

BLP

Abogados

BLP Abogados
for

Century 21
at the beach

www.blpabogados.com

Closing Process

- **First Steps**
 - Getting to know your investment.
 - Fee Simple v. Concession
 - Condominium Regime
- **Corporations**
 - *Incorporating*
 - Pros and Cons of *Incorporating*
- **Due Diligence**
 - Public Registry
 - Typical Encumbrances and Easements
- **Title and Escrow**
- **Closing**
 - Registration of Transfer Deed at Public Registry.
 - Municipality
- **Fees, Costs and Expenses**
- **Post Closing Obligations.**

Closing Process

- **First Steps**
 - *Getting to know your investment.*
 - *Fee Simple v. Concession*
 - *Condominium Regime*
- **Corporations**
 - *Incorporating*
 - *Pros and Cons of Incorporating*
- **Due Diligence**
 - *Public Registry*
 - *Typical Encumbrances and Easements*
- **Title and Escrow**
- **Closing**
 - *Registration of Transfer Deed at Public Registry.*
 - *Municipality*
- **Fees, Costs and Expenses**
- **Post Closing Obligations.**

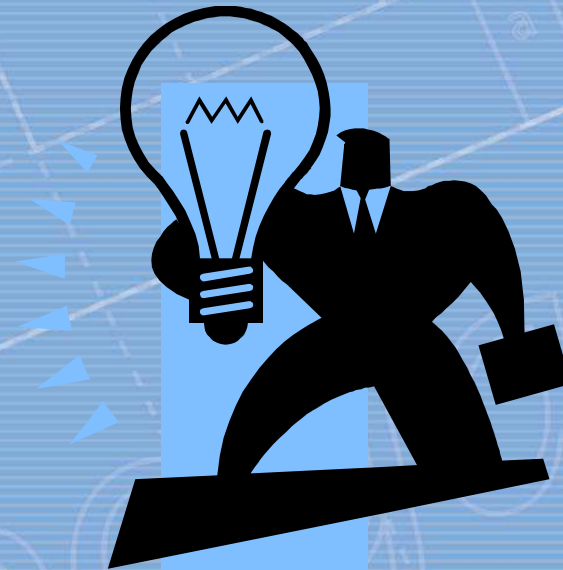
First Steps

Getting to Know your Investment...

In order to obtain the most value out of your investment, it is important for you to understand the legal implications when purchasing property in Costa Rica

This presentation will allow you to get a glimpse as to what will come with your purchase in Costa Rica.

This presentation is a mere guideline as to what to expect when investing in Costa Rica. Having said that, always be sure to retain the services of an attorney when purchasing property so that he may advise you on the course of action for your particular situation.



First Steps...

Fee Simple Property vs Concession.

Fee Simple Property

- In Costa Rica, fee simple property is regarded as titled property which is the most secure way to own property.
- For a title to be effective and valid, it must be recorded at the Public Registry giving notice to the world of an owner's vested interest in a particular piece of property.
- Both nationals and foreigners may own fee simple property in their personal name or through a legal entity.

Concession

- A concession is a grant from the state that allows the possessor of a land to use the property under certain specific guidelines.
- For a concession to be valid, the government through different agencies, must issue a specific concession for a specific piece of land identifying a specific use for that land. The concession is also recorded at the Public Registry in order to give notice to the world of its existence, terms, conditions and ownership.
- Only nationals can own concession property. Foreigners are only able to own 49% of a Costa Rican legal entity that owns the concession, unless otherwise provided for by the concessionaire (government).

First Steps... Condominium Regime.

A condominium regime is a mean often used by developers to incentive purchasers and homeowners to act a certain way in order to maintain the esthetic beauty and social harmony of the development.

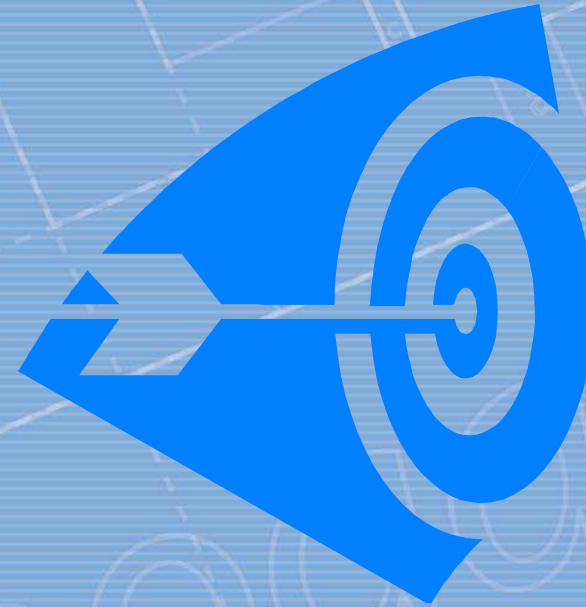
The condominium regime regulations are recorded on the title to the property purchased and must be complied. Some of the restrictions implemented pertain to height of buildings, outside colors to be used on the different structures that are built, specific pets that are allowed, maintenance fees, etc.

Most developments create condominium regimes for different phases of construction and condiminiums, outlining obligations, rights and restrictions to comply.

Non compliance with the condominium regulations may lead to fines, notices and eventual loss of property.

First Steps... What to look for?

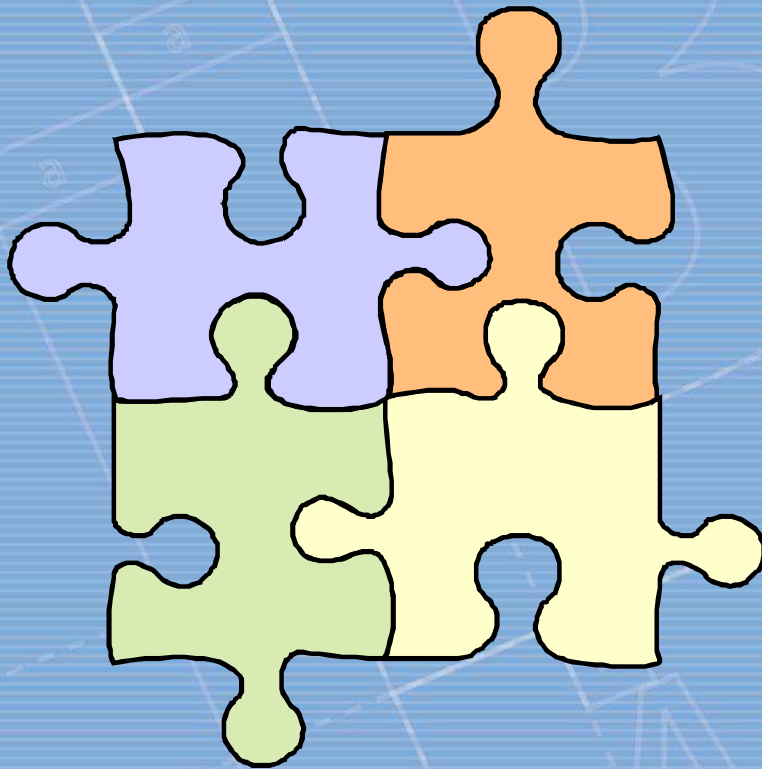
- **Always make sure of the following:**
 - **Property Taxes are up to date.**
 - **Maintenance Fees are up to date.**
 - **Condominium Regulations are of your satisfaction.**
 - **Have an attorney perform a due diligence of the title to the property to make sure there are no hidden liens or encumbrances.**



Closing Process

- **First Steps**
 - Getting to know your investment.
 - Fee Simple v. Concession
 - Condominium Regime
- ***Corporations***
 - *Incorporating*
 - *Pros and Cons of Incorporating*
- **Due Diligence**
 - Public Registry
 - Typical Encumbrances and Easements
- **Title and Escrow**
- **Closing**
 - Registration of Transfer Deed at Public Registry.
 - Municipality
- **Fees, Costs and Expenses**
- **Post Closing Obligations.**

Incorporating...



Business Association incorporated in Costa Rica, in accordance with the Costarrican legal framework that is anonymous, autonomous and whose liability is limited to its assets and contributions.

There are two business entities used to incorporate:

Sociedad Anónima or S.A. (Corporation per se):

- Must name a board of directors (president, secretary and treasurer which must be individual people per position)
- Stock represented by shares which are considered securities and governed by local and foreign securities laws.
- Transfer of shares is done through mere endorsement of shares and corporate books.
- There are no restrictions on shareholders to transfer shares to third parties unless provided for otherwise.
- This entity is not considered a pass through entity in the US for taxation purposes.

Sociedad de Responsabilidad Limitada or SRL:

- Must name at least one manager to represent the SRL.
- Stock is represented by quotas and are not considered securities nor are governed by local or foreign securities laws.
- Transfer of quotas is done through an assignment of stock agreement. Said assignment must be recorded in the corporate books.
- There are restrictions for quota holders to transfer quotas to third parties. Quota holders have by law a right of first refusal on a quota holder that is wanting to transfer quotas to third parties.
- Entity is considered a pass through entity in the US for taxation purposes.

Incorporating... Pros and Cons

- **Pros:**
 - **Liability.** Entity protects your corporation from you and you from your corporation.
 - **Taxation.** Entity may provide tax advantages in the US.
 - **Absentee Closing.** Purchaser does not have to be present at the actual closing if purchasing through a legal entity.
 - **Easy Transfer.** May save closing costs on eventual purchaser if property is transferred through the transfer of the stock of the business entity.
- **Cons:**
 - **Shareholder Meetings.** Must conduct a yearly shareholder's meeting.
 - **Taxes and Stamps.** If business entity is inactive, must pay Education and Culture stamp every year. If business entity is active, then must present a yearly declaration.
 - **Paperwork.** Corporate activity will require additional paperwork each time.

Closing Process

- **First Steps**
 - Getting to know your investment.
 - Fee Simple v. Concession
 - Condominium Regime
- **Corporations**
 - *Incorporating*
 - Pros and Cons of *Incorporating*
- **Due Diligence**
 - *Public Registry*
 - *Typical Encumbrances and Easements*
- **Title and Escrow**
- **Closing**
 - Registration of Transfer Deed at Public Registry.
 - Municipality
- **Fees, Costs and Expenses**
- **Post Closing Obligations.**

Due Diligence

Public Registry and the Public Notary figure... The Basics:

Transfer Deed. Document through which ownership of property is transferred from one person or entity into another.

Public Registry. Governmental Agency in charge of recording interests and rights in recordable assets thereby giving notice to the world about a particular transfer or issue affecting a particular recorded asset.

Notary Public. Person with a legal and notary background that has been granted Public Faith by the government in order to certify the existence and authenticity of acts or contracts as well as the exclusive medium that is authorized by law to submit the transfer of ownership of recordable assets and other issues that ultimately affect a particular recorded asset (such as a mortgage for example).

Due Diligence

Typical Easements and Encumbrances...

- Although it is always advisable to go over any and all encumbrances that a property may have, at Reserva Conchal the main encumbrances that you will find pertain to the integrity of the project such as:
 - Rights of Way and Easements. These are the different access points and internal roads for the development.
 - Ecological Encumbrances. These pertain to the overall esthetic beauty of the development (i.e. colors of any buildings exterior walls).
 - Covenants. This is the Master Association's framework. It outlines restrictions and general procedure when voting and taking overall decisions in regards to the condominium (usually each set of condominiums have their own set of rules, regulations and assemblies).

Closing Process

- **First Steps**
 - Getting to know your investment.
 - Fee Simple v. Concession
 - Condominium Regime
- **Corporations**
 - *Incorporating*
 - Pros and Cons of *Incorporating*
- **Due Diligence**
 - Public Registry
 - Typical Encumbrances and Easements
- **Title and Escrow**
- **Closing**
 - Registration of Transfer Deed at Public Registry.
 - Municipality
- **Fees, Costs and Expenses**
- **Post Closing Obligations.**

Title and Escrow

- **Title Guaranty is a contract by which a third party (Guaranty Company) commits to indemnify losses due to legal situations affecting title to the property that could ultimately affect the ownership or title to the property. Title Guaranty is usually requested during the due diligence phase (if requested by purchaser).**
- **Although Title Guaranty is not mandatory in Costa Rica, it is advisable to acquire in order to safeguard your investment.**

Title and Escrow...

- **Escrow**. Trust-like-figure that secures and guarantees to the parties in a given transaction the correct and adequate fulfillment of terms, conditions and contingencies established in that agreement.
- **Escrow Agent**. Neutral third party created by the parties to a given purchase agreement whose fiduciary duty is towards the proper fulfillment of the terms, conditions and contingencies of of said agreement are carried out by the parties in that agreement as originally established by them.

Closing Process

- **First Steps**
 - Getting to know your investment.
 - Fee Simple v. Concession
 - Condominium Regime
- **Corporations**
 - *Incorporating*
 - Pros and Cons of *Incorporating*
- **Due Diligence**
 - Public Registry
 - Typical Encumbrances and Easements
- **Title and Escrow**
- **Closing**
 - *Registration of Transfer Deed at Public Registry.*
 - *Municipality*
- **Fees, Costs and Expenses**
- **Post Closing Obligations.**

Closing

Closing. After the transfer deed has been signed by both parties, the Notary Public submits the transfer deed to the Public Registry for recordation.



Closing...

Once title to the property has been recorded the closing attorney must record the change at the Municipality and request the issuance of final Title Guaranty document (if requested).

Closing Process

- **First Steps**
 - Getting to know your investment.
 - Fee Simple v. Concession
 - Condominium Regime
- **Corporations**
 - *Incorporating*
 - Pros and Cons of *Incorporating*
- **Due Diligence**
 - Public Registry
 - Typical Encumbrances and Easements
- **Title and Escrow**
- **Closing**
 - Registration of Transfer Deed at Public Registry.
 - Municipality
- ***Fees, Costs and Expenses***
- **Post Closing Obligations.**

Closing and Annual Costs

Closing Costs are typically:

- Transfer Taxes: 1.5% of purchase price.
- Transfer Stamps: 0.85% of purchase price.
- Notary and Legal Fees: 1.25% of purchase price.
- Escrow and Title Guaranty: 1% of purchase price.
- *Full Package Service: 2% of purchase price!*
- Corporation: US\$600.00
- Yearly Property Taxes: 0.25% of declared value.

Post Closing Obligations...

Remember that the following must be done:

- Record change of ownership in title at the Municipality once it has been recorded at the Public Registry.
- Conduct yearly shareholder minutes.
- Pay yearly property taxes (for these, you do not get a bill, so must be alert as to when they are due in order to avoid finding yourself in a unfortunate situation with the authorities.
- Pay Master Association fees on time.

BLP

Abogados

Questions?

Omar Ayales A.

BLP Abogados

t (506) 665 2217

f (506) 665 2219

m (506) 886 2877

e oayales@blpabogados.com

www.blpabogados.com