

Tijuana, Baja California, México, March 22, 2019

**Alejandro Pareyon**  
President and CEO  
LatAm OceanRE Ltd & MilCoin Network  
Fredrick St, 2nd floor N-4826  
Nassau, Bahamas

**Only via email:** [alejandropareyon@gmail.com](mailto:alejandropareyon@gmail.com)

Re: FinTechCircular CNBV.

*Dear Alejandro,*

I refer to your query regarding the impact generated by the bulletin 4/2019 published on March 8, 2019 in the Official Gazette of the Federation in which the procedure is specified so that the Financial Technology Institutions (ITF) that operate with Assets Virtual customers can do it legally by having authorization from the Bank of Mexico (the "Circular 4/2019"). On the subject first it is necessary to specify the following points:

#### **1.- LatAm OceanRe, Ltd & MilCoin Network Core-Business.**

The LatAm OceanRe, Ltd & MilCoin Network business concept ("LatAm / MilCoinNet") which consists basically of the development and management of the resorts, the development and management of real estate projects developed in the resorts, close to the resorts and together to the roads that lead to the resorts, which will be available for rent and for sale. The MilCoin / Net projects will not be limited to the construction of luxury villas for sale in or near the resorts, the construction of the apartment building and villas for short-term vocational rentals in or near the resorts. Construction of the apartment building and private homes for long-term rentals next to the roads that lead to the tourist centers. Construction of commercial and industrial property for long-term rentals next to the roads that lead to the tourist centers.

#### **2.- Capitalization through the issuance of shares.**

This means that LatAm / MilCoinNet's "core business" is precisely real estate development through seven companies structured comparatively in a traditional way, through actions that constitute social capital. The value of these actions is supported through accounting records that are based on fixed and variable assets through the accounting mechanisms and audit criteria that support the issuance of paper in the Stock Exchange and that are regulated by the Securities and Exchange Commission of the United States ("SEC").

#### **3.- Legitimization to quote on the stock exchange.**

However, the SEC regulations and exit strategy of all MilCoinNet financial instruments, not limited to the MilCoin's, are securities, and therefore, the shares issued by the seven companies in the group are placed on sale under SEC Regulation. " D "506 (C) for US investors and" S "Regulation for foreign investors, and are issued under rule 144 SEC exemption from registration, and under the securities act of 1933, as amended (The" 1933 Act "), by what the seven companies will become listed companies in the stock market through the merger of shares with companies publicly listed on the stock exchange. Therefore, after the merger and based on the exemption SEC 144 and the waiting period or the filling out of form S1 with SEC, the shares will be free trade, and; MilCoins and Shares in seven companies are the eight exit strategies.

#### **4.- Actions with representation of virtual assets.**

To increase the long-term value of MilCoins, the business of MilCoin Network, MilCoinHolders and shareholders, MilCoin Network focuses on the creation of joint ventures and projects where MilCoins will be accepted for products and services, such as companies with chain stores convenience. and other stores, and other types of businesses that will accept MilCoins for their products and services. This means that the shares circulating will have a parallel representation (virtual representation) to be used in the market of goods and services legitimized by actions regulated by the SEC in the United States for their issuance and circulation and therefore make this instrument a legitimate vehicle for exponentially increase the value of the group's shares. As a result, investors will receive the long-term MilCoins and shares in the seven trading companies of the MilCoin network, and the balance of the income that investors will receive from MilCoin Network in cash. However, the creation of the Diamond MilCoin is considered technically in the United States as "actions" in accordance with the opinion of the expert advisor in Securities and Exchanges.

## 5.- Bulletin 4/2019.

Initially, this Circular 4/2019 establishes in its objective that: "1st Object. - The present Provisions are intended to: a) Determine the virtual assets, as well as define their characteristics, with which the Institutions may operate in accordance with the provisions of the Law; . . . "This implies that the regulations contained in this Circular 4/2019 is applicable to the ITFs that are entities governed by the Law to Regulate Financial Technology Institutions.

Now, rule 11.a of Circular 4/2019 establishes that ITFs must request an authorization in order to carry out operations with Virtual Assets. . . . . "Application for authorization of contracting of third parties. - The Institutions, to contract a third party to provide services related to Operations with Virtual Assets, must obtain prior authorization from the Bank of Mexico, based on the request submitted for this purpose.

On the other hand, Article 1.- of the Law to Regulate Financial Technology Institutions (ITF Law) establishes the purpose of the law and those who are obliged to observe it. Said article establishes: "The present Law is of public order and general observance in the United Mexican States and is intended to regulate the financial services provided by financial technology institutions, as well as their organization, operation and operation and financial services subject to Therefore, after analyzing the predominant activity of LatAm / MilCoinNet, LatAm / MilCoinNet is not an entity that operates as an institution of financial technology and therefore is not located in the assumption that you must observe its provisions.

## 6.- Fiduciary responsibility emanated from the process established by the SEC before transactions with third parties.

Derived from the rules that implement Circular 3/2019 regulating transactions with third-party merchants are the opportunity of LatAm & MilCoin to provide a sense of security derived from the fiduciary responsibility emanated from the process followed so that LatAm & MilcoinNet can be listed on the stock exchange, which it becomes stability and solidity to Mexican companies that accept Diamond MilCoins for products, services, and consumers in Mexico that wish to acquire goods and services through an electronic commerce platform / E-Commerce ("Wallet") where it is used as a means of payment the Diamond MilCoins. That is, the consumer uses the platform to purchase goods and services, while the delivery of said goods and services will be delivered at the time of performing the operation online through the Wallet. (see example in footnote (\*))

This implies that LatAm & MilCoin becomes a third party permitted by Circular 4/2019 whose financial institutions must request the corresponding authorization as established by the rule. . . . **10.a Services that can be contracted with third parties.**- Institutions may contract with third parties, including other national institutions or foreign entities, the provision of services related to Operations with Virtual Assets subject to

the provisions of this Chapter. ". . . This implies that an IFT gives legal certainty to the operations that as a supplier in the E-Commerce perform LatAm & MilCoin so that the merchants can offer their goods and services in digital platforms that use virtual assets.

The above, brings as a benefit for the establishments of goods and services that, on the one hand and depending on the fiscal strategy of the merchant, they can (1) exempt the Value Added Tax; and (2) defer the profit generated by the Income Tax in which the merchant agrees with LatAm & NilCoinNet to reverse the difference between the cost price and the sale price in Diamond Milcoin that will be retained for four years and delivered to the merchant through a trust with the right to reacquire.

## Conclusions.

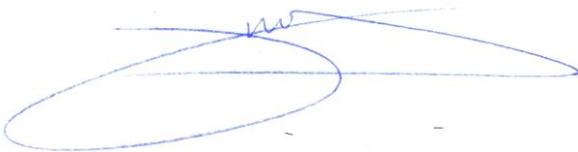
**FIRST.** - As was already explained in point 1.- above, LatAm / MilCoinNet is a group of seven companies dedicated to developing real estate and operating real estate developments. And it is not a company (s) dedicated to operating with virtual assets as a preponderant activity. Therefore, LatAm / MilcoinNet is excluded from the sphere of regulations established by Circular 4/2019.

**SECOND.** - On the other hand, the companies of LatAm / MilCoinNet are companies regulated by the SEC in the United States as explained in points 2.- and 3.- above. And the creation or issuance of the Diamond MilCoins are considered technically as actions, in accordance with US law. Then, they are companies under the jurisdiction of the laws and governmental bodies of the United States of America.

**THIRD.** - The regulations issued by the Bank of Mexico through Circular 4/2019 strengthen related operations in electronic commerce / E-Commerce or Wallet in Mexico related by third parties, since the ITF may request authorization for the contracting of third parties whether they are national or foreign entities.

If you require more information or clarification regarding the above, please do not hesitate to contact us.

*Sincerely,*



**Jorge Mario Aguirre Carreón**

*(\*) The consumer of goods or services enters the real estate business that is a member of LatAm & MilCoin Business Network (LatAm) and wishes to purchase an item with a value of \$ 1,000.00 USD.*

*2. The merchant recommends the consumer to download an application and to buy \$ 900.00 USD in Diamond MilCoins.*

*3. LatAm adds \$ 100.00 in MilCoins to the consumer's account and \$ 100.00 in MilCoins to the merchant's account when the transaction is executed.*

*4. As part of the information received and documented, the MilCoin Network realizes that the cost of the sofa is \$ 500.00 and, therefore, \$ 600.00 USD less business expenses are subject to taxes.*

*5. When the merchant sells the \$ 1,100.00, you will be notified that you have the option to invest the \$ 600.00 earnings with a guaranteed minimum return of 100%, to receive the MINIMUM of \$ 1,200.00 instead of \$ 600.00 paid in cash or in species.*

*6. However, according to the statistics of MilCoin's appreciation in the market ... the GUARANTEED MINIMUM of \$ 1,200.00 ... could have a value of \$ 10,000.00 USD in 4 years.*

*7. According to the facts of this transaction, the merchant in 4 years (# 1) will have to pay taxes of \$ 600.00 of profits and (# 2) will have to pay taxes on \$ 600.00 of profits of the stock market.*