment of outside counsel to the Trustee, there is no conflict of interest or potential conflict of interest between the Company and the Trustee in connection with such defense. The Company need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own negligence, willful misconduct or bad faith, as determined by a competent court of appropriate jurisdiction in a final, non-appealable judgment.

(c) To secure the Company's payment obligations in this Section 7.7, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.7 shall not be subordinate to any other liability or Indebtedness of the Company.

(d) The Company's payment obligations pursuant to this Section 7.7 shall survive the discharge of this Indenture and the resignation or removal of the Trustee. When the Trustee incurs expenses after the occurrence of a Bankruptcy Law Event of Default, the expenses are intended to constitute expenses of administration under any Bankruptcy Law; *provided, however*, that this shall not affect the Trustee's rights as set forth in this Section 7.7 or Section 6.10.

Section 7.8 Replacement of Trustee.

(a) The Trustee may resign at any time by so notifying the Company. The Holders of a majority in principal amount of the Outstanding Notes may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee reasonably acceptable to the Company. The Company shall remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged bankrupt or insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

(b) If the Trustee resigns or is removed by the Company or by the Holders of a majority in principal amount of the Outstanding Notes and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of the Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee.

(c) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.7.

(d) If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of 10% in principal amount of the Outstanding Notes may petition, at the Company's expense, any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) Notwithstanding the replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 shall continue for the benefit of the retiring Trustee.

Section 7.9 Successor Trustee by Merger.

(a) If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business (including this transaction) or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

(b) In case at the time such successor or successors to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.

Section 7.10 Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA § 310(a). The Trustee shall have a combined capital and surplus of at least US$150 million as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA § 310(b); *provided, however*, that there shall be excluded from the operation of TIA § 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Company are outstanding if the requirements for such exclusion set forth in TIA § 310(b)(1) are met.

Section 7.11 Preferential Collection of Claims Against Company. The Trustee shall comply with TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311 (a) to the extent indicated.

Section 7.12 Appointment of Co-Trustee.

(a) Notwithstanding any other provisions in this Indenture, at any time, solely for the purpose of meeting the legal requirements of any jurisdiction, the Trustee shall have the power and may execute and deliver all instruments necessary to appoint one or more Persons to act as separate trustee or trustees or as co-trustee or co-trustees, and to vest in such Person or Persons, in such capacity and subject to the other provisions of this Indenture, such powers, duties, obligations and rights as the Trustee may consider necessary or desirable. No co-trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under this Indenture and no notice to Holders of Notes of the appointment of a separate trustee or co-trustee shall be required under this Indenture.

(b) Every separate trustee or co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed singly by such co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees or co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VII. Each separate trustee or co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, jointly with the Trustee, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection or rights (including the rights to compensation, reimbursement and indemnification hereunder) to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee or its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 7.13 Luxembourg Paying Agent. The rights, protections and immunities granted to the Trustee under this Article VII shall apply *mutatis mutandis* to the Luxembourg Paying Agent.

ARTICLE VIII

DEFEASANCE; DISCHARGE OF INDENTURE

Section 8.1 Legal Defeasance and Covenant Defeasance.

(a) The Company may, at its option, at any time, elect to have either paragraph (b) or (c) of this Section 8.1 be applied to its obligations with respect to all outstanding Notes and all obligations of the Subsidiary Guarantors under the Note Guarantees upon compliance with the conditions set forth in Section 8.2.

(b) Upon the Company's exercise under paragraph (a) of this Section 8.1 of the option applicable to this paragraph (b), the Company shall, subject to the satisfaction of the conditions set forth in Section 8.2, be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes and Note Guarantees after the deposit specified in Section 8.2 (a) (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the Outstanding Notes, which shall thereafter be deemed to be Outstanding only for the purposes of Section 8.3 and the other Sections of this Indenture referred to in clause (i) or (ii) of this paragraph (b), and to have satisfied all its other obligations under

such Notes and hereunder (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions, which shall survive until otherwise terminated or discharged hereunder:

(i) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on the Notes when such payments are due,

(ii) the Company's obligations with respect to such Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments,

(iii) the rights, powers, trusts, duties, immunities and indemnities of the Trustee hereunder and the Company's and the Subsidiary Guarantors' obligations in connection therewith, and

(iv) this Article VIII.

Subject to compliance with this Article VIII, the Company may exercise its option under this paragraph (b) notwithstanding the prior exercise of its option under paragraph (c) of this Section 8.1.

(c) Upon the Company's exercise under paragraph (a) of this Section 8.1 of the option applicable to this paragraph (c), the Company may, at its option and at any time, elect to have its obligations and the obligations of the Subsidiary Guarantors, subject to the satisfaction of the applicable conditions set forth in Section 8.2, released from obligations under the covenants (including, without limitations contained in Sections 3.4, 3.5, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, 3.18, 3.19, 3.20, 3.21, 3.22 and 4.1(a)(2) with respect to the Outstanding Notes on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not Outstanding for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be Outstanding for all other purposes hereunder (it being understood that such Notes shall not be deemed Outstanding for accounting purposes). For this purpose, such Covenant Defeasance means that, with respect to the Outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event or Default with respect to the Notes or the Note Guarantees under Section 6.1(a)(3) (except in respect of a failure to perform under or comply with Section 4.1(c), Section 6.1(a)(4) or Section 6.1(a)(5)), but, except as specified above, the remainder hereof and such Notes shall be unaffected thereby.

Section 8.2 Conditions to Defeasance. The Company may exercise its Legal Defeasance option or its Covenant Defeasance option only if:

(a) the Company has irrevocably deposited with the Trustee, in trust, for the benefit of the Holders cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient

without reinvestment, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(b) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that:

(1) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(2) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) to the effect that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) in the case of Legal Defeasance or Covenant Defeasance, the Company has delivered to the Trustee:

(1) an Opinion of Counsel from counsel in Mexico reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that, based upon Mexican law then in effect, Holders will not recognize income, gain or loss for Mexican tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Mexican taxes on the same amounts and in the same manner and at the same time as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred, or

(2) a ruling directed to the Trustee received from the tax authorities of Mexico to the same effect as the Opinion of Counsel described in clause (1) above;

(e) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to Section 8.2(a) (except any Default or Event of Default

resulting from the failure to comply with Section 3.9 as a result of the borrowing of the funds required to effect such deposit);

(f) the Trustee has received an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under this Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(g) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(h) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(i) the Company has delivered to the Trustee an Opinion of Counsel from counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

Section 8.3 Application of Trust Money. The Trustee shall hold in trust U.S. Legal Tender or U.S. Government Obligations deposited with it pursuant to this Article VIII. It shall apply the deposited money and the U.S. Legal Tender from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Notes.

Section 8.4 Repayment to Company.

(a) The Trustee and the Paying Agent shall promptly turn over to the Company upon request any excess money or securities held by them upon payment of all the obligations under this Indenture.

(b) Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal of or interest on the Notes that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Company for payment as general creditors.

Section 8.5 Indemnity for U.S. Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

Section 8.6 Reinstatement. If the Trustee or Paying Agent is unable to apply any U.S. Legal Tender or U.S. Government Obligations in accordance with this Article VIII by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article VIII until such time as the Trustee or Paying Agent is permitted to apply all such U.S. Legal Tender or U.S. Government Obligations in accordance with this Article VIII; *provided, however*, that, if the Company has made any payment of principal of or interest on any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the U.S. Legal Tender or U.S. Government Obligations held by the Trustee or Paying Agent.

Section 8.7 Satisfaction and Discharge. This Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for herein) as to all Outstanding Notes when:

(a) either:

(1) all the Notes theretofor, authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(2) all Notes not theretofor delivered to the Trustee for cancellation have become due and payable, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain U.S. Government Obligations sufficient without reinvestment to pay and discharge the entire Indebtedness on the Notes not theretofor delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

(b) the Company has paid all other sums payable under this Indenture and the Notes by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture have been complied with.

ARTICLE IX

AMENDMENTS

Section 9.1 Without Consent of Holders.

(a) The Company, the Subsidiary Guarantors and the Trustee may amend this Indenture, the Notes or the Note Guarantees without notice to or consent of any Holder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to provide for the assumption by a Surviving Entity of the obligations of the Company under the Notes or a Subsidiary Guarantor obligation under the Note Guarantee in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Subsidiary Guarantor's assets, as applicable, to the extent permitted under this Indenture;

(3) to provide for uncertificated Notes in addition to or in place of certificated Notes; *provided, however*, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code;

(4) to add guarantees with respect to the Notes or to secure the Notes;

(5) to allow any Subsidiary Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes and to release Note Guarantors from the Note Guarantee in accordance with the terms of this Indenture;

(6) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company;

(7) to comply with applicable requirements of the SEC;

(8) to conform the text of this Indenture, the Note Guarantees or the Notes to any provision of the section "Description of Notes" in the Offering Circular to the extent that such provision in such "Description of Notes" was intended to be a verbatim recitation of a provision of this Indenture or the Notes or Note Guarantees;

(9) to comply with the requirements of any applicable securities depositary;

(10) to make any change that provides any additional rights or benefits to the Holders or that does not adversely affect the legal rights hereunder of any such Holder and to provide for a successor Trustee in accordance with the terms hereof, to otherwise comply with any requirement hereof;

(11) to provide for the issuance of Additional Notes as permitted by Section 2.2(c) and Section 2.13, which will have terms substantially identical to the other Outstanding Notes except as specified in Section 2.13, and which will be treated, together with any other Outstanding Notes, as a single issue of securities;

(13) to provide for a successor Trustee in accordance with the terms of this Indenture;

(14) to otherwise comply with any requirement of this Indenture; or

(15) to make any other changes which do not adversely affect the rights of any of the Holders in any material respect.

(b) After an amendment under this Section 9.1 becomes effective, the Company shall mail to Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.1.

Section 9.2 With Consent of Holders.

(a) The Company, the Subsidiary Guarantors and the Trustee may amend this Indenture or the Notes without notice to any Holder but with the written consent of the Holders of at least a majority in principal amount of the then Outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of each Holder affected, an amendment may not:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment supplement or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest, including Defaulted Interest, on any Notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor;

(4) make any Notes payable in money other than that stated in the Notes;

(5) make any change in the provisions of this Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Note on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default;

(6) amend, change or modify in any material respect any obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control that has occurred or make and consummate an Asset Sale Offer with respect to any Asset Sale that that has been consummated;

(7) eliminate or modify in any manner the obligations of a Subsidiary Guarantor with respect to its Note Guarantee, which adversely affects Holders in any material respect, except as contemplated in this Indenture;

(8) make any change to Section 3.21 that adversely affects the rights of any Holder or amend the terms of the Notes in a way that would result in a loss of exemption from Taxes; or

(9) make any change to the provisions of this Indenture or the Notes that adversely affect the ranking of the Notes.

(b) It shall not be necessary for the consent of the Holders under this Section 9.2 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof. The Trustee will be entitled to rely on such evidence as it deems appropriate, including solely on an Opinion of Counsel and Officers' Certificate, and shall have no liability whatsoever in reliance upon the foregoing.

(c) After an amendment, supplement or waiver under this Section 9.2 becomes effective, the Company shall mail to Holders a notice briefly describing such amendment, supplement or waiver. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment, supplement or waiver under this Section 9.2.

Section 9.3 Revocation and Effect of Consents and Waivers.

(a) A consent to an amendment, supplement or waiver by a Holder of a Note shall bind the Holder and every subsequent Holder of that Note or portion of the Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent or waiver is not made on the Note. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Note or portion of the Note if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. After an amendment, supplement or waiver becomes effective, it shall bind every Holder, except as otherwise provided in this Article IX. An amendment, supplement or waiver shall become effective upon receipt by the Trustee of the requisite number of written consents under Section 9.2.

(b) The Company may, but shall not be obligated to, fix a record date, which need not be the date provided in TIA § 316(c) to the extent it would otherwise be applicable, for the purpose of determining the Holders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

Section 9.4 Notation on or Exchange of Notes. If an amendment or supplement changes the terms of a Note, the Trustee may require the Holder of the Note to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Note will execute and upon Company Order the Trustee will

authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment or supplement.

Section 9.5 Trustee to Sign Amendments and Supplements. The Trustee shall sign any amendment or supplement authorized pursuant to this Article IX if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment or supplement the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 7.1 and Section 7.2) shall be fully protected in relying upon, such evidence as it deems appropriate, including, without limitation, solely on an Opinion of Counsel stating that such amendment or supplement is authorized or permitted hereby.

ARTICLE X

NOTE GUARANTEES

Section 10.1 Note Guarantees.

(a) Each Subsidiary Guarantor hereby fully, unconditionally and irrevocably guarantees, as primary obligor and not merely as surety, jointly and severally with each other Subsidiary Guarantor, to each Holder and the Trustee the full and punctual payment when due, whether at maturity, by acceleration, by redemption or otherwise, of the Obligations (such guaranteed Obligations, the "Guaranteed Obligations"). Each Subsidiary Guarantor further agrees (to the extent permitted by law) that the Obligations may be extended or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound under this Article X notwithstanding any extension or renewal of any Obligation. Each Subsidiary Guarantor hereby agrees to pay, in addition to the amounts stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under any Note Guarantee.

(b) Each Subsidiary Guarantor waives presentation to, demand of payment from and protest to the Company of any of the Obligations and also waives notice of protest for nonpayment. Each Subsidiary Guarantor waives notice of any default under the Notes or the Obligations. The obligations of each Subsidiary Guarantor hereunder shall not be affected by (i) the failure of any Holder to assert any claim or demand or to enforce any right or remedy against the Company or any other Person under this Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Notes or any other agreement; (iv) the release of any security held by any Holder or the Trustee for the Obligations or any of them; (v) the failure of any Holder to exercise any right or remedy against any other Subsidiary Guarantor; or (vi) any change in the ownership of the Company.

(c) Each Subsidiary Guarantor further agrees that its Note Guarantee herein constitutes a guarantee of payment when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder to any security held for payment of the Obligations.

(d) Each of the Subsidiary Guarantors further expressly waives irrevocably and unconditionally:

(i) Any right it may have to first require any Holder to proceed against, initiate any actions before a court of law or any other judge or authority, or enforce any other rights or security or claim payment from the Company or any other Person (including any Subsidiary Guarantor or any other guarantor) before claiming from it under this Indenture;

(ii) Any right to which it may be entitled to have the assets of the Company or any other Person (including any Subsidiary Guarantor or any other guarantor) first be used, applied or depleted as payment of the Company's or the Subsidiary Guarantors' obligations hereunder, prior to any amount being claimed from or paid by any of the Subsidiary Guarantors hereunder;

(iii) Any right to which it may be entitled to have claims hereunder divided between the Subsidiary Guarantors;

(iv) To the extent applicable, the benefits of *orden*, *excusión*, *división*, *quita* and *espera* and any right specified in articles 2814, 2815, 2817, 2818, 2819, 2820, 2821, 2822, 2823, 2826, 2837, 2838, 2839, 2840, 2845, 2846, 2847 that are not explicitly set forth herein because of Subsidiary Guarantor's knowledge thereof and any other related or applicable articles of the *Código Civil Federal* of Mexico, and the *Código Civil* of each State of the Mexican Republic and the Federal District of Mexico.

The obligations assumed by each Subsidiary Guarantor hereunder shall not be affected by the absence of judicial request of payment by a Holder to the Company or by whether any such person takes timely action pursuant to articles 2848 and 2849 of the *Código Civil Federal* of Mexico and its correlative articles in the *Código Civil* of each State of Mexico and the Federal District of Mexico and each Subsidiary Guarantor hereby expressly waives the provisions of such articles.

(e) The obligations of each Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than payment of the Obligations in full), including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder to assert any claim or demand or to enforce any remedy under this Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of such Subsidiary Guarantor or would otherwise operate as a discharge of such Subsidiary Guarantor as a matter of law or equity.

(f) Each Subsidiary Guarantor further agrees that its Note Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any of the Obligations is rescinded or must otherwise be restored by any Holder upon the bankruptcy or reorganization of the Company or otherwise.

(g) In furtherance of the foregoing and not in limitation of any other right which any Holder has at law or in equity against each Subsidiary Guarantor by virtue hereof, upon the failure of the Company to pay any of the Obligations when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, each Subsidiary Guarantor hereby promises to and will, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders an amount equal to the sum of:

(i) the unpaid amount of such Obligations then due and owing; and

(ii) accrued and unpaid interest on such Obligations then due and owing (but only to the extent not prohibited by law).

(h) Each Subsidiary Guarantor further agrees that, as between such Subsidiary Guarantor, on the one hand, and the Holders, on the other hand:

(i) the maturity of the Obligations guaranteed hereby may be accelerated as provided in this Indenture for the purposes of its Note Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed hereby; and

(ii) in the event of any such declaration of acceleration of such Obligations, such Obligations (whether or not due and payable) shall forthwith become due and payable by such Subsidiary Guarantor for the purposes of its Note Guarantee.

Section 10.2 Limitation on Liability; Termination, Release and Discharge.

(a) The obligations of each Subsidiary Guarantor hereunder will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Note Guarantee or pursuant to its contribution obligations under this Indenture, result in the Obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law.

(b) Each Subsidiary Guarantor will be released and relieved of its obligations under its Note Guarantee in the event that:

i. there is a Legal Defeasance or a Covenant Defeasance of the Notes pursuant to Section 8.1 or Article VIII;

ii. there is a sale or other disposition of Capital Stock of such Subsidiary Guarantor following which such Subsidiary Guarantor is no longer a direct or indirect Subsidiary of the Company; or

iii. such Subsidiary Guarantor is designated as an Unrestricted Subsidiary in accordance with Section 3.13;

provided, that the transaction is carried out pursuant to and in accordance with all other applicable provisions hereof.

Section 10.3 Right of Contribution. Each Subsidiary Guarantor that makes a payment or distribution under a Note Guarantee will be entitled to a contribution from each other Subsidiary Guarantor in a pro rata amount, based on the net assets of each Subsidiary Guarantor determined in accordance with MFRS. The provisions of this Section 10.3 shall in no respect limit the obligations and liabilities of each Subsidiary Guarantor to the Trustee and the Holders and each Subsidiary Guarantor shall remain liable to the Trustee and the Holders for the full amount guaranteed by such Subsidiary Guarantor hereunder.

Section 10.4 No Subrogation. Each Subsidiary Guarantor agrees that it shall not be entitled to any right of subrogation in respect of any Guaranteed Obligations until payment in full in cash or Cash Equivalents of all Obligations. If any amount shall be paid to any Subsidiary Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full in cash or Cash Equivalents, such amount shall be held by such Subsidiary Guarantor in trust for the Trustee and the Holders, segregated from other funds of such Subsidiary Guarantor, and shall, forthwith upon receipt by such Subsidiary Guarantor, be turned over to the Trustee in the exact form received by such Subsidiary Guarantor (duly endorsed by such Subsidiary Guarantor to the Trustee, if required), to be applied against the Obligations.

Section 10.5 Additional Note Guarantees.

(a) The Company covenants and agrees that, at any time after the date hereof any of the Company's Wholly-Owned Restricted Subsidiaries that is not at such time a Subsidiary Guarantor becomes a Significant Subsidiary (including upon a Revocation of the Designation of a Subsidiary as an Unrestricted Subsidiary), the Company shall, after becoming aware of such event, (i) promptly notify the Trustee in writing of such event and (ii) cause such Wholly-Owned Restricted Subsidiary (an "Additional Subsidiary Guarantor") concurrently to become a Subsidiary Guarantor on a senior basis (promptly following the determination in accordance with the terms of this Indenture that such Restricted Subsidiary is a Wholly-Owned Subsidiary and a Significant Subsidiary) by executing a Supplemental Indenture substantially in the form of Exhibit E hereto and providing the Trustee with an Officers' Certificate and Opinion of Counsel and to comply in all respects with the provisions of this Indenture and the Notes, as applicable; *provided*, *however*, that each Additional Subsidiary Guarantor will be automatically and unconditionally released and discharged from its obligations under such additional note guarantee ("Additional Note Guarantee") only in accordance with Section 10.2.

(b) The Company shall, following the date hereof, conduct an investigation and make a determination no later than 90 days following the end of the first, second and third quarter of each fiscal year, based on the financial information for the preceding quarter, and no later than 120 days following the end of each fiscal year, based on the financial information for the prior fiscal year, as to whether any Subsidiary has become a (i) Wholly-Owned Restricted Subsidiary and (ii) a Significant Subsidiary.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Notices.

(a) Any notice or communication shall be in writing and delivered in person, by telecopy or mailed by first-class mail, postage prepaid, addressed as follows:

if to the Company and the Subsidiary Guarantors:

Desarrolladora Homex, S.A.B. de C.V.
Andador Javier Mina 891-B
Colonia Centro Sinaloa
80200 Culiacán, Sinaloa, México,
Attention: Roberto Carrillo Herrera
Fax No.: +52 (55) 5203-8171 x102

with a copy to:

Milbank, Tweed, Hadley & McCloy LLP
One Chase Manhattan Plaza
New York, NY 10005-1413
U.S.A.
Attention: Michael Fitzgerald
Fax No.: (212) 822-5224

if to the Trustee: The Bank of New York Mellon
Global Finance Americas
101 Barclay Street, 21 West
New York, NY 10286
Fax No.: (212) 815-5802/5803

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) From and after the date the Notes are listed on the Euro MTF, the alternative market of the Luxembourg Stock Exchange and so long as it is required by the rules of such exchange, all notices to Holders of Notes shall be published in English:

(1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*); or

(2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

(c) Notices shall be deemed to have been given on the date of publication as aforesaid in Section 11.1(b) or, if published on different dates, on the date of the first such publication. In addition, notices shall be mailed to holders of Notes at their registered addresses.

(d) Any notice or communication mailed to a registered Holder shall be mailed to the Holder at the Holder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

(e) Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

(f) Any notice or communication delivered to the Company under the provisions herein shall constitute notice to the Subsidiary Guarantors.

Section 11.2 Communication by Holders with Other Holders. Holders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture (including the Note Guarantees) or the Notes. The Company, the Subsidiary Guarantors, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

Section 11.3 Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 11.4 Statements Required in Certificate or Opinion. Each certificate or opinion, including each Officers' Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that the individual making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

In giving an Opinion of Counsel, counsel may rely as to factual matters on an Officers' Certificate or on certificates of public officials.

Section 11.5 Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by, or a meeting of, Holders. The Registrar and the Paying Agent may make reasonable rules for their functions.

Section 11.6 Legal Holidays. A "Legal Holiday" is a Saturday, a Sunday or other day on which commercial banking institutions are authorized or required to be closed in New York City and in Mexico. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

Section 11.7 Governing Law, etc.

(a) THIS INDENTURE (INCLUDING EACH NOTE GUARANTEE) AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY. THE PARTIES HERETO EACH HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS INDENTURE, EACH NOTE GUARANTEE OR THE NOTES OR ANY TRANSACTION RELATED HERETO OR THERETO TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.

(b) Each of the parties hereto:

(i) agrees that any suit, action or proceeding against it arising out of or relating to this Indenture (including the Note Guarantees) or the Notes, as the case may be, may be instituted in any Federal or state court sitting in the Borough of Manhattan, The City of New York,

(ii) waives to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, any claim that any suit, action or proceeding in such a court has been brought in an inconvenient forum and any right to which it may be entitled on account of place of residence or domicile,

(iii) irrevocably submits to the jurisdiction of such courts in any suit, action or proceeding,

(iv) agrees that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding may be enforced in the courts of the jurisdiction of which it is subject by a suit upon judgment, and

(v) agrees that service of process by mail to the addressed specified herein shall constitute personal service of such process on it in any such suit, action or proceeding.

(c) The Company and the Subsidiary Guarantors have appointed CT Corporation System with offices currently at 111 Eighth Avenue, New York, New York 10011 as their authorized agent (the "Authorized Agent") upon whom all writs, process and summonses may be served in any suit, action or proceeding arising out of or based upon this Indenture or the Notes which may be instituted in any state or federal court in The City of New York, New York. The Company and the Subsidiary Guarantors hereby represent and warrant that the Authorized Agent has accepted such appointment and has agreed to act as said agent for service of process, and the Company and the Subsidiary Guarantors agree to take any and all action, including the filing of any and all documents, that may be necessary to continue each such appointment in full force and effect as aforesaid so long as the Notes remain outstanding. The Company and the Subsidiary Guarantors agree that the appointment of the Authorized Agent shall be irrevocable so long as any of the Notes remain outstanding or until the irrevocable appointment by the Company and the Subsidiary Guarantors of a successor agent in The City of New York, New York as each of their authorized agent for such purpose and the acceptance of such appointment by such successor. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Company and the Subsidiary Guarantors.

(d) To the extent that any of the Company and the Subsidiary Guarantors have or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to itself or any of its property, the Company and the Subsidiary Guarantors hereby irrevocably waive and agree not to plead or claim such immunity in respect of their obligations under this Indenture or the Notes.

(e) Nothing in this Section 11.7 shall affect the right of the Trustee or any Holder of the Notes to serve process in any other manner permitted by law.

Section 11.8 No Recourse Against Others. An incorporator, director, officer, employee, stockholder or controlling person, as such, of the Company or any Subsidiary Guarantor shall not have any liability for any obligations of the Company under the Notes, this Indenture or the Note Guarantees or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

Section 11.9 Successors. All agreements of the Company and the Subsidiary Guarantors in this Indenture and the Notes shall bind their respective successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 11.10 Duplicate and Counterpart Originals. The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture. This Indenture may be executed in any number of counterparts, each of which so executed shall be an original, but all of them together represent the same agreement.

Section 11.11 Severability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.12 Currency Indemnity

(a) U.S. Legal Tender is the sole currency of account and payment for all sums payable by the Company or any Subsidiary Guarantor under or in connection with the Notes or this Indenture, including damages. Any amount received or recovered in currency other than U.S. Legal Tender (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company, any Subsidiary or otherwise) by any Holder of the Notes in respect of any sum expressed to be due to it from the Company or any Subsidiary Guarantor shall only constitute a discharge of them under the Notes and this Indenture to the extent of the U.S. Legal Tender amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. Legal Tender amount is less than the U.S. Legal Tender amount expressed to be due to the recipient under the Notes or this Indenture, the Company and the Subsidiary Guarantors shall jointly and severally indemnify and hold harmless the recipient against any loss sustained by it in making any such purchase. In any event, the Company and the Subsidiary Guarantors shall jointly and severally indemnify the Holder against the cost of making any purchase of U.S. Legal Tender. For the purposes of this Section 11.12, it will be sufficient for the Holder of a Note to certify in a satisfactory manner that it would have suffered a loss had an actual purchase of U.S. Legal Tender been made with the amount received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. Legal Tender on such date had not been practicable, on the first date on which it would have been practicable) and that the change of the purchase date was needed.

(b) The indemnities of the Company and the Subsidiary Guarantors contained in this Section 11.12, to the extent permitted by law: (i) constitute a separate and independent obligation from the other obligations of the Company and the Subsidiary Guarantors under this Indenture and the Notes; (ii) shall give rise to a separate and independent cause of action against the Company and the Subsidiary Guarantors; (iii) shall apply irrespective of any indulgence granted by any Holder of the Notes from time to time; and (iv) shall continue in full force and effect notwithstanding any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Notes.

Section 11.13 Table of Contents; Headings. The table of contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

DESARROLLADORA HOMEX,
S.A.B. DE C.V.

By: _____
Name:
Title:

PROYECTOS INMOBILIARIOS DE CULIACÁN, S.A. DE C.V.
as Subsidiary Guarantor

By: _____
Name:
Title:

DESARROLLADORA DE CASAS DEL NOROESTE, S.A. DE C.V.
as Subsidiary Guarantor

By: _____
Name:
Title:

CASAS BETA DEL CENTRO, S. DE R.L. DE C.V.
as Subsidiary Guarantor

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON
as Trustee

By: _____
Name:
Title:

Solely for the purposes of accepting the appointment of Luxembourg Paying Agent, together with the rights, protections and immunities granted to the Trustee under Article VII, which shall apply *mutatis mutandis* to the Luxembourg Paying Agent,

The Bank of New York Mellon (Luxembourg) S.A.,
as Luxembourg Paying Agent

By: _____
Name:
Title:

EXHIBIT A

FORM OF NOTE

"THIS IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF."

Include the following legend on all Notes that are Restricted Notes:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS GLOBAL NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS GLOBAL NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A ''QUALIFIED INSTITUTIONAL BUYER'' (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS GLOBAL NOTE IN AN ''OFFSHORE TRANSACTION'' PURSUANT TO RULE 903 OR 904 OF REGULATION S, (2) AGREES THAT IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THIS GLOBAL NOTE PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED IN THE NEXT PARAGRAPH), EXCEPT (A) (I) TO A PERSON WHO THE SELLER

REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION COMPLYING WITH RULE 144A, (II) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS GLOBAL NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS ‘‘OFFSHORE TRANSACTION,’’ ‘‘UNITED STATES’’ AND ‘‘U.S. PERSON’’ HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

THE RESALE RESTRICTION TERMINATION DATE WILL BE THE DATE:

(1) THAT IS AT LEAST ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF; AND (2) ON WHICH THE COMPANY INSTRUCTS THE TRUSTEE THAT THIS LEGEND (OTHER THAN THE FIRST PARAGRAPH HEREOF) SHALL BE DEEMED REMOVED FROM THIS SECURITY, IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE RELATING TO THIS SECURITY.*

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* This legend (other than the first three paragraphs hereof)(1) shall be deemed removed from the face of this Security without further action of the Company, the Trustee, or the holders of this Security at such time as the Company instructs the Trustee to remove such legend pursuant to Section 2.7(b) of the Indenture.

Include the following legend on all Regulation S Temporary Global Notes:

“PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)), THIS GLOBAL NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A PERSON REASONABLY BELIEVED TO BE A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A (“RULE 144A”) UNDER THE SECURITIES ACT) IN A

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(1) The referenced paragraphs are those that precede the private placement legend for all Notes that are Restricted Notes.

TRANSACTION MEETING THE REQUIREMENTS OF RULE l44A AND THE INDENTURE.

THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER SECURITIES ACT. NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED ABOVE.

NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL HEREOF OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE."

"IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR SUCH OPINIONS OF COUNSEL, CERTIFICATES AND/OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE IN FORM REASONABLY SATISFACTORY TO IT AS PROVIDED FOR IN THE INDENTURE TO CONFIRM THAT THE TRANSFER COMPLIED WITH THE FOREGOING RESTRICTIONS AS PROVIDED FOR IN THE INDENTURE."

FORM OF FACE OF NOTE

No. [ ] Principal Amount US$[ ]

[If the Note is a Global Note include the following two lines:
as revised by the Schedule of Increases and
Decreases in Global Note attached hereto]

CUSIP NO.
[If the Note is a Regulation S Global Note, delete the reference to CUSIP NO. and replace it with:
ISIN NO.]

Desarrolladora Homex, S.A.B. de C.V., a limited liability public company with variable capital (*sociedad anónima bursátil de capital variable*), promises to pay to [ ], or registered assigns, the principal sum of [ ] Dollars [*If the Note is a Global Note, add the following,* as revised by the Schedule of Increases and Decreases in Global Note attached hereto], on December 11, 2019.

Interest Payment Dates: June 11 and December 11

Record Dates: June 1 and December 1

Additional provisions of this Note are set forth on the other side of this Note.

DESARROLLADORA HOMEX,
S.A.B. DE C.V.

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

The Bank of New York Mellon,
as Trustee, certifies
that this is one of
the Notes referred
to in the Indenture.

By: _____
Authorized Signatory

Date: _____

FORM OF REVERSE SIDE OF NOTE

9.500% Senior Guaranteed Notes due December 11, 2019

1. Interest

Desarrolladora Homex, S.A.B. de C.V., a limited liability public company with variable capital (*sociedad anónima bursátil de capital variable*) (and its successors and assigns under the Indenture hereinafter referred to, the "Company"), promises to pay interest on the principal amount of this Note at the rate per annum shown above.

The Company will pay interest semiannually in arrears on each Interest Payment Date of each year commencing June 11, 2010. Interest on the Notes will accrue from the most recent date to which interest has been paid on the Notes or, if no interest has been paid, from December 11, 2009. The Company shall pay interest on overdue principal (plus interest on such interest to the extent lawful), at the rate borne by the Notes to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and, to the extent such payments are lawful, interest on overdue installments of interest ("Defaulted Interest") without regard to any applicable grace periods at the rate shown on this Note, as provided in the Indenture.

All payments made by the Company in respect of the Notes will be made free and clear of and without deduction or withholding for or on account of any Taxes imposed or levied by or on behalf of any Taxing Authority, unless such withholding or deduction is required by law or by the interpretation or administration thereof. In that event, the Company will pay to each Holder of the Notes Additional Amounts as provided in the Indenture subject to the limitations set forth in the Indenture.

2. Method of Payment

Prior to 10:00 a.m. New York City time on the date on which any principal of or interest on any Note is due and payable, the Company shall irrevocably deposit with the Trustee or the Paying Agent money sufficient to pay such principal and/or interest. The Company will pay interest (except Defaulted Interest) to the Persons who are registered Holders of Notes at the close of business on the Record Date preceding the Interest Payment Date even if Notes are canceled, repurchased or redeemed after the Record Date and on or before the relevant Interest Payment Date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Company will pay principal and interest in U.S. Legal Tender.

Payments in respect of Notes represented by a Global Note (including principal and interest) will be made by the transfer of immediately available funds to the accounts specified by DTC. The Company will make all payments in respect of a Certificated Note (including principal and interest) by mailing a check to the registered address of each Holder thereof; *provided, however*, that payments on the Notes may also be made, in the case of a Holder of at least US$1,000,000 aggregate principal amount of Notes, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects

payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 15 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, The Bank of New York Mellon (the "Trustee") will act as Trustee, Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-Registrar without notice to any Holder. The Company or any Subsidiary Guarantor may act as Paying Agent, Registrar or co-Registrar.

4. Indenture

The Company issued the Notes under an Indenture, dated as of December 11, 2009 (as it may be amended or supplemented from time to time in accordance with the terms thereof, the "Indenture"), between the Company, the Subsidiary Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the indenture by reference to the TIA. The Indenture is not, and is not required to be, qualified under the applicable provisions of the TIA and does not incorporate by reference all provisions of the TIA. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of those terms. Each Holder by accepting a Note, agrees to be bound by all of the terms and provisions of the Indenture, as amended or supplemented from time to time.

The Notes are general unsecured obligations of the Company. Subject to the conditions set forth in the Indenture and without the consent of the Holders, the Company may issue Additional Notes. All Notes will be treated as a single class of securities under the Indenture.

The Indenture imposes certain limitations on, among other things, the ability of the Company and its Subsidiaries to: Incur Additional Indebtedness, make Restricted Payments, incur Liens, make Asset Sales, enter into transactions with Affiliates, or consolidate or merge or transfer or convey all or substantially all of the Company's and its Subsidiaries' assets.

To guarantee the due and punctual payment of the principal of and interest on the Notes and all other amounts payable by the Company under the Indenture and the Notes when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Notes and the Indenture, Proyectos Inmobiliarios de Culiacán, S.A. de C.V., Desarrolladora de Casas del Noroeste, S.A. de C.V. and Casas Beta del Centro, S. de R.L. de C.V. have unconditionally guaranteed (and each future Wholly-Owned Restricted Subsidiary that becomes a Significant Subsidiary will unconditionally guarantee), jointly and severally, such obligations pursuant to the terms of the Indenture. Each Note Guarantee will be subject to release as provided in the Indenture. The obligations of each Subsidiary Guarantor in respect of its Note Guarantee will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Note Guarantee or

pursuant to its contribution obligations under this Indenture, result in the obligations of such Subsidiary Guarantor under its Note Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law.

5. Redemption

Optional Redemption. Except as stated below, the Company may not redeem the Notes prior to December 11, 2014. The Company may redeem the Notes, at its option, in whole at any time or in part from time to time, on and after December 11, 2014, at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on December 11 of any year set forth below:

Year	Percentage
2014	104.750%
2015	103.167%
2016	101.583%
2017 and thereafter	100.000%

Prior to December 11, 2014, the Company will have the right, at its option, to redeem any of the Notes, in whole or in part, at any time or from time to time prior to their maturity, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of such Notes and (2) the sum of the present value of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the "Make-Whole Amount"), plus in each case accrued interest on the principal amount of the Notes to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company.

"Comparable Treasury Price" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer" means Credit Suisse Securities (USA) LLC or HSBC Securities (USA) Inc. or their respective affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in New York City reasonably designated by the Company; *provided, however,* that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 pm New York time on the third business day preceding such redemption date.

Optional Redemption upon Equity Offerings. At any time, or from time to time, on or prior to December 11, 2012 the Company may, at its option, use the net cash proceeds of one or more Equity Offerings to redeem in the aggregate up to 35% of the aggregate principal amount of the Notes issued under the Indenture at a redemption price equal to 109.50% of the principal amount thereof; *provided*, that:

(1) after giving effect to any such redemption at least 65% of the aggregate principal amount of the Notes issued under the Indenture remains outstanding; and

(2) the Company shall make such redemption not more than 90 days after the consummation of such Equity Offering.

"Equity Offering" means (i) an underwritten public offering of Qualified Capital Stock of the Company pursuant to a registration statement (other than a registration statement filed on Form S-4 or S-8) filed with the SEC in accordance with the Securities Act or in accordance with applicable Mexican laws, rules and regulations, (ii) a rights offering of Qualified Capital Stock of the Company made generally to the holders of such Qualified Capital Stock or (iii) any private placement of Qualified Capital Stock of the Company to any Person, in each case other than issuances upon exercise of options by employees of the Company or any of its Subsidiaries.

Optional Redemption for Changes in Withholding Taxes. If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of Mexico or any political subdivision or taxing authority or other instrumentality thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective on or after the date on which the Notes we are offering are issued (which, in the case of a merger, consolidation or other transaction permitted and described under Section 4.1 of the Indenture, shall be treated for this purpose as the date of such transaction), we have become obligated, or will become obligated, in each case after taking all reasonable measures to avoid this requirement, to pay additional amounts in excess of those attributable to a Mexican withholding tax rate of 10% with respect to the Notes, then, at our option, all, but not less than all, of the Notes may be redeemed at any time on giving not less than 30 nor more than 60 days'

notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any additional amounts due thereon up to but not including the date of redemption; *provided, however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay these additional amounts if a payment on the Notes were then due and (2) at the time such notice of redemption is given such obligation to pay such additional amounts remains in effect.

Prior to the publication of any notice of redemption pursuant to this provision, the Company will deliver to the Trustee:

- a certificate signed by one of the Company's duly authorized representatives stating that the Company is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to the Company's right to redeem have occurred, and

- an opinion of Mexican legal counsel (which may be the Company's counsel) of recognized standing to the effect that the Company has or will become obligated to pay such additional amounts as a result of such change or amendment.

This notice, once delivered by the Company to the Trustee, will be irrevocable.

The Company will give notice to DTC pursuant to Section 5.3 of any redemption the Company proposes to make at least 30 days (but not more than 60 days) before the redemption date.

Optional Redemption Procedures. In the event that less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which Notes are listed or, if the Notes are not then listed on a national securities exchange, on a *pro rata* basis, by lot or by any other method as the Trustee shall deem fair and appropriate (subject to the procedures of DTC). If a partial redemption is made with the proceeds of an Equity Offering, selection of the Notes or portions thereof for redemption will, subject to the preceding sentence, be made by the Trustee only on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to the procedures of DTC), unless the method is otherwise prohibited. No Notes of a principal amount of US$1,000 or less may be redeemed in part and Notes of a principal amount in excess of US$1,000 may be redeemed in part in multiples of US$1,000 only.

Notice of any redemption will be mailed by first-class mail, postage prepaid, at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address. If Notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. For so long as the Notes are listed on Euro MTF, the alternative market of the Luxembourg Stock Exchange, the Company will cause notices of redemption also to be published as provided under Section 11.1. A new Note in a principal amount equal to the unredeemed portion thereof (if any) will be issued in the name of the Holder thereof upon cancellation of the original Note (or

appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate).

The Company will pay the redemption price for any Note together with accrued and unpaid interest thereon through the date of redemption. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of any Notes by the Company, such redeemed Notes will be cancelled.

In the case of any partial redemption, selection of the Notes for redemption will be made in accordance with Article V of the Indenture. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture.

6. Mandatory Repurchase Provisions

Change Of Control Offer. Upon the occurrence of a Change of Control, each Holder of Notes will have the right to require that the Company purchase all or a portion (in integral multiples of US$1,000) of the Holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest through the date of purchase. Within 30 days following the date upon which the Change of Control occurred, the Company must make a Change of Control Offer pursuant to a Change of Control Notice and, so long as the Notes are listed on Euro MTF, the alternative market of the Luxembourg Stock Exchange, publish the Change of Control Offer in a newspaper having general circulation in Luxembourg. As more fully described in the Indenture, the Change of Control Notice shall state, among other things, the Change of Control Payment Date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by applicable law.

Asset Sale Offer. The Indenture imposes certain limitations on the ability of the Company and its Restricted Subsidiaries to make Asset Sales. In the event the proceeds from a permitted Asset Sale exceed certain amounts and are not applied as specified in the Indenture, the Company will be required to make an Asset Sale Offer to purchase to the extent of such remaining proceeds each Holder's Notes together with holders of certain other Indebtedness at 100% of the principal amount thereof, plus accrued interest (if any) to the Asset Sale Offer Payment Date, as more fully set forth in the Indenture.

7. Denominations; Transfer; Exchange

The Notes are in fully registered form without coupons, and only in minimum denominations of US$2,000 and integral multiples of US$1,000 in excess thereof. A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange (i) any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) for a period beginning

15 days before the mailing of a notice of Notes to be redeemed and ending on the date of such mailing or (ii) any Notes for a period beginning 15 days before an interest payment date and ending on such interest payment date.

8. Persons Deemed Owners

The registered holder of this Note may be treated as the owner of it for all purposes.

9. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

10. Discharge Prior to Redemption or Maturity

Subject to certain conditions set forth in the Indenture, the Company at any time may terminate some or all of its obligations under the Notes and the Indenture if the Company deposits with the Trustee U.S. Legal Tender or U.S. Government Obligations for the payment of principal of and interest on the Notes to redemption or maturity, as the case may be.

11. Amendment, Waiver

(a) (1) Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Notes may be amended or supplemented with the written consent of the Holders of at least a majority in principal amount of the then Outstanding Notes and (ii) any default (other than with respect to nonpayment or in respect of a provision that cannot be amended or supplemented without the written consent of each Holder affected) or noncompliance with any provision may be waived with the written consent of the Holders of a majority in aggregate principal amount of the then Outstanding Notes. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency; or to provide for the assumption by a Surviving Entity of the obligations of the Company or a Subsidiary Guarantor obligation under the Note Guarantee under the Notes in the case of a merger or consolidation or sale of all on substantially all of the Company's or such subsidiary Guarantor's assets, as applicable, to the extent permitted under the Indenture; or provide for uncertificated Notes in addition to or in place of certificated Notes; *provided, however*, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code; or to add guarantees with respect to the Notes or to secure the Notes; or to allow any Subsidiary Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes and to release Note Guarantors from the Note Guarantee in accordance with the terms of Article X of the Indenture; or to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company; or to comply with applicable requirements of the SEC; or to conform the text of this Indenture, the Note Guarantees or the Notes to any provision of the section "Description of Notes" in the Offering Circular to the extent that such provision in such "Description of Notes"

was intended to be a verbatim recitation of a provision of this Indenture or the Notes or Note Guarantees; or to comply with the requirements of any applicable securities depositary; or to make any change that provides any additional rights or benefits to the Holders or that does not adversely affect the legal rights hereunder of any such Holder and to provide for a successor Trustee in accordance with the terms of the Indenture, to otherwise comply with any requirement of the Indenture; or to provide for the issuance of Additional Notes as permitted by Section 2.2(c) and Section 2.13 of the Indenture, which will have terms substantially identical to the other Outstanding Notes except as specified in Section 2.13 of the Indenture, and which will be treated, together with any other Outstanding Notes, as a single issue of securities; or to provide for a successor Trustee in accordance with the terms of the Indenture; or to otherwise comply with any requirement of this Indenture; or to make any other changes which do not adversely affect the rights of any of the Holders in any material respect.

12. Defaults and Remedies

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes may declare all the Notes to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which will result in the Notes being due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in principal amount of the Outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default or Event of Default (except a Default or Event of Default in payment of principal or interest) if it determines that withholding notice is in their interest.

13. Trustee Dealings with the Company

Subject to certain limitations set forth in the Indenture, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

14. No Recourse Against Others

An incorporator, director, officer, employee, stockholder or controlling person, as such, of the Company or any Subsidiary Guarantor shall not have any liability for any obligations of the Company under the Notes, the Indenture or any Note Guarantee or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

15. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Note.

16. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian) and U/G/M/A (=Uniform Gift to Minors Act).

17. CUSIP or ISIN Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP or ISIN numbers to be printed on the Notes and has directed the Trustee to use CUSIP or ISIN numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

18. Governing Law

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

19. Currency of Account; Conversion of Currency.

U.S. Legal Tender is the sole currency of account and payment for all sums payable by the Company and the Subsidiary Guarantors under or in connection with the Notes or the Indenture, including damages. The Company and the Subsidiary Guarantors will indemnify the Holders as provided in respect of the conversion of currency relating to the Notes and the Indenture.

20. Agent for Service; Submission to Jurisdiction; Waiver of Immunities.

The Company and the Subsidiary Guarantors have agreed that any suit, action or proceeding against the Company brought by any Holder or the Trustee arising out of or based upon the Indenture or the Notes may be instituted in any state or federal court in The City of New York, New York. The Company and the Subsidiary Guarantors have irrevocably submitted to the jurisdiction of such courts for such purpose and waived, to the fullest extent permitted by law, trial by jury, any objection they may now or hereafter have to the laying of venue of any such proceeding, and any claim they may now or hereafter have that any proceeding in any such court is brought in an inconvenient forum and any right to which any of them may be entitled, on account of place of residence or domicile. The Company and the Subsidiary Guarantors have appointed CT Corporation System with offices currently at 111 Eighth Avenue, 13th Floor, New York, New York 10011, as each of their authorized agent upon whom all writs, process and

summonses may be served in any suit, action or proceeding arising out of or based upon the Indenture or the Notes which may be instituted in any state or federal court in The City of New York, New York. To the extent that any of the Company and the Subsidiary Guarantors have or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to themselves or any of their property, the Company and the Subsidiary Guarantors have irrevocably waived and agreed not to plead or claim such immunity in respect of their obligations under the Indenture or the Notes.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Note in larger type. Requests may be made to:

Desarrolladora Homex, S.A.B. de C.V.
Gutemberg #219
Colonia Nueva Anzures
Miguel Hidalgo, 11590
Mexico City, Mexico

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

(Print or type assignee's name, address and zip code)

(Insert assignee's Social Security or Tax I.D. Number)

and irrevocably appoint agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

Signature Guarantee: _____
(Signature must be guaranteed)

Sign exactly as your name appears on the other side of this Note.

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to Exchange Act Rule 17Ad-15.

[To be attached to Global Notes only:

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Note Custodian

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 3.12 or Section 3.8 of the Indenture, check either box:

☐ **Section 3.12** ☐ **Section 3.8**

If you want to elect to have only part of this Note purchased by the Company pursuant to Section Section 3.12 or Section 3.8 of the Indenture, state the principal amount (which must be an integral multiple of US$1,000) that you want to have purchased by the Company: US$

Date: _____ Your Signature _____
(Sign exactly as your name appears on the other side of the Note)

Signature Guarantee: _____
(Signature must be guaranteed)

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to Exchange Act Rule 17Ad-15.

EXHIBIT B

FORM OF CERTIFICATE FOR TRANSFER TO QIB

[Date]

The Bank of New York Mellon
[Address of Trustee]

Re: 9.500% Senior Guaranteed Notes due December 11, 2019 (the "Notes")
of Desarrolladora Homex, S.A.B. de C.V. (the "Company")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of December 11, 2009 (as amended and supplemented from time to time, the "Indenture"), between the Company, the Subsidiary Guarantors party thereto and The Bank of New York Mellon, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to US$ aggregate principal amount of Notes [*in the case of a transfer of an interest in a Regulation S Global Note:* which represents an interest in a Regulation S Global Note] beneficially owned by the undersigned (the "Transferor") to effect the transfer of such Notes in exchange for an equivalent beneficial interest in the Rule 144A Global Note.

In connection with such request, and with respect to such Notes, the Transferor does hereby certify that such Notes are being transferred in accordance with Rule 144A under the Securities Act of 1933, as amended ("Rule 144A"), to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account or an account with respect to which the transferee exercises sole investment discretion, and the transferee, as well as any such account, is a "qualified institutional buyer" within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws of any state of the United States or any other jurisdiction.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]

By: _____

_____
Authorized Signature

EXHIBIT C

FORM OF CERTIFICATE FOR TRANSFER
PURSUANT TO REGULATION S

[Date]

The Bank of New York Mellon
[Address of Trustee]

Re: 9.500% Senior Guaranteed Notes due December 11, 2019 (the "Notes")
of Desarrolladora Homex, S.A.B. de C.V. (the "Company")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of December 11, 2009 (as amended and supplemented from time to time, the "Indenture"), between the Company, the Subsidiary Guarantors party thereto and The Bank of New York Mellon, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

In connection with our proposed sale of US$ aggregate principal amount of the Notes [*in the case of a transfer of an interest in a 144A Global Note:* which represent an interest in a 144A Global Note] beneficially owned by the undersigned ("Transferor"), we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(a) the offer of the Notes was not made to a person in the United States;

(b) either (i) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States or (ii) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(c) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable;

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(e) we are the beneficial owner of the principal amount of Notes being transferred.

In addition, if the sale is made during a Distribution Compliance Period and the provisions of Rule 904(b)(1) or Rule 904(b)(2) of Regulation S are applicable thereto, we

confirm that such sale has been made in accordance with the applicable provisions of Rule 904(b)(1) or Rule 904(b)(2), as the case may be.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this letter have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By: _____

_____
Authorized Signature

EXHIBIT D

FORM OF CERTIFICATE FOR TRANSFER
PURSUANT TO RULE 144

[Date]

The Bank of New York Mellon
[Address of Trustee]

Re: 9.500% Senior Guaranteed Notes due December 11, 2019 (the "Notes")
of Desarrolladora Homex, S.A.B. de C.V. (the "Company")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of December 11, 2009 (as amended and supplemented from time to time, the "Indenture"), between the Company, the Subsidiary Guarantors party thereto and The Bank of New York Mellon, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

In connection with our proposed sale of US$ aggregate principal amount of the Notes [*in the case of a transfer of an interest in a 144A Global Note:* which represent an interest in a 144A Global Note] beneficially owned by the undersigned ("Transferor"), we confirm that such sale has been effected pursuant to and in accordance with Rule 144 under the Securities Act.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]

By: _____

_____
Authorized Signature

EXHIBIT E

FORM OF SUPPLEMENTAL INDENTURE
FOR ADDITIONAL NOTE GUARANTEE

This Supplemental Indenture, dated as of [ ] (this "Supplemental Indenture"), between [name of Additional Subsidiary Guarantor], a [ ] [corporation][limited liability company] (the "New Subsidiary Guarantor"), Desarrolladora Homex, S.A.B. de C.V., a limited liability public company with variable capital (*sociedad anónima bursátil de capital variable*) organized and existing under the laws of the United Mexican States (together with its successors and assigns, the "Company"), each other Subsidiary Guarantor under the Indenture referred to below, and The Bank of New York Mellon, as Trustee under the Indenture referred to below.

W I T N E S S E T H:

WHEREAS, the Company and the Trustee have heretofore executed and delivered an Indenture, dated as of December 11, 2011 (as amended, supplemented, waived or otherwise modified, the "Indenture"), providing for the issuance of 9.500% Senior Guaranteed Notes due December 11, 2019 of the Company (the "Notes");

WHEREAS, pursuant to Section 10.5 of the Indenture, the Company is required to cause each Wholly-Owned Restricted and Significant Subsidiary created or acquired by the Company to execute and deliver to the Trustee an Additional Note Guarantee pursuant to which such Wholly-Owned Restricted and Significant Subsidiary will unconditionally guarantee, jointly and severally with the other Subsidiary Guarantors, the Company's full and prompt payment of the Obligations (as defined in the Indenture) in respect of the Indenture and the Notes; and

WHEREAS, pursuant to Section 10.1 of the Indenture, the Trustee, the Company and the existing Subsidiary Guarantors are authorized to execute and deliver this Supplemental Indenture to supplement the Indenture, without the consent of any Holder;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantor, the Company, each other Subsidiary Guarantor and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Defined Terms. Unless otherwise defined in this Supplemental Indenture, terms defined in the Indenture are used herein as therein defined.

ARTICLE II
AGREEMENT TO BE BOUND; GUARANTEE

Section 2.1. Agreement to be Bound. The New Subsidiary Guarantor hereby becomes a party to the Indenture as a Subsidiary Guarantor and as such will have all of the rights and be subject to all of the obligations and agreements of a Subsidiary Guarantor under the Indenture. The New Subsidiary Guarantor hereby agrees to be bound by all of the provisions of the Indenture applicable to a Subsidiary Guarantor and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.

Section 2.2. Guarantee. The New Subsidiary Guarantor hereby fully, unconditionally and irrevocably guarantees, as primary obligor and not merely as surety, jointly and severally with each other Subsidiary Guarantor, to each Holder of the Notes and the Trustee, the full and punctual payment when due, whether at maturity, by acceleration, by redemption or otherwise, of the Obligations, all as more fully set forth in Article X of the Indenture.

Section 2.3. Waivers. (a) The New Subsidiary Guarantor hereby waives presentation to, demand of payment from and protest to the Company of any of the Obligations and also waives notice of protest for nonpayment. The New Subsidiary Guarantor waives notice of any default under the Notes or the Obligations. The obligations of the New Subsidiary Guarantor hereunder shall not be affected by (i) the failure of any Holder to assert any claim or demand or to enforce any right or remedy against the Company or any other Person under this Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Notes or any other agreement; (iv) the release of any security held by any Holder or the Trustee for the Obligations or any of them; (v) the failure of any Holder to exercise any right or remedy against any other Subsidiary Guarantor; or (vi) any change in the ownership of the Company.

(b) The New Subsidiary Guarantor further expressly waives irrevocably and unconditionally:

(i) Any right it may have to first require any Holder to proceed against, initiate any actions before a court of law or any other judge or authority, or enforce any other rights or security or claim payment from the Company or any other Person (including any Subsidiary Guarantor or any other guarantor) before claiming from it under this Supplemental Indenture;

(ii) Any right to which it may be entitled to have the assets of the Company or any other Person (including any Subsidiary Guarantor or any other guarantor) first be used, applied or depleted as payment of the Company's or the Subsidiary Guarantors' obligations under the Indenture, prior to any amount being claimed from or paid by any of the Subsidiary Guarantors thereunder;

(iii) Any right to which it may be entitled to have claims hereunder divided between the Subsidiary Guarantors;

(iv) To the extent applicable, the benefits of *orden*, *excusión*, *división*, *quita* and *espera* and any right specified in articles 2814, 2815, 2817, 2818, 2819, 2820, 2821, 2822, 2823, 2826, 2837, 2838, 2839, 2840, 2845, 2846, 2847 and any other related or applicable articles that are not explicitly set forth herein because of Subsidiary Guarantor's knowledge thereof of the *Código Civil Federal* of Mexico and the *Código Civil* of each State of the Mexican Republic and the Federal District of Mexico.

The obligations assumed by each Subsidiary Guarantor hereunder and under the Indenture shall not be affected by the absence of judicial request of payment by a Holder to the Company or by whether any such person takes timely action pursuant to articles 2848 and 2849 of the *Código Civil Federal* of Mexico and its correlative articles in the *Código Civil* of each State of Mexico and the Federal District of Mexico and each Subsidiary Guarantor hereby expressly waives the provisions of such articles.

ARTICLE III
MISCELLANEOUS

Section 3.1. Notices. Any notice or communication delivered to the Company under the provisions of the Indenture shall constitute notice to the New Subsidiary Guarantor.

Section 3.2. Parties. Nothing expressed or mentioned herein is intended or shall be construed to give any Person, firm or corporation, other than the Holders and the Trustee, any legal or equitable right, remedy or claim under or in respect of this Supplemental Indenture or the Indenture or any provision herein or therein contained.

Section 3.3. Governing Law, etc. This Supplemental Indenture shall be governed by the provisions set forth in Section 11.7 of the Indenture.

Section 3.4. Severability. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

Section 3.5. Ratification of Indenture; Supplemental Indenture Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby. The Trustee makes no representation or warranty as to the validity or sufficiency of this Supplemental Indenture.

Section 3.6. Duplicate and Counterpart Originals. The parties may sign any number of copies of this Supplemental Indenture. One signed copy is enough to prove this Supplemental Indenture. This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be an original, but all of them together represent the same agreement.

Section 3.7. Headings. The headings of the Articles and Sections in this Supplemental Indenture have been inserted for convenience of reference only, are not intended to be considered as a part hereof and shall not modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

DESARROLLADORA HOMEX,
S.A.B. DE C.V.

By: _____
Name:
Title:

[NAME OF NEW SUBSIDIARY GUARANTOR],
as a Subsidiary Guarantor

By: _____
Name:
Title:

[Complete the following signature block for each existing Subsidiary Guarantor:]

[NAME OF SUBSIDIARY GUARANTOR],
as a Subsidiary Guarantor

By: _____
Name:
Title:

PROYECTOS INMOBILIARIOS DE CULIACÁN, S.A. DE S.V.,
as Subsidiary Guarantor

By: _____
Name:
Title:

DESARROLLADORA DE CASAS DEL NOROESTE, S.A. DE C.V.,
as Subsidiary Guarantor

By: _____
Name:
Title:

CASAS BETA DEL CENTRO, S. DE R.L. de C.V.,
as Subsidiary Guarantor

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON,
as Trustee

By: _____
Name:
Title:

Solely for the purposes of accepting the appointment of Luxembourg Paying Agent, together with the rights, protections and immunities granted to the Trustee under Article VII, which shall apply *mutatis mutandis* to the Luxembourg Paying Agent,

THE BANK OF NEW YORK MELLON (LUXEMBOURG), S.A.,
as Luxembourg Paying Agent

By: _____
Name:
Title:

EXHIBIT F

FORM OF FREE TRANSFERABILITY CERTIFICATE

[Date]

The Bank of New York Mellon

[Address of Trustee]

Re: 9.500% Senior Guaranteed Notes due December 11, 2019 (the "Notes")
of Desarrolladora Homex, S.A.B. de C.V. (the "Company")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of December 11, 2009 (as amended and supplemented from time to time, the "Indenture"), between the Company, the Subsidiary Guarantors party thereto and The Bank of New York Mellon, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

Whereas the Notes have become freely tradable without restrictions by non-affiliates of the Company pursuant to Rule 144 (b)(1) under the Securities Act of 1933, as amended, in accordance with Section 2.7(b) of the Indenture, the Company hereby instructs you that:

(i) the restrictive legends referenced in Section 2.7(a) of the Indenture and set forth on the Securities (other than the first three paragraphs thereof) shall be deemed removed from the Global Securities (as defined in the Indenture), in accordance with the terms and conditions of the Securities and as provided in the Indenture, without further action on the part of Holders; and

(ii) the restricted CUSIP number for the Securities shall be deemed removed from the Global Securities and replaced with the unrestricted CUSIP number set forth therein, in accordance with the terms and conditions of the Securities and as provided in the Indenture, without further action on the part of Holders.

Capitalized terms used but not defined herein shall have the meanings set forth in the Indenture.

Very truly yours,

DESARROLLADORA HOMEX,
S.A.B. DE C.V.

By: _____
Name:
Title:*

* The signatory must be an Officer of the Company.

DOC 3 Header

Exhibit 8

List of Principal Subsidiaries
Of
Desarrolladora Homex, S.A.B. de C.V.

Name of the Company	Jurisdiction of Incorporation
Proyectos Inmobiliarios de Culiacán, S.A. de C.V.	Mexico
Nacional Financiera, S.N.C. Fid. del Fideicomiso AAA Homex 80284	Mexico
Administradora Picsa, S.A. de C.V.	Mexico
Altos Mandos de Negocios, S.A. de C.V.	Mexico
Aerohomex, S.A. de C.V.	Mexico
Desarrolladora de Casas del Noroeste, S.A. de C.V.	Mexico
Homex Atizapán, S.A. de C.V.	Mexico
Casas Beta del Centro, S. de R.L. de C.V.	Mexico
Casas Beta del Norte, S. de R.L. de C.V.	Mexico
Casas Beta del Noroeste, S. de R.L. de C.V.	Mexico
Hogares del Noroeste, S.A. de C.V.	Mexico
Opción Homex, S.A. de C.V.	Mexico
Homex Amuéblate, S.A. de C.V.	Mexico
Homex Global, S.A. de C.V.	Mexico
Sofhomex, S.A. de C.V. S.F.O.M. E.R.	Mexico
Nacional Financiera, S.N.C. Fid. del Fideicomiso Homex 80584	Mexico
HXMTD, S.A. de C.V.	Mexico
Homex Central Marcaria, S.A. de C.V.	Mexico

DOC 4 Header

Exhibit 12(a)(1)

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. §1350)

I, Gerardo de Nicolás Gutiérrez, certify that:

1. I have reviewed this annual report on Form 20-F of Desarrolladora Homex, S.A.B. de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: June 30, 2010

/s/ Gerardo de Nicolás Gutiérrez
Name: Gerardo de Nicolás Gutiérrez
Title: Chief Executive Officer

DOC 5 Header

Exhibit 12(a)(2)

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. §1350)

I, Carlos Moctezuma Velasco, certify that:

1. I have reviewed this annual report on Form 20-F of Desarrolladora Homex, S.A.B. de C.V;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: June 30, 2010

/s/ Carlos Moctezuma Velasco
Name: Carlos Moctezuma Velasco
Title: Chief Financial Officer

DOC 6 Header

Exhibit 13

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Desarrolladora Homex, S.A.B. de C.V. (the "Company"), does hereby certify, to such officer's knowledge, that:

The annual report of the Company on Form 20-F for the year ended December 31, 2008 (the "Form 20-F") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Form 20-F.

/s/ Gerardo de Nicolás Gutiérrez
Gerardo de Nicolás Gutiérrez
Chief Executive Officer

Dated: June 30 , 2010

/s/ Carlos Moctezuma Velasco
Carlos Moctezuma Velasco
Chief Financial Officer

Dated: June 30, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

DOC 7 Header

Exhibit 14(1)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form F-3ASR—File No. 333-162149—Film No. 091088582) of Desarrolladora Homex S.A.B. de C.V. and in the related prospectus of our reports dated June 30, 2010, with respect to the consolidated financial statements of Desarrolladora Homex S.A.B. de C.V and subsidiaries, and the effectiveness of internal control over financial reporting of Desarrolladora Homex S.A.B. de C.V and subsidiaries, included in this Annual Report (Form 20-F) for the year ended December 31, 2009.

Mancera, S.C.
A member practice of
Ernst & Young Global

/s/ C.P.C Alejandro Valdez Mendoza

C.P.C Alejandro Valdez Mendoza

Culiacán, Sinaloa, México
June 30, 2010