



First Mexican Title

Welcoming Letter

Dear Customer,

I take this opportunity to thank you on behalf of the team of **First Mexican Title** (FMT) for choosing our closing services.

Please complete this form which includes important information required to proceed with the closing of your property.

The **Introduction** section of this form gives an overall explanation of the closing procedure and of its legal and tax implications.

Nevertheless, if you have any questions please do not hesitate to contact me.

Sincerely,

Ernesto Elías

Partner | Real Estate Lawyer.

First Mexican Title

www.firstmexicantitle.com

Tel. +52 1 615 1108117

INTRODUCTION

Please find here a brief explanation of the closing procedure and of its legal and tax implications.

1. Tell me more about the escrow services provided by FMT?

Because in Mexico escrow services are not regulated by law, at FMT we recommend using the services of our US-based and regulated escrow service provider.

An escrow is a financial arrangement where a third party holds and regulates payment of the funds required for two parties involved in a given transaction.

It helps make transactions more secure by keeping the payment in a secure escrow account which is only released when all the terms of an arrangement are met as overseen by the escrow company.



2. Tell me more about the closing services provided by FMT?

The closing (also called the settlement) is the culmination of a lot of work performed on behalf of the buyer and seller by various real estate related professionals. This can include the real estate agents, attorneys for each party, the mortgage broker, the lender, title insurance company, public notaries, etc. They each have a vested interest in making sure that your closing happens timely and without problems.

Given the number of professionals that could be working together to prepare for the Closing, it is important that all parties involved communicate well. With First Mexican Title, our customers can trust that we do everything in our power to provide the best possible service to the buyer and the seller.

It is important to bear in mind that in most cases a closing process in Mexico can take up to 3 months.

On closing day, the buyer and the seller complete the legal transfer of the real estate with the representative of FMT, which will be conducting the settlement. At settlement, both, the buyer and seller or their legal representatives, will review and sign a public deed before a Mexican Public Notary and make affirmations as to certain facts, by this, completing the closing process.

Settlement can take as little time as fifteen minutes to sign all the documents and transfer ownership. Normally at the end of closing, the seller will receive the funds via wire transfer from the escrow company and the buyer will receive the keys to their new home.

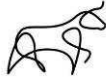
FMT will complete the transaction by supervising the recording the public deed with the Public Property Registry that applies and forward the duly registered public deed containing the title to the buyer in about a month's time.

3. Why non-Mexican nationals must pay capital gains tax when selling a property in Mexico.

The sale of a real estate located in Mexico generates the obligation to pay capital gains tax to the Mexican federal government, if there is a gain in the transaction, despite the nationality or residency of the seller, owner of the property.

4. As a non-Mexican national, do I need to hire the services of a Mexican accountant to advise me on how to proceed with my tax duties when selling a property in Mexico?

A Mexican accountant might be able to help you estimate if there is some capital gains tax to be paid in the sale of your property in Mexico.



However, bear in mind that Mexican Public Notaries, not only formalize all real estate closings, but also have the last word on all tax related-matters, because they are the only person authorized to calculate, collect from you and pay on your behalf, any capital gain tax to be paid, to the federal government.

5. As a non-Mexican national are there any tax benefits or deductibles I can use to reduce my capital gains tax?

You need to inform your closing agent, *since the beginning of the closing process*, that:

- a) You and your spouse or partner are Mexican Residents.
- b) That you have, or you will have 10 days before the closing date, the *original* valid Mexican invoices (“facturas”) of any or all the following deductible expenses:
 - Notary fees paid of when you purchased your property.
 - The 2% Property Acquisition Tax (ISABI), paid when you purchased your property.
 - Appraisal fee paid when you purchased your property.
 - Brokerage commission that you will be paying to your broker for the sale of your property.
 - Construction costs on the property.

Please bear in mind that expenses in Mexico can ONLY be deducted with valid original Mexican Invoices (“facturas”).

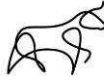
If you have any questions related to what a valid original Mexican invoice is, and on how to obtain them, please seek the advice of your accountant.

6. When I will know if I must pay capital gains tax, how much and when?

As soon as you send us this form with the information requested in it, we will be able to provide you with a capital gains tax estimate, calculated by the public notary, based on the information that you provided us here and on the public deed containing the closing of your property, back when you acquired it.

The capital gains tax to be paid could be re-calculated by the Public Notary, by request of the seller, through the closing agent, once he or she has provided to the closing agent, the information explained in paragraph 5 of this form, at least 10 days before the closing date.

The funds to pay the capital gains tax must be provided to the public notary no later than the closing date.



7. Why capital gains tax is calculated in Pesos, if I paid US Dollars for my property in Mexico?

All taxes related to real estate transactions of properties located in Mexico are calculated in Pesos since the Peso is the official currency of Mexico.

When calculating the capital gains tax, notaries consider the Dollar exchange rate at the date when you purchased and sold the property, plus other factors like the Mexican inflation rate, etc.

For more information about this subject, please seek the advice of your accountant.

8. What is an Irrevocable Trust and Transfer of Ownership Agreement?

It is a contract by which the seller of the property (trustor), irrevocably transfers the ownership of a property to a fiduciary institution (Mexican bank), granting the buyer (beneficiary), the exclusive right to use it and exploit it for 50 years. At the end of the 50 years period, this can be extended for another 50 years.

INSTRUCTIONS

If you are selling a property in Mexico where the beneficiary of an *existing Irrevocable Trust and Transfer of Ownership Agreement* (bank trust), is an US or Canadian company, please complete paragraphs 1 and 4.

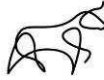
If you are selling a property in Mexico as the beneficiary of an *existing irrevocable trust and transfer of ownership agreement* (bank trust), please complete paragraphs 2 and 4.

If you are selling a property in Mexico of which you hold direct title, without an *existing irrevocable trust and transfer of ownership agreement* (bank trust), please complete paragraphs 3 and 4.

1. Selling a property in Mexico where the beneficiary of an existing *Irrevocable Trust and Transfer of Ownership Agreement* (bank trust), is an US or Canadian company.

If you are selling a property whose owner (beneficiary) is a company, please indicate the name of your company:

A. General and corporate required *documents* of your company.



- i) General documents:
 - Document containing the tax ID number of your company, issued by the tax authority. (PDF format).
 - Proof of the company physical address: a less than 3 months old utility bill or bank statement addressed to the company to its physical address. Please, no Po Box addresses. (PDF format).
- ii) Corporate documents:
 - As soon as you send us this form, we will be contacting the bank, acting as the fiduciary institution, in your existing *irrevocable trust and transfer of ownership agreement*, to see which documents they will require of your company for this closing.

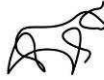
B. Personal information and documents required of the Manager of the company.

- a. Personal information required of the Manager of your company:
 - i) Email address:
 - ii) Phone number:
 - iii) Social Security Number or
 - iv) Social Insurance Number:
- b. Documents required of the Manager of your company:
 - i) Copy of passport showing signature and photo.
 - ii) Proof of physical address. A less than 3 months old utility bill or bank statement in the Manager's name, addressed to his or her physical address. Please, no Po Box address. PDF format.

2. Selling a property in Mexico as the beneficiary of *an existing irrevocable trust and transfer of ownership agreement* (bank trust).

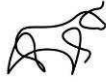
- A. Please indicate the full name of each of the sellers who appear as the beneficiaries in the exiting bank trust:

	Full Name:	Currently alive?
1.		
2.		
3.		
4.		



- B. Documents required of each of the sellers, currently alive, who appear as the beneficiaries in the exiting bank trust:
- a. Copy of passport showing photo and signature (PDF format).
 - b. Proof of physical address. A less than 3 months old utility bill or bank statement in the beneficiary's name, addressed to his or her physical address. Please, no Po Box address. PDF format.
- C. Personal information required of each of the sellers, currently alive, who appear as the beneficiaries in the exiting bank trust:

1. Beneficiary Name:	
a. Nationality:	
b. Social Security Number or Social Insurance Number:	
c. Phone number:	
d. Email address:	
e. Occupation:	
f. Name of his/her place of work:	
g. Role or position in his/her place of work:	
h. Years working for said company or organization:	
i. His/her contact information at the place of work	
j. The main activity of said company or organization.	
k. Origin of the funds used to acquire the property.	



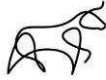
2. Beneficiary Name:	
a. Nationality:	
b. Social Security Number or Social Insurance Number:	
c. Phone number:	
d. Email address:	
e. Occupation:	
f. Name of his/her place of work:	
g. Role or position in his/her place of work:	
h. Years working for said company or organization:	
i. His/her contact information at the place of work	
j. The main activity of said company or organization.	
k. Origin of the funds used to acquire the property.	

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3. Beneficiary Name:	
a. Nationality:	
b. Social Security Number or Social Insurance Number:	
c. Phone number:	
d. Email address:	
e. Occupation:	
f. Name of his/her place of work:	
g. Role or position in his/her place of work:	
h. Years working for said company or organization:	
i. His/her contact information at the place of work	
j. The main activity of said company or organization.	
k. Origin of the funds used to acquire the property.	

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4. Beneficiary Name:	
a. Nationality:	
b. Social Security Number or Social Insurance Number:	
c. Phone number:	
d. Email address:	
e. Occupation:	
f. Name of his/her place of work:	
g. Role or position in his/her place of work:	
h. Years working for said company or organization:	
i. His/her contact information at the place of work	
j. The main activity of said company or organization.	
k. Origin of the funds used to acquire the property.	

3. Selling a property in Mexico of which you hold direct title, without an existing irrevocable trust and transfer of ownership agreement (bank trust).

A. Please indicate the full name of each of the sellers as they appear in the property title:

	Full Name:	Currently alive?
1.		
2.		
3.		
4.		

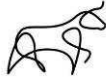


B. Documents Required of each of the sellers currently alive:

- c. Copy of passport showing photo and signature (PDF format).
- d. Proof of physical address. A less than 3 months old utility bill or bank statement in the beneficiary's name, addressed to his or her physical address. Please, no Po Box address. PDF format.

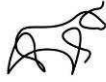
C. Personal information required of each of the sellers, currently alive:

1. Beneficiary Name:	
a. Nationality:	
b. Social Security Number or Social Insurance Number:	
c. Phone number:	
d. Email address:	
e. Occupation:	
f. Name of his/her place of work:	
g. Role or position in his/her place of work:	
h. Years working for said company or organization:	
i. His/her contact information at the place of work	
j. The main activity of said company or organization.	
k. Origin of the funds used to acquire the property.	



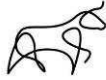
2. Beneficiary Name:	
a. Nationality:	
b. Social Security Number or Social Insurance Number:	
c. Phone number:	
d. Email address:	
e. Occupation:	
f. Name of his/her place of work:	
g. Role or position in his/her place of work:	
h. Years working for said company or organization:	
i. His/her contact information at the place of work	
j. The main activity of said company or organization.	
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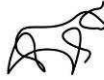
3. Beneficiary Name:	
a. Nationality:	
b. Social Security Number or Social Insurance Number:	
c. Phone number:	
d. Email address:	
e. Occupation:	
f. Name of his/her place of work:	
g. Role or position in his/her place of work:	
h. Years working for said company or organization:	
i. His/her contact information at the place of work	
j. The main activity of said company or organization.	
k. Origin of the funds used to acquire the property.	

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4. Beneficiary Name:	
a. Nationality:	
b. Social Security Number or Social Insurance Number:	
c. Phone number:	
d. Email address:	
e. Occupation:	
f. Name of his/her place of work:	
g. Role or position in his/her place of work:	
h. Years working for said company or organization:	
i. His/her contact information at the place of work	
j. The main activity of said company or organization.	
k. Origin of the funds used to acquire the property.	

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4. Granting Limited Powers of Attorney to represent you or your company at closing.

Because is not possible to set the closing date until actually 30 days previous to the actual closing date and based on the fact that a closing process can take up to 90 days in Mexico, and you probably will not be physically present in Mexico all this time, it is why we strongly recommend you to grant us a Limited Power of Attorney to represent you at closing.

You can instruct us not to sign any closing documents until reviewed by you or your lawyer. Keep in mind that all documents will be in Spanish. We can arrange the translation into English of all the closing documents at an additional cost.

Bear in mind that the Limited Power of attorney will not give us powers to modify, in any way or form, the original purchase agreement that you entered with the seller or handle any funds of said transaction

You can grand a Limited Power of Attorney to a friend, relative or to your lawyer in Mexico to represent you at closing. However, any delay attributable to this person might incur delays and additional closing costs for you.

Please find attached an example of the Limited Power of Attorney that we normally use in this type of closings.

If you which to grant a Limited Power of Attorney to a person in Mexico to represent you or your company at closing, please provide us with the following information and documents of the person you wish to grant the Limited Power of Attorney to.

A. Information required:

Full name of the person who will be representing you or your company at closing. Note. If you which to grant the Limited Power of Attorney to FMT, Ernesto Elias will be representing you at closing. If FMT will be representing you, you don't need to worry about completing the remaining of this section.	
Social Security Number or Social Insurance Number:	
Email address:	
Phone number:	
Occupation:	
Name of his/her place of work:	



Role or position in his/her place of work:	
Years working for said company or organization:	
Her/his contact information at the place of work:	
The main activity of said company or organization:	

B. Documents required:

- a. Copy of the passport showing photo and signature (PDF format).
- b. If the representative is of Mexican nationality, copy of the passport or voting card.
- c. Proof of the physical address. A less than 3 months old utility bill or bank statement addressed to the physical address of the representative. Please, no Po Box address (PDF format).

As soon as you provide us with all this information, we will be preparing the Limited Power of Attorney for you to sign before a US or Canadian notary (or similar authority) and legalize it, for it to be valid in Mexico.

Finally, please send this form, along with all the documents required, except the ones which required to be physically sent to us, via email to ernesto.elias@firstmexicantitle.com

The documents that require to be physically sent to us, please send them via FedEx to the following address:

Attention: Ernesto Elias

Street: Carretera Transpeninsular Km 11.

Quintas del Mar Residencial No. 6.

Suburb: Chametla

Zip Code: 23205

City: La Paz

State: Baja California Sur

Country: Mexico

Phone: +52 615 1108117

Gracias!!

Handling of personal information clause. By filling up and sending to First Mexican Title (FMT) this Form and the information required in it (hereinafter referred as the Information), the Customer authorizes FMT to use the Information to complete and lodge, before all the required authorities, notaries and bank institutions, the forms and applications needed to proceed with the closing of the Customer's real estate property in Mexico, in accordance with the applicable laws and regulations.

This information will not be disclosed or used for other purposes different from the ones previously stated in the above paragraph unless formally requested to FMT by a judicial or administrative authority.