

Fee Proposal
Guatemala City, June 19 2022

Sirs.
Scott Frederick and Von Eric Sobrevenas
Director of Global Sourcing
Land'n Sea
His office

Dear Sirs:

We cordially welcome **MUNDO LAW**, a law firm specializing in international trade, under our slogan "**...a way to establish order anywhere in the world...**" we have managed to position ourselves as specialized jurists in the areas of law and through this proposal we allow ourselves to transfer the following terms of reference in order to provide and make available our services for the expansion of the business of your represented company in Guatemala.

Mundo Law's mission is to ensure that **Land'n Sea** does not face any type of setback or conflict in managing a maquila in Guatemala and adequately advise it on any issue that arises before and during the execution of its operations, taking advantage of the benefits for the investment that the CAFTA DR contemplates.

For this purpose, **Mundo Law** has a staff of lawyers, accountants and business administrators specialized in international trade who know each of the internal legal procedures for the constitution or acquisition of companies to obtain the authorizations and licenses that allow the development of future operations of new investors and thus avoid labor, fiscal and any other type of contingencies. To achieve this objective, it is essential to know the procedures and access conditions required by our country and thus take advantage of the benefits offered by the partial scope agreements and free trade agreements that Guatemala has in force.

It is necessary to remember that Guatemala is becoming an increasingly relevant actor in the field of international trade thanks to its open trade policy and the negotiation of trade agreements with countries and strategic blocs, which represents great challenges and opportunities, mainly for foreign investment. The intervention of **Mundo Law** is precisely to guarantee permanent advice in order to optimize these processes to achieve the quality and competitiveness standards that will allow Land'n Sea to position itself in international markets within a legal framework generally unknown to new business partners. For this reason we undertake to keep this proposal for fees and expenses unalterable from its presentation until its award.

Terms of Reference:

Our firm has been contacted in order to provide legal certainty at the time the decision is made to acquire and/or establish a company, whose purpose is to develop a maquila in Guatemala. For this reason we will strictly limit ourselves to the following terms of reference:



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FIRST PROPOSAL

Acquisition of existing maquila

If the intention is to acquire a company characterized by using largely imported inputs and technology, employing social labor and allocating its production to the export of garment manufacturing, it is necessary to carry out a financial, labor and commercial audit before buying it in order to verify the following:

- If the corporate purpose allows you to export or import goods, products and merchandise.
- If the licenses and permits issued by the Ministry of Economy and Agexport are valid.
- Access in the last six months of the textile market sector to the United States.
- Tariff treatment it has received in recent years.
- What requirements and benefits have you obtained to export from Guatemala.
- What transport documents do you have to achieve your goal?
- What type of documents do you have to import products into the United States.
- Labeling to export products.
- Compliance with the regulations of the Free Trade Agreement applicable to the textile sector.
- Consumer trends.

Advantages:

- ✓ Commercial prestige.
- ✓ Acquire the know-how of workers, consequently, it is not necessary to recruit new personnel.
- ✓ Registered office fully accredited by creditors, investors, banks and customers.
- ✓ Purchase investment generates long-term savings
- ✓ It is not necessary to fire any worker, as long as they know the effects of an employer substitution.
- ✓ Customs, tax and labor authorities are aware of the existing company.
- ✓ Current export licenses and permits, this allows you to avoid bureaucratic procedures to obtain one.

Disadvantages:

- That the company's record is negative or currently facing legal proceedings.
- That the workers sue for fear of losing their labor liability.
- That the head office is in a red zone (or with a lot of crime) and does not have security standards and/or is difficult to access for clients, suppliers and consumers.
- Analyze whether trusted workers are going to be fired.
- That the investment does not recover in the short term.
- That the company has been sanctioned on previous occasions with the withdrawal of commercial licenses or for disrespecting the tutelary norms for the benefit of the workers in accordance with the Conventions of the International Labor Organization, ILO.
- That export licenses and permits have been canceled for not meeting quality standards.

Proposal:

- ② Carry out an investigation and legal audit to confirm that everything is in order or at least to guarantee that the investment to be made is not detrimental to the interests of the investors.



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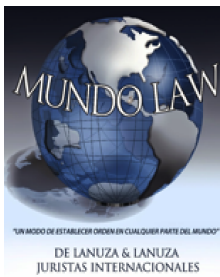
- ② Some employers hide information from new owners, particularly those related to labor liabilities and omissions in tax returns, in order to definitively evade contractual obligations without caring that the assets of the companies are put at risk without defining a legal strategy that allows avoid labor and fiscal problems in the jurisdictional and administrative sphere, which is regularly costly, due to the absence of good faith, Example: absence of agreements with the working mass adjusted to law and the most delicate thing is that these employers hide the sanctioning procedures by the labor authorities that they range from the imposition of twenty to fifty minimum wages simply for not complying with regulations for the benefit of workers. To this end, Mundo Law undertakes to carry out the necessary investigations through specialized experts.
- ② Regularly, most investors are unaware of alternative mechanisms to honor the payment of labor liabilities. A typical example is the case of an employer substitution, since the new employers find out about a lawsuit or legal action filed by former workers they never knew, who without understanding or understanding the causes of the lawsuits face unjustified processes that harm the assets of the company and therefore the investment made, since these workers, despite having received their compensation and other labor benefits, abuse the tutelary protection of international labor laws and conventions to allege unforeseeable labor readjustments and go before the Labor and Social Security Courts Social, Ministry of Labor, Guatemalan Institute of Social Security to denounce and it is there where the companies for not making suitable preventive and emerging decisions face a problem that naturally harms the normal business of the companies and therefore their exports. To this end, Mundo Law has a claim verification system to minimize the problem.
- ② Regularly 40% of the companies in Guatemala do not comply with their contractual obligations in labor and tax matters, so before buying a company it is necessary to carry out an audit that allows reviewing the Employment Contracts of all its workers, the existence of a Regulation Interior of Work, the Salary Books, and Social Security Sheets, as well as the quarterly Notices of payment of overtime that are mandatory to present, and the annual accounting Notices in relation to the minimum wage for the Maquila sector as well as the payment of commissions and matters related to Social Welfare, to name a few. Consequently, investors maintain the risk of being financially sanctioned by the labor authorities if they do not keep their records in order, which entails investing twice in legal expenses. Mundo Law offers permanent advice and is responsible for the execution of this audit for the security of Land'n Sea.
- ② It is likely that there will be lawsuits that seek payment of substantial labor benefits, for this purpose, our Firm has contemplated a series of legal strategies to find out about the existence of judicial processes, with the clarification that it is not about hindering procedures, but rather to protect the assets of the company to be acquired and to give the investor legal and commercial security, therefore granting the good worker what the law favors him and the badly behaved worker what he deserves.



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2 **To avoid the risks mentioned above, Mundo Law has designed the following strategy and recommends the following proposal as a method of prevention:**

- (a) Train the investors about the benefits contemplated in decree number 29-89, Law for the Promotion and Development of the Export Activity of the Maquila in Guatemala.
- (b) Within a period not exceeding fifteen days from the approval of this proposal, verify whether the company to be acquired has not incurred the prohibitions and sanctions contemplated in the aforementioned law and labor legislation.
- (c) Through the audit carried out, establish if the company to be acquired has covered the customs duties, import taxes and value added taxes from the moment the corresponding import policy was acquired.
- (d) Establish the existence of solvencies of the General Directorate of Customs and the General Directorate of Internal Revenue to prevent the Ministry of Economy from revoking the corresponding import and export permits and licenses. In any case, Mundo Law undertakes within a period of no more than six months to readjust them.
- (e) Coordinate with the human resources and accounting departments of both the company to be acquired and Land'n Sea trusted delegates the scheduled dates to reach an agreement with the workers in case the decision is to liquidate the personnel.
- (f) Train the representatives of the acquired company in their role as new employers in the issue of employer substitution and not run the risk of paying large settlements precisely to ensure the assets of Land'n Sea and its investment as well as not having any problems with labor authorities in regards to the massive dismissals and therefore with the payment of labor benefits and compensation in favor of workers, if applicable.
- (g) Carry out a labor audit in order to establish which are the classified positions of trust and thus be able to redefine the attributions of some employees in the time that the restructuring and consolidation of the acquired company occurs.
- (h) After notifying the workers of the decision to suspend their employment relationship and/or terminate the employment contract of some of them, Mundo Law undertakes to monitor the computer system of complaints filed by workers with the Center of Labor Justice, which will allow the company to be warned about said contingencies, structuring a legal document that obliges the former employer to assume said responsibilities.
- (i) In the case of dispensing with the services of any worker, Mundo Law undertakes the responsibility to execute the dismissals of the workers with or without just cause. In order to negotiate and sign agreements with the workers, in the understanding that if this fails, to be able to request before the Labor Mediation Center a conciliatory board and thus resolve the controversy that has arisen, the idea is to nullify the cunning of the lawyers who advise the



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former employees, since they suggest going directly to file their lawsuits to obtain a conviction the payment of damages and legal costs and avoid going through the General Labor Inspection, which affects the assets of the new investors.

- (j) **Mundo Law's** policy is to conciliate all cases that generate labor conflicts and the way to reduce the average costs of the negotiation is to carry out long-term conciliations. It is important that when the conciliation accounting certifications are presented that they reflect the patrimonial state of the company, and the progress before the general Mercantile Registry of the Republic of the employer substitution process, that will allow fair and equitable negotiations to be reached, including reducing the amount of compensation, which is feasible under the law, but not the amount of labor benefits of irrevocable character. Taking into account that there is talk of a transition process between old and new employers.
- (k) As a strategy, the Mundo Law team will also try to renegotiate their contracting with the terminated workers in favor of **Land'n Sea**, as long as these workers have not generated legal problems after being notified of the decision to close operations or change of business owner. Consequently, periodic payments can be proposed to offset the cost problem, which in theory should be the same as if they were ordinarily earned by the workers. In other words, workers will be invited to accept the same salary they earn in the long run.
- (l) It is not beyond the knowledge of representatives of **Land'n Sea**, that the termination of the employment relationship may arise with or without just cause for dismissal. Consequently, some former workers will choose not to exhaust the administrative route and go directly to file the lawsuit, generating an ordinary labor procedure that, if not reconciled, would ostentatiously affect the assets of the new company (for example: compensation payment, damages and legal costs, as well as inalienable benefits).
- (m) **Just to cite an example**, if a worker has been liquidated, the law allows him/her to initiate an ordinary labor trial for salary readjustment, which means that this liquidation is taken by the courts as an incomplete payment. For this reason, it is necessary to negotiate what is economically viable and have the legal support documents that guarantee zero problems.



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SECOND PROPOSAL

Set up a new company

In the case of making the decision to establish a new company because it is considered that acquiring one is too risky, it is necessary to take into account the following aspects:

- o Indicate who will be the partners, at least two of them are required.
- o In case of being only foreigners, the signing of a Guatemalan is required to enable the account in system banks, for which the Law will collaborate without any objection.
- o Take into account that the process of constitution of a society in Guatemala will not exceed thirty days, except for the issuance of the corresponding actions and the celebration of corresponding assemblies, Mundo Law will operate provisionally as the registered office while Land'n is making the decision to establish its future headquarters.
- o At the same time that the company is constituted, a sole administrator and legal representative will be appointed in Guatemala to make the requests for licenses and export permits through a business manager, in case these are not valid.
- o Once the new company is constituted, a representative will be appointed with representation and the corresponding power will be structured to register it in the respective registries, with the assignment and specifications that Land'n Sea considers pertinent so as not to incur in abuse of power. For this designation, Mundo Law has the ideal personnel, as long as the new investors consider it so.
- o Likewise, Mundo Law can initiate without any problem, in coordination with Land'n Sea delegates, the recruitment of personnel to operate in the new Maquila, which implies conducting interviews and skills for this purpose.
- o Mundo Law considers that the future company may have its headquarters in places close to the Guatemalan Pacific (Guatemala City and its different municipalities, Escuintla, Santa Rosa) in order to make the corresponding exports and imports viable.
- o Likewise, Mundo Law undertakes to manage, within a period of no more than six months, the licenses and commercial permits to operate in the country under the protection of decree number 29-89, Law for the Promotion and Development of the Export Activity of the Maquila in Guatemala.

Advantages of establishing a new company:

- Have absolute control of the company without the need to depend on former owners.
- Be recognized by Guatemalan authorities as new investors, which will allow for exclusive preferential treatment when obtaining export and import permits and licenses.
- Be able to start working within a grace period contemplated by law.
- Hire new personnel at will and therefore carry out the organizational structure of the company under the guidelines of senior managers of Land'n Sea.
- Establish administrative procedures at your convenience.
- Have security for the new business system established in compliance with the existing legal order.
- Have a preferential tariff treatment.
- Make yourself known in the Guatemalan market, under the concept of sustainable fashion.



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Note and Confidentiality Agreement:

- ② It is important to emphasize that fluid, clear and precise communication by telephone as well as through different computer systems with **Land'n Sea's** human resources and accounting department, or delegated persons, is crucial, since practice shows that the lack of communication between the contracting subjects negatively affects the results of the aforementioned strategies, therefore the offer of **Mundo Law** is to dispel any vicissitude as quickly as possible under a scheme of certainty and legal security, generating peace of mind to the investors.
- ② After the interview, Mundo Law contacted former representatives of companies such as Jerry Lee and Mackenzie in Guatemala who gladly provided the list of former employees and managers, in order to contact them to work for Land'n Sea in Guatemala. These companies indicated that the export permits as well as the respective licenses have expired but that they still maintain their contacts in Guatemala, particularly with Agexport to process them within a period of no more than six months.
- ② To ensure the investment that Land'n Sea makes in Guatemala, it is necessary to have immediate legal assistance to start the procedures before the Mercantile Registry, and before the Justice System, for this Mundo Law has qualified personnel and of course with the experience of the **former magistrate Christian Lanuza and international business specialist Christopher Lanuza**, who, together with the trusted staff appointed by **Land'n Sea**, will cover all kinds of problems, granting a special and judicial mandate with representation.
- ② As usual, the first to find out about the existence of a lawsuit or a legal proceeding is the company's staff, which means that **Land'n Sea** will have to deal with the inspection staff of the Ministry of Labor, the notifiers of the different courts and communicate it immediately by electronic means or telephone to the **Mundo Law** team, so that the firm prepares the defense and strategy of each specific case. In case of emergencies, our staff will definitely cover them without exception.
- ② The firm undertakes to render reports as many times as necessary and to issue monthly reports on labor processes and dissolution and liquidation delegated to its trust. It is suggested to hold at least one meeting once a week at the company's headquarters and two meetings at the headquarters of the Mundo Law firm, which is located at **Diagonal 6, 12-42 Zone 10, Tower I, 6th floor, Office 609, Design Center Building in Guatemala City.**
- ② As stated above, communication between the company and the Mundo Law law firm must be fluid, clear and simple, both with its representatives and with the staff that is on the ground. For this purpose, the electronic address is made available to you: mundolawgt@gmail.com in addition to the personal email of each of the legal advisors, including the firm's telephone numbers (502) 2219-1536 and (502) 2261-8806, as well as the cell phone of each of the advisors.



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PROFESSIONAL FEES AND EXPENSES SUBJECT TO APPROVAL AND DISCUSSION:

Mundo Law proposes the following professional fees which are subject to discussion and analysis, making it clear that they may be subject to changes both in value and time:

First Option:

Fees for the acquisition of an existing company and its respective registry modification:

It includes labor, tax and commercial auditing, review and processing of export and import licenses and permits before the MINECO, issuance of agreements and agreements for the payment of labor liabilities of existing workers, review of internal labor regulations, and defense of judicial processes that any of them entitlable if there is an employer substitution, as well as the exercise of a judiciary:

- **Six monthly amortizations of TWENTY THOUSAND DOLLARS (\$20,000.00) plus value added tax for a term of six months.** These Fees must be paid monthly, in advance and upon presentation of an invoice. **This item does not include expenses for obtaining licenses and tax procedures.**

Second Option:

Fees for opening a new company and its respective registration:

Permanent legal advice to obtain licenses and export and import permits before the Mineco and AGEXPOR. There may be employer substitution, as well as the exercise of judicial power and the recruitment of personnel, which implies structuring the corresponding employment contracts and the corresponding registration notices:

- **Six monthly amortizations of TWELVE THOUSAND FIVE HUNDRED DOLLARS (\$12,500.00) plus value added tax for a period of six months.** Said Fees must be paid monthly, in advance and upon presentation of an invoice. **This item does not include expenses for obtaining licenses and tax procedures.**

This second option additionally contemplates the following Expenses for the process of setting up a new company:

- ☐ **ONE THOUSAND DOLLARS (\$1,000.00)** which are in favor of different dependencies of the State of Guatemala and banking institutions and which are described below:

Bank Account Opening	Q. 5,000.00 ≈ \$646.12
Retrospective Search Certification	Q. 50.00 ≈ \$6.46



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Elaboration by the three Edicts (Q. 30.00 each)	Q. 90.00 ≈ \$11.63
For The Publication	Q. 200.00 ≈ \$25.84
Tax Stamps Articles of Incorporation of The Company	Q. 250.00 ≈ \$32.31
Notarial Stamps Articles of Incorporation of The Company	Q. 300.00 ≈ \$38.77
Fiscal Stamps and Notarial Appointment of Legal Representative	Q. 112.50 ≈ \$14.54
Procurement Expenses	Q. 500.00 ≈ \$64.61
Registration of Notice of Issuance of Shares	Q. 200.00 ≈ \$25.84
Tax Stamps for Company and Company Patent	Q. 250.00 ≈ \$32.31
Authorization of Accounting Books	Q. 200.00 ≈ \$25.84
Tariff registration of the company will depend on the share capital (8.5 per thousand)	N/A

- ☐ Likewise, investors must pay the corresponding taxes for the issuance of export and import permits and/or licenses according to the tariffs established by the countries that make up the DR CAFTA and the expenses for each general or extraordinary assembly that is held for being a new company, including mandates and representations in favor of Land'n Sea.

Without further ado and pending the acceptance of this proposal for fees and expenses within this expression of interest, I subscribe on your behalf, with a show of admiration and respect,

MSc. Christian Alejandro Lanuza Monge
Executive Director
Mundo Law

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