

RUIZ-VIVANCO Y ASOCIADOS, S.C.
TRADUCTORES E INTERPRETES

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[Letterhead of CEMSA, CORPORACION DE EXPORTACIONES MEXICANAS,
S.A. DE C.V.]

13.2.98

SECOFI

Dr. Herminio Blanco
Dr. Jaime Zabludovsky
Mr. Hugo Perezcano
Mr. Carlos García Fernandez

SHCP

Mr. José Angel Gurría
Mr. Tomás Ruiz
Mr. Ismael Gomez Gordillo
Mr. Angel Ramírez

USTR

Ms. Charlene Barshefsky
Mr. David Weiss
Mr. John Melle
Mr. Bill Busis

NAFTA - - NOTICE OF INTENT TO SUBMIT CLAIM

Claim is made under Chapter 11, Article 1110

Actions Tantamount to Expropriation

Based on Chapter XI, Section B, Articles 1115 to 1138 of the North American Free Trade Agreement (NAFTA), I hereby notify you of my intent to submit to arbitration the claim for lack of fair and equal treatment, as well as for measures tantamount to expropriation of my investment, against various authorities of the

Mexican Government, particularly the Ministry of Finance and Public Credit (SHCP).

In compliance with the provisions of Article 1119 of Chapter XI of NAFTA, I hereby furnish the following information:

Name and Domicile of the Disputing Investor: Marvin Roy Feldman Karpa, United States citizen with FM2 migration document number 341257; domiciled at Socrates number 385-101, Colonia Polanco, postal code 11560, Tel. (52) (5) 280-1113. Fax. 280-6464, in Mexico City, Federal District.

Name and Domicile of the Company: The company that I own and represent and over which I have direct control is Corporación de Exportaciones Mexicanas, S.A. de C.V., domiciled at Manuel Gutiérrez Nájera number 249, Colonia Tránsito, postal code 06820 Tel. 280-3207. Fax. 280-6464, in Mexico City, Federal District.

The Provisions of NAFTA Alleged to Have Been Breached: Among others, the provisions of Articles 1102 (National Treatment), 1104 (Level of Treatment), 1105 (Minimum Level of Treatment), 1106 (Requirements of Performance) and, especially, 1110 (Expropriation and Indemnification), as regarding the actions tantamount to expropriation or nationalization of the investment.

De Jure and De Facto Basis for the Claim:

1. The foreign trade company that I own and represent is a mercantile company incorporated pursuant to Mexican laws

whose corporate purpose fundamentally consists in the exportation of any kind of products manufactured in Mexico.

2. Because of its importance as an exporting company, my principal obtained its registration as a Foreign Trade Company from the Ministry of Commerce and Industrial Promotion in August 1989, and the renewal thereof in 1997. The instrument which evidences it as a Highly Dedicated Exporting Company (Empresa Altamente Exportadora) was also issued.

3. Among the products exported by my principal are processed tobacco (cigarettes) which are goods taxed in Mexico by indirect taxes such as the Value Added Tax (VAT) and the Special Tax on Production and Services (Impuesto Especial Sobre Producción y Servicios (IEPS)).

4. Since 1981, the year in which the IEPS was established, the definitive exportation of goods whose sale is subject to said taxes has had its taxes eliminated (exempt) through the application of a 0% rate (Article 2, Section III of the IEPS Law); which gives the exporter the right to obtain the refund of said tax, which is transferred (expressly or tacitly) or added to the purchase price at the time of acquisition of the product in Mexico for its exportation. This is so because it would otherwise be impossible to export at competitive prices in the international market.

5. However, because the tobacco-producing companies oppose the exportation activities of the foreign trade companies, such as my principal, and considering the enormous political influence and

capacity for corruption that said producers have before the Mexican Government, they have achieved that various officials of the Ministry of Finance and Public Credit, using the fiscal provisions (specifically the contents of the IEPS Law) as pretexts and means, definitively hinder, block and prevent the exportation activities of my principal by refusing to refund the IEPS credit balances in our favor.

6. The above, notwithstanding the fact that the Law that regulates said taxation is clear in stating and establishing the right to the 0% rate in the exportation of the abovementioned products, and despite the fact that we have already obtained judgments favorable to our interest in such regard before the highest courts of Mexico, namely, the Supreme Court of Justice of Mexico and the Federal Tax Court.

Likewise, we have received various decisions and official documents from other authorities or areas within the Ministry of Finance and Public Credit itself, derived from judicial decisions in our favor, in which our right to recover the IEPS on the products that we export has been recognized and reaffirmed.

7. Thus, the responsible officials have violated our legitimate rights; they have applied us illegal, unconstitutional, unequal and unjust treatment, unlike what they give to the producers, and they have resorted to measures tantamount to expropriation of an investment that has a value exceeding U.S.\$13,000,000 (thirteen million dollars, lawful currency of the United States of America).

ARACELI RUIZ - VIZCARRA
Export Director
Assigned by the Court,
Mexico City

The Relief Sought and the Approximate Amount
of the Damages Claimed:

1. Of course, the first and fundamental relief sought must consist in the complete respect of our right to work, so that we may continue exporting the goods in question and recover the corresponding IEPS in the shortest time possible.
2. Otherwise, if they are not going to allow us to work, we should be compensated in an amount equivalent to the value of the company, which exceeds U.S.\$13,000,000 (thirteen million dollars, lawful currency of the United States of America).
3. Likewise, we hereby request the immediate refund of the more than U.S.\$2,000,000 (two million dollars, lawful currency of the United States of America) of the IEPS that various officials of the SHCP refuse to deliver to us, in a highly arbitrary, unconstitutional and illegal manner, along with the updating and the interest that would have been accrued and those that continue to be accrued until the material and total payment of said credit balances is made, derived from the exportations that we made in October and November 1997.
4. Finally, we hereby claim payment for the amount of the damages that have been caused to us and that will continue to be caused to us while they do not allow us to work, which are equal to at least U.S.\$3,000,000 (three million dollars, lawful currency of the United States of America) for December 1997 and January and February 1998, plus U.S.\$1,000,000 (one million dollars,

lawful currency of the United States of America) for each month that elapses without our receiving the refund and respect for our right to export cigarettes through prompt recovery of the corresponding IEPS.

For everything stated above and based on the applicable provisions of NAFTA, which have already been enumerated, I hereby respectfully request that:

ONE. I be deemed as appeared with the legal capacity that I have, giving the notice or notification referred to in Article 1119 of NAFTA.

TWO. This instrument be given the legal course that by law corresponds to it, for the purpose of reaching the best possible solution in the shortest period of time.

I PROTEST AS NECESSARY,

Mexico City, Federal District, February 13, 1998.

Mr. Marvin R. Feldman K.
Sócrates 385-101, Polanco
Mexico City, Federal District 11560
Tel: (52) (5) 280-1113. Fax: 280-6464.

I, Araceli Ruiz-Vivanco, Expert Translator and Interpreter, duly authorized by the Supreme Court of Justice according to resolution published in the Judicial Bulletin dated February 7th, 1997, hereby certify that to the best of my knowledge, the above translation from Spanish contained in 06 pages of text, is true and complete.

ARACELI RUIZ - VIVANCO
Expert Translator
Authorized by the Court.
Mexico City

Mexico City, Federal District, February 20, 1998.