



THE PROPERTY PURCHASE PROCESS IN URUGUAY

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Who can purchase property in Uruguay?

- Uruguayan Nationals

- Non-Uruguayans :
 - With Uruguayan Citizenship (Dual Nationality)
 - Without Uruguayan Residency or Citizenship
 - Without Having Ever Entered Uruguay

- ✓ In Sum: There is no differential treatment, nor restrictions or impediments for foreign buyers of property



How can property be purchased in Uruguay?

- By one or many individual/s

- By a Company / Corporation :
 - Local Company: Sociedad Anonima (SA), SRL, etc.
 - Foreign Company: Delaware LLC, Panama Corp., BVI Co., etc.

- By an Individual through a fully owned Corporation
 - Local Company: Sociedad Anonima (SA), SRL, etc.
 - Foreign Company: Delaware LLC, Panama Corp., BVI Co., etc.



What can a foreign buyer purchase in Uruguay?

■ Beachfront Properties

- No prohibitions

■ Rural Properties

- Farms, Ranches
- No issues regarding borderline properties

■ Apartments, Houses, etc.

- ✓ In Sum: There are no restrictions as to what type of properties foreign buyers can acquire



How are properties individualized in Uruguay?

- By the property's Title / Deed with its "Padron" number
- Plus its "Plano" (Map)
- Plus a recorded entry in the Public Registry
- And: For rural land, online "CONEAT" system of mapping shows the property's soil types and productivity index



Structuring the Property Purchase

- The purchase process requires the assistance by a Notary Public
- The Notary Public is appointed by the buyer
- What is a Notary Public?
 - A Legal Professional, with a 4/5 year degree, usually member of a Law Firm
 - Registered with the Supreme Court of Justice
 - He/She is responsible for looking after the buyer's interest in the purchase process, ensuring the property has a clean title



What is the Notary Public's role?

- Protects the interests of the buyer in the purchase process, verifying the good standing of the deed/title
 - The Notary conducts an analysis of the title and studies the property's ownership history 30 years back, analyzing information from the Public Registries
- Drafts the Purchase Document and structures the Purchase
- Acts as Escrow Agent for the down payment / deposit on the Property
- Records the purchase at the Public Registry
- Optional: Custodian of the Title/Deed after the purchase



What are the Public Registries and How do they Work?

- Every property in Uruguay has a number that identifies it, the “Padron” Number
- Ownership of every property (individualized by its Padron Number) is recorded in a Public Registry
- The Public Registry (which is subdivided into sections, and geographically) has all the necessary information that has to be verified to make sure the buyer obtains a clean title:
 - Ownership history
 - Liens, Mortgages, Etc.

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The Purchase Process: Steps

- 1) The buyer selects a property, and agrees on the price
- 2) The buyer's Notary Public contacts the seller, and drafts the first document, the "Boleto de Reserva", which:
 - Secures the purchase, committing seller and buyer
 - Sets a Penalty if either party breaches the commitment
 - Sets the amount that is deposited simultaneously with signing of the Boleto de Reserva (usually 10% of the price), which stays in escrow with the Notary that the buyer appointed
 - Allows 30-45 day window to verify the good standing of the property
 - Sets the closing date, when the full price is paid and the property is transferred



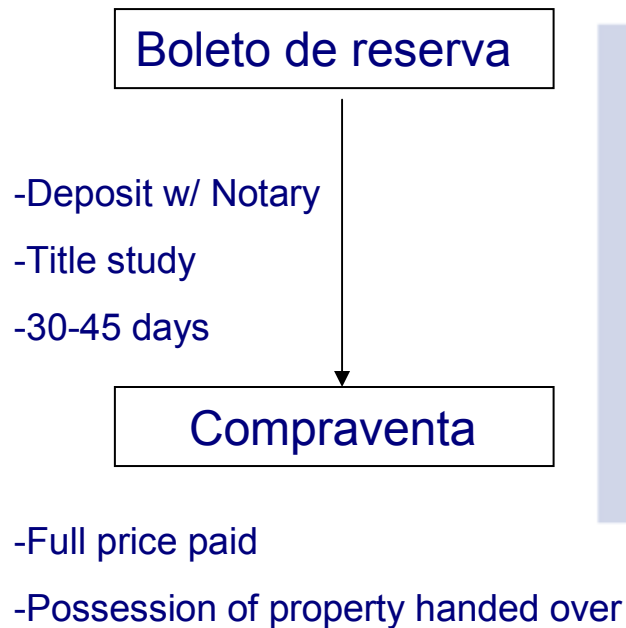
The Purchase Process: Steps (cont.)

- 3) After signing the “Boleto de Reserva”, the buyer’s Notary verifies the good standing of the property and its title/deed:
 - Analyzes title/deed
 - Verifies information in Public Registry
 - Verifies tax situation, etc.
- 4) The Notary drafts the purchase document (“Escritura de Compraventa”)
- 5) The purchase document is signed, the property is transferred, and the price is paid
- 6) The Notary records the purchase in the Public Registry

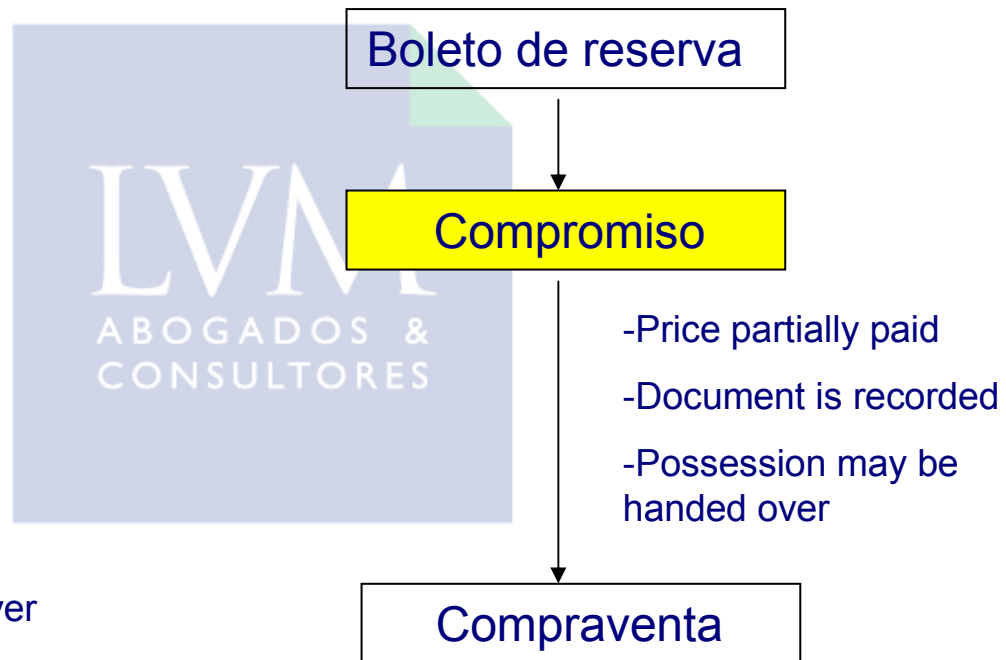


The Purchase Process: Steps (cont.)

Case 1: Full Price Paid



Case 2: Price Paid in Installments





Purchase Transaction Costs for the Buyer

- Transaction Costs total approximately 8-9% in Uruguay:
 - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
 - Notary Public's Fee: 3% plus VAT (22%) = 3.66%
 - Deed Registration Stamp Duties (“Montepios”): 0.55%
 - Registry and Tax Certificates Stamp Duties: USD 200 on average
 - Property Transfer Tax: 2% of the Fiscal Value of the Property (which is usually substantially lower than the market value)

- The Transaction Costs when selling are lower:
 - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
 - Property Transfer Tax: 2% of the Fiscal Value of the Property



Financing Your Purchase

■ Seller Financing

- Usually Short-Term (less than 2 years)
- Interest rate: Usually Approximately 8%

■ Bank Financing with Local Banks (For Non-Residents):

- Up to 10 years
- Up to 50% of the Property's Value
- Interest Rate: 9%
- Income Proof and other documentation required

* Note: These conditions are the current market ones, Nov. 2007



Tips and Suggestions

- ✓ Appoint a Notary Public from a respected Law Firm, who is bilingual and understands tax matters, estate matters, ownership through companies and laws in your country of origin
- ✓ Leave a Power of Attorney with your Lawyer/Notary so He/She can sign purchase documents on your behalf
- ✓ Decide on the best ownership structure with your Lawyer/Notary/Tax Advisor
- ✓ Make bank arrangements for closing / determine who receives your funds in Uruguay to make the payment



LVM Attorneys at Law: Who We Are

- **Leading Full-Service Law Firm:**
 - Clients: mostly foreign companies and individuals
 - Specializing in Real Estate issues for foreign buyers
- **Staff:**
 - Bilingual
 - Notaries Public, Attorneys, Tax Advisors
- **Services (covering all of Uruguay):**
 - Notary / Legal Assistance in the Purchase Process
 - Tax and Banking Advice
 - Company Formation
 - Title Insurance Advice
 - Immigration / Residency issues

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- References:
 - First American Corp. (world's largest title insurance company)
 - World Bank (www.doingbusiness.org), U.S. Embassy
 - Global law firms: Mayer, Brown, Rowe & Maw; White & Case;
 - Member of Transatlantic Law International
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