

**Vecino Experiences: Establishing a New Bank Trust
Town Hall - April 18, 2015**

Top 10 Questions: Expiration of the Las Dunas Master Trust in November 2017

1. Why are we here?

The Las Dunas Master Trust expires in November, 2017. It is no longer possible to create a new Master Trust for our community. Each Vecino must secure a new individual trust for their property whether it is a home or unimproved lot.

2. Is my bank trust part of the Las Dunas Master Trust?

In your trust there are references to the date in which previous transactions had been executed with regards to your property; you may find references to transactions performed in 1987 which derive from Las Dunas, S. de R.L. de C.V. This is an indication that your trust is handing from the Master Trust. If you cannot tell with certainty, please consult an attorney.

3. Can I extend my existing bank trust with Banamex? If so, for how long and what are the costs?

Current bank trust with Banamex can be extended for an extra 20 years. If owner chooses to extend with Banamex, there will be an annual trust fee of \$1,500 USD and highly likely the bank will require at least two annuities paid in advance. *You can begin this process 90 days prior to the expiration date—August 31, 2017.*

4. What will happen if I let my current bank trust with Banamex expire?

If the trust expires, there will be a time in which the Bank puts in auction the properties. Banks are not going to spend monies on assets that are not a source of income for them, and therefore, they will get rid of these unproductive assets. The proceeds, after fees, taxes, costs, etc. go the owner (beneficiary) of the trust.

5. How much will it cost to get a new bank trust and how long will it be in effect?

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The costs depend on what is required for each individual trust. The approximate cost is \$7,000-8,000 per trust. The new bank trusts are authorized for 50 years.

6. What would happen if I begin the process to obtain a new bank trust but the Las Dunas Master Trust expires before I receive it?

We cannot anticipate Banamex's reaction on that end, yet as long as the new trust is signed by the trustee before its expiration date you will be able to continue all the process to the end, even if the Master Trust has expired before you are handed with the new trust. The key is the signature of the new document before the expiration date.

7. If I purchased an unimproved lot and obtain a bank trust and then built a house, do I need a new bank trust?

If your bank trust on the unimproved lot is part of the Las Dunas Master Trust, you will need to secure a new individual bank trust. It is a good idea to obtain a new bank trust to reflect the property and the house. Both the land and house would be in the same deed.

8. Is the substitute beneficiary (person to inherit my property) on my bank trust required to have some form of legal I.D., Mexican or otherwise?

A substitute beneficiary must provide legal identification. A passport is required for the individual(s) who will inherit your property.

(FYI-the individuals who own the property and execute the new bank trust are known as the beneficiaries. The individuals that you designate to inherit the property are called the substitute beneficiaries.)

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9. If I currently have a U.S. LLC, am I required to obtain a new bank trust?

If the property falls into the Master Trust, you will need to secure a new bank trust.

10. Can the laws in Mexico change between now and November 2017?

Yes, there was a bill before the Mexican Congress in 2014 that would have allowed non-Mexicans to own their property fee simple. However, it only passed one of the houses of the Congress before it expired. If a similar bill is introduced, we do not know if it will be passed or how long it will take to be implemented.

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Vecinos	#1	#2	#3	#4	#5
Service Provider selected?	I met Attorney, <u>Señor Ricardo Borquez</u> , and immediately liked him and his staff	We selected Attorney, <u>Señor Ariel Villagran</u> , as we have had years of experience working with him on Las Conchas matters and his degree in Business Economics is equivalent to Harvard University	I selected <u>Suzeth Quintana, SQS Service Providers</u> , based on reference from personal US lawyer.	We selected <u>Señor Ramirez (Notario #29)</u> since a Notario is required to change a trust and we hoped to save some money. Señor Ramirez was involved when we purchased our home from previous owners 10 years ago. He gained our trust and upmost respect.	We successfully completed 3 previous Bank Trusts with <u>Señor Jose Galvan, Proaset</u> . The first trust was completed in 2006.
Why early?	There are many lots and homes in Las Conchas that will need new Trusts. It's good to get it over with as soon as possible.	After living in Mexico for over 40 years, I have discovered any legal matter takes a great deal of time so I got a jump-start.	To beat the rush! I did not want to wait until last minute.	Different locations and cultures move at different speeds. When there are only 1 or 2 people authorized to move the process along at each required step, expect delays	We wanted it done as soon as the process and costs were identified. We had to decide between: Mexican Corporation, LLC or obtain a new Trust.

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Vecinos:	<i>Gary Spray</i>	<i>Ed Prochaska</i>	<i>Tom Enhard</i>	<i>Sharon Pepler</i>	<i>Phil Leader</i>
How long did it take and costs?	4 Months to complete and \$18,000 for 3 Trusts.	In process with estimated 6 months to complete. \$10,000 to combine 2 Trusts into 1 Trust.	4 months to complete and \$7,500 for 1 Trust.	11 months to complete and \$8,000 for 1 Trust.	5 months to complete and \$11,800 to combine 2 Trusts into 1 Trust.
Special situations?	Multiple trusts also involved getting a lot of information from a new owner, which took extra time.	Yes, I wanted to combine 2 lots in single Trust and Senor Villagran gained approval from Monex Bank	None	We added a beneficiary which required a copy of passport and SSN	Successfully combine our house and lot next door into 1 trust. This allows us to do assignment of rights if we ever decide to sell the lot.

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Providers approach?	Señor Borquez and his staff have always been professional, friendly, and informative. Their communication has been proactive keeping me informed as to the progress in the process.	I received all instructions by phone and email.	Suzeth Quintana provided step by step with costs for each service.	Very clear about process and required paperwork. It took longer than predicted but was okay as they started early.	Outlined the process from beginning to end with approximate timeframes for each step. No additional costs based on Señor Galvan's initial plan.
Reason for Bank selection?	Señor Borquez gave me choices and breakdown on advantages for each bank. Based on this information, we selected Scotia Bank due to their competitive pricing.	Señor Villagran recommended the Monet Bank.	Suzeth Quintana recommended Scotia Bank based on best fees at the time.	We selected Scotia Bank because they were more receptive to our business need. Also, the annual trust payments can be made easily with a credit card.	Señor Galvan recommended Scotia Bank as they provided competitive rates and the option we requested of combining 2 Trusts into 1.

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Reason for Notario selection	Señor Borquez provided competitive advantages such as time and money of each allowing us to choose.	Señor Villagran recommended a Notario from Hermosillo. The Notario will also translate all documents into English.	Allowed Suzeth Quintana to select Notario based on their experience.	Not applicable as our Notario was our Trust provider	We used the same Notario from previous 3 bank trusts.
Over all satisfaction?	Very high. I think the HOA's data gathering and support to the Vecinos, like this forum, is really valuable. Thank you Ginger and your team!	After experiencing many delays in Mexico, I was surprised at the efficiency of the process.	Very happy with results.	Long, expensive, but necessary. The Notario made it as painless as possible	Excellent and painless. Everything happened as we were told including timeframes and costs.
Advice to others?	I believe you are best served to choose one of these teams and get started.	Get started!	You need to find someone you trust and have a lot of patience.	Figure out what works best for your unique situation and DO IT NOW!	Start sooner rather than later. Understand your current Trust as costs may go up but not usually down

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Question and Answers

Note: The following questions were asked during the Panel Discussion. Our attorney, Ricardo Borquez, provided these answers.

- 1) **Q:** Is the Scotia fee of \$300 locked in for the entire 50 year Bank Trust? **A:** My understanding is that the bank has the opportunity to increase the yearly fee. The trust does have a clause defining the costs that are going to be charged by the bank in several and different hypothesis, such as, annual fees or issuing Powers of Attorney or Authorizing the assignment of rights to a third party. Technically, the fee is to be indexed to the CPI or Consumer Price Index, yet, I have not seen any increases done by the bank ever, so the fee will likely remain as it is.

- 2) **Q:** What is the difference between a Notario and Attorney? **A:** The Notario receives a special patent as Notary Public that allows him/her to carry "Public Faith". Notary Public provides certainty and formality to judicial acts, attest and certify facts that are available to his/her senses, collect taxes on the real estate transactions, authorizes wills, entities, etc. To become a Notario, you need to be an attorney. The biggest difference among them is the Public Faith delegated on the Notario by the State.

- 3) **Q:** Are you required to pay capitol gain as part of gaining a new Bank Trust? **A:** Capital gains are paid only when there is transference of property/rights by which the seller obtains a profit or by which the buyer obtains a benefit when the price is below 10% of the appraised value (reverse or negative capital gains). If your current bank trust will be cancelled and transferred to a different trustee, and the current owners are going to be the same owners in the new trust, that is not transference and there is no profit because there is no sale; therefore, there is no tax generated.

- 4) **Q:** Will Scotia Bank communicate with the IRS about our owning property/a trust in Mexico? Or another way to put it is there any reporting that Scotia does with the IRS? **A:** Yes, every trustee does send reports to the authorities, including IRS.