



# Policy Statement

*Billing and Payment Procedures*

## **General Details**

### **Introduction**

Our Firm strives to assure that our clients clearly understand how we bill for our legal services and disbursements advanced by the firm on their behalf.

This document is intended to explain our standard policies and procedures concerning invoices for services rendered and expenses incurred by us on your behalf, as well as our policy concerning payments to the firm. We believe that understanding such matters upfront is essential to a harmonious professional relationship.

### **Terms of Engagement**

Clients engaging our firm to perform legal services must agree to pay legal fees based either on hourly rates or a quoted fixed fee for the course of the engagement.

Copies of this policy statement will be provided to exiting and prospective clients of our firm. Existing and new clients will be requested to execute engagement letters acknowledging the contents of this policy statement, setting forth the terms of our engagement in particular instances and describing the manner, if applicable, in which such terms may differ from the standard policies and procedures set forth in this statement.

It will be understood, unless otherwise agreed in writing, that services which we are asked to perform on behalf of our clients will be rendered according to these terms and conditions.

### **Performance of Services**

Most services required by our firm's clients will be performed by lawyers, legal assistants and administrative personnel who are employed by the firm on a full-time basis and supervised by our lawyers. All individual client matters are assigned to specific lawyers who are responsible for assuring that the matters are addressed in a timely and professional manner.

Our firm also has referral and working relationships with other lawyers, experts in particular fields, who are occasionally requested to assist in serving firm clients. The determination of the appropriate strategy is generally based on considerations of experience, expertise, time availability and billing efficiency.

The overall goal in such situations is to utilise the resources available to the firm in a manner which provides our clients with high quality, timely and cost-effective services which are commensurate with the client's stated objectives.

## Value

Because our hourly rate fees are based on time expended, it is beneficial for our clients to make efficient use of our time, to be conscious of the time which may be required for particular task we are requested to perform and to define clearly for us the scope of the work which we are to perform from the outset of the project.

This is particularly important where the client has a preconceived budgetary notion. This is one of the reasons we prefer to work with a quote for the services and indicate clearly what will be included or not in any flat-fee quote.

Since for the most part we base our fees on personnel time expended, and since our production capacity is limited by the time available to work, it is our practice to charge no less than half of the applicable hourly rate (in some cases we will indicate that we are charging the full hourly rate) plus travel expenses for any time we are required to travel out of the office. This applies to meetings out of the office (in Panama City) as well as travel to other parts of the country.

This practice is based on the assumption that most meetings will be held at our office, thereby saving the client the charges related to out of office meetings.

## Supplemental Services

Our standard policy is that any involvements that our firm may have with regard to subsequent disputes between our clients and third parties involving matters with respect to which we have provided legal services, including our providing documents or testimony and responding to interrogatories or other discovery, are part of the engagement, and that we are entitled to be paid for our time, services, and expenses attributable to such activities.

Unless otherwise specified by the terms of our original engagement, it is understood that our fees for any such supplemental services will be determined on the basis of our hourly rates which are in effect at the time such supplemental services are rendered regardless of the billing arrangement which was applicable in connection with the original engagement.

## Services for Related Entities

On occasion we may be asked to render services for individuals, corporations, and other entities which are affiliated with our principal client in a particular engagement. In such cases, unless otherwise established in advance, we will consider all participants to be jointly and severally liable for the payment of our fees and expenses as outlined here and in the relevant engagement letter. Unless otherwise specified, we will render our statements to, and will expect full payment from, our principal client and will not be responsible for honoring any internal cost-sharing arrangements which may be in effect between the participants to the transaction.



## Ownership of Files

We consider the files which are generated and maintained by us in connection with services for our clients to be the property of our firm and not the property of our clients, except for documents and materials ("Client Papers") which fall within the following categories:

1. original documents and materials which are furnished to us by our clients;
2. original documents and materials, such as executed contracts and corporate records, which are prepared by us for our clients; and
3. other documents and materials which may affect our clients' rights or the exercise of such rights.

In the event of termination of our engagement, we will release such Client Papers only upon:

1. written request and instructions from the client; and
2. payment in full of all our unpaid fees and expenses.

Following the conclusion of our representation, we will keep confidential any non-public information you have supplied to us that we retain as our property. The physical file may be destroyed seven (7) years after it has been closed, in accordance with Panamanian public policy.

Client Papers still in our possession after more than seven years after the termination of our engagement may be destroyed if the client fails to request their return.

## Fees, Billing & Payment Terms

### Calculating Fees

Our firm follows the billing standards of professional conduct established by the Panamanian Bar Association (Colegio Nacional de Abogados) regarding the reasonableness of fees charged to our clients.

Under these rules, there are some minimum fee structures which are established and which we simply follow to the letter. In other aspects, the factors to be taken into account in determining the reasonableness of fees in particular instances include the following:

1. the type of matter involved - whether it is a simple and routine matter or whether it is a complex, highly technical matter;
2. the time and effort required;
3. the expertise of the lawyers working on the matter, and whether work on the matter may be delegated to staff personnel or legal assistants;
4. the amount of money involved and the results obtained;
5. the likelihood that the matter will be so time-consuming that it will preclude the lawyer from taking on other cases;



6. fees for similar services locally;
7. the time limitations imposed by the client or by circumstances; and
8. the nature and length of the lawyer's professional relationship with the client.

Our firm assigns standard hourly rates to time-keeping personnel employed by the firm, which have been determined by taking the foregoing factors into account.

Several methods are available to our clients for determining the fees to be charged for our services in particular instances. Generally, our fees will be calculated on the basis of the time expended on the client's matter in accordance with our hourly rates as determined in accordance with this policy statement. Alternatively, for some transactions, a fixed fee structure is available, in which case the lawyer will provide a quote for fixed fees.

In certain cases, agreements will be made in advance that our fees will be subject to a maximum and/or minimum amount.

## **Flat Fee Billing**

Many services, such as contract review, document drafting, licensing and business entity documents, and the like can be quoted at a flat fee. Any flat fee or structured fee arrangement must be agreed upon prior to commencing the work. If no such arrangement is in place, you will be billed on an hourly basis.

## **Billing Procedure**

Except for fixed fee matters, the standard method for calculating fees for legal services rendered by Gray & Co. is to record on a daily basis the time spent by each person performing services in connection with such matters. Time is recorded by the computer (initially a 6-minute increment and then by the minutes spent), whether such services be telephone or email consultations, meetings with the client or third parties on the client's behalf, research, drafting documents, travel and such like. Unless otherwise agreed, our standard hourly billing rates are used for this purpose. Please ask for a copy of the Rate Schedule if not provided with the quote and engagement letter.

We occasionally adjust our hourly rates for some personnel to reflect particular circumstances or expertise in a particular matter, but otherwise we periodically evaluate our hourly rates for time-keeping personnel to determine whether adjustments are appropriate to reflect additional knowledge and skills or to reflect changing market conditions. Any such adjustments in our rates are applied to services quoted from then on, and any new work which is requested. However, it will not be applied retroactively to hours already worked that have not yet been invoiced to the client.

## **Out of Pocket Expenses**

Amounts advanced or paid to third parties by us on behalf of our clients, such as notary, public registry fees, property taxes, government fees, postage charges, shipping and delivery charges, courier expenses, travel expenses, printing costs, filing fees, computer research costs, experts, and expense reimbursement costs, are considered to be completely reimbursable by our clients and are generally



included in the statement sent to the client for the month in which such amounts are advanced or incurred.

Unless otherwise agreed in writing, it is understood that our firm has no obligation to advance any of the foregoing costs on behalf of our clients and that a pre-payment will be requested to cover all such expenses beforehand. We will require that the client make arrangements in advance to fund such expenses.

## **Personal Guarantees**

We understand that individuals whom we consider to be our clients may sometimes request statements for our services to be rendered to entities which they control and/or through which their business activities are conducted. In order to avoid any confusion in this regard, however, and in accordance with the fact that our services will be primarily for the benefit of the individual client, we may ask that our engagement be executed by both the entity and the individual, acknowledging that both the individual and the entity will be responsible for payment of our fees and expenses in connection with the engagement.

## **Payment Terms**

Clients will be expected to provide us with a pre-payment in advance to cover the estimated expenses of the work to be done. Generally, upon issuing the quote to the client, the lawyer will indicate how much money will need to be paid in order to get started with the particular matter.

Where the matter in question will take less than two months to resolve from start to finish, we will agree to billing upon completion of the matter. However, where the completion of the matter will take longer than two months, we will arrange with the client periodic payments according to stages completed. These stages will be identified to the client in advance of commencing the matter.

Please review your bill promptly upon receipt; the billing will be deemed approved and the fees earned five (5) business days after the statement or invoice has been emailed to you the first time. Clients are expected to fully pay all invoices and statements due within 10 days of having received the same.

We reserve the right to add interest at the rate of one percent per month, compounded monthly, to all billed and unpaid balances beginning thirty days following the date upon which they were issued.

It is also understood that Gray & Co. shall be entitled to recover reasonable lawyers' fees and expenses and court costs in connection with any efforts required to collect unpaid amounts due.

## **Prepayments & Retainers**

Where we have asked the client for a prepayment or retainer, these funds will be deposited into our trust account. Our practice is to transfer payments (such as for out of pocket expenses) from this account to our operating account, as needed, and we will invoice you for such expenses as they arise (if taxes or other sizable sums) or according to the stages or finalised task. A detailed accounting will be provided to the client of all funds used and billed.



## **Failure to Pay**

We reserve the right to suspend or terminate any representation in progress in the event of non-payment of our invoice/statement within twenty (20) days after a statement is due. In addition to our right to withdraw from a representation engagement at any time if the payment terms described above are not satisfied, it is understood that our clients reserve the right to terminate their engagement of our firm at any time, upon payment in full of fees and expenses accrued up to that time.

We will assert and maintain a possessory retaining lien on all such Client papers as security for payment of our fees and expenses, except to the extent that retention of such Client Papers would prejudice the rights of our clients.

Additionally, either of us may terminate the engagement at any time for any reason be written notice, subject on our part to our professional obligations to you under applicable rules of professional conduct. After termination, you will receive a final statement for services rendered in this matter. Unless you engage your lawyer after termination of this matter, there is no continuing obligation to advise you with respect to future legal developments, such as changes in the applicable laws or regulations that could have an effect on your future rights and liabilities.[/tab]

## **Finally...**

It is hoped that this will anticipate most, if not all, of the issues which will arise in connection with billing and payment procedures of our firm. Clients having general or specific questions regarding the policies and procedures set forth above are encouraged to raise those issues with the firm at their initial engagement meeting or as shortly thereafter as possible to resolve these questions.