



PRÓSPERA
DOING BUSINESS GUIDE

What is Próspera ZEDE?

Próspera ZEDE (Zone of Economic Development and Employment) is a special jurisdiction developed in partnership between Honduras Próspera Inc. and the Honduran government designed to catalyze prosperity, unleash innovation, and create one of the most business-friendly jurisdictions in the world. This jurisdiction was made possible by Article 329 of the Honduran Constitution and the ZEDE Organic Law and is protected by a number of international treaties and legal stability agreements.

The ZEDE special jurisdiction was inspired by the success of some of the world's greatest cities, from Singapore to Hong Kong to Dubai. Like each of these examples, the ZEDE jurisdiction has its own autonomous legal and regulatory institutions. These institutions work together to provide business owners and entrepreneurs with the freedom necessary to innovate, grow, and prosper with the Honduran people.

The administration aspects of these institutions are subcontracted to the General Service Provider, or GSP. As such, this GSP is the entity with which firms and individuals operating inside of the Próspera ZEDE will interact for the administrative aspects of creating entities, complying with regulations, etc. All of these administrative tasks will be automated through an e-Governance platform currently under development with former members of the E-Estonia team.

Below is a step by step guide to doing business in the Próspera ZEDE, starting from forming a legal entity all the way through regulatory compliance and dispute resolution, detailing both the costs and time required to do so in comparison to both Honduras and other leading jurisdictions.



Executive Summary

	COMPLIANCE PROCEDURE	COMPLIANCE COST
Forming an Entity	• Apply for e-Residency • Sign Agreement of Coexistence • Fill out 1-2 page application with background check permission • Purchase liability insurance	\$540 to \$1,840 (assuming liability insurance purchase)
Obtaining Permits	• Designate regulated industry permit type • Fill out 1-2 page permit application	\$50 to \$200 (for most common permits)
Complying with Regulations	Choice of: • Regulatory code of any OECD country; OR • injunctive relief and enhanced liability exposure from litigation; OR • Propose new Safe Harbor regulatory code to Prospera Council	• \$150 registration • Exposure to 3x injunctive relief from litigation
Complying with Labor Law	• 90% of Day labor employees Honduran • Min. wage 10%-25% over Honduran national min. wage • Mandatory employer contributions to savings account equal to 10%-25% of gross compensation • 6 day/48 hour workweek or 125% overtime compensation	N/A
Paying Taxes	• 10% tax on "presumed income" (equivalent to 1% gross income tax for companies and 5% gross income tax for individuals) • 5% tax on retail value-add (equivalent to 2.5% sales tax) • 1% Land Value Tax (land only; improvements excluded) • One-window online filing and payment	N/A
Resolving Disputes	• Default Arbitration via Prospera Arbitration Center (PAC) • Roatan Common Law Code used as basis for resolving most private legal disputes	Based upon value of dispute

Forming an Entity

Overview

As in any other jurisdiction, the first step in doing business within the Próspera ZEDE (PZ) is forming a business entity. For purposes of this guide, it will be assumed this entity will be formed by a PZ natural person resident, although legal entity residency, e-residency and the formation of letterbox companies by residents of other legal jurisdictions is also encouraged and will be discussed below. The steps for a natural person resident to form a business entity are straightforward:

- 1 Complete residency application (as a natural person or an existing legal entity)
- 2 Review and sign Agreement of Coexistence
- 3 Purchase general liability insurance (as available)
- 4 Complete legal entity registration with Registrar

Each of these steps will be discussed in detail below.

01 Complete Residency Application

All residents and e-residents of the PZ must complete a residency application in order to become a resident of the jurisdiction and thus obtain the ability to form an entity within the jurisdiction.¹ This application is simple and straightforward, consisting primarily of a copy of passport or official government-issued ID in current country of residence, proof of residency in that country, and consent to a criminal background check. This background check includes a Namescan database check (which covers all major international criminal lists, PEP, and terrorist lists), as well as an Interpol search. Residents can register using the ePróspera platform at <http://eProsperra.hn>. Soon, these applications will be submitted through the PZ's e-governance platform and rapidly processed electronically.

This background check ensures the true identity of residents is known and criminals or any other nefarious actors can be kept out of the jurisdiction, preserving the safety of residents and businesses alike.

02 Review and Sign Agreement of Coexistence

The Agreement of Coexistence (AoC) is a legally binding contract between the PZ and residents which ensures that residents explicitly and voluntarily consent to the governance institutions of the PZ, and guarantees each resident various rights.² For example, natural person and legal entity residents enjoy an express legal stability agreement built into their AoC which guarantees that future PZ laws cannot adversely affect them when compared to the legal conditions that were in place upon joining the PZ. This contract means the PZ cannot unilaterally change the rules upon which businesses and investors agreed when joining the jurisdiction—effectively guaranteeing long term legal stability.

Natural person residents, legal entity residents, e-residents, temporary income earners, and visitors all have

¹ See <http://pzgps.hn/charter-and-bylaws-2/>

² Próspera ZEDE Natural Person Resident Agreement of Coexistence, §5-1-34-0-0-1, pzgps.hn/resolutions

separate AoC's, ensuring affirmative consent of the governed is obtained at every level of involvement with Próspera. The cost of obtaining natural person residency is \$1,300 per year, due on the first calendar day of every year. For Honduran natural person citizens wishing to emigrate to the PZ, this is lowered to \$260 a year. The cost of legal entity residency and e-residency is \$130 per year, due on the first calendar day of every year.

03 Obtain General Liability Insurance

All natural person and legal entity residents are likewise required to obtain general liability insurance as one of the terms within the Agreement of Coexistence. This general liability insurance ensures that all residents of the PZ will be able to fulfill monetary awards for damages which may come about as a result of either civil litigation or criminal activity, and premiums are legally capped at no more than \$260 per year (although it is anticipated they will be significantly less than that for most people).

04 Complete Legal Entity Registration

Upon completion of the AoC and payment of the associated E-governance fee, residents can form a legal business entity. This is a simple process currently performed manually. The legal entity must also sign a separate AoC and purchase its own general liability insurance as well. Once this entity registration is submitted to the Registrar and insurance is acquired, all that remains is to pay the filing fee of \$150 for just about any legal entity type recognized in the world. Thereafter, for most legal entities, only a \$50 annual report fee need be paid by the entity together with a filed disclosure of basic organizational information.

FORMING AN ENTITY COMPARISON CHART³

	PZ	USA	HN
Number of Compliance Steps	4	6	11
Compliance Time (days)	1	4	42
Total Compliance Costs (USD)	\$540 to \$1840 (including liability insurance; cost reduced to \$540 for each subsequently-created entity by the same resident)	\$775 (no insurance included)	\$955.78 (no insurance included)

³ World Bank Doing Business Index data used for USA and HN, and World Bank Doing Business Index Methodology used for PZ calculation, <https://www.doingbusiness.org/en/>

Obtaining Permits

The next prudent step for beginning business operations in the PZ is to obtain permits to ensure that one is operating under the authority of the PZ. According to the Próspera Permitting Resolution, a regulated firm may apply for a permit through the e-governance platform and pay the permitting fee to obtain a permit.⁴

This permit application is simple and straightforward, requiring only information on the company name and registration information, the type of permit which the firm is seeking, and a declaration of the firm's chosen regulatory framework (this will be explained in detail in the next section). There are 27 different types of permits, with permitting fees ranging from \$50 for remodeling and repair projects up to \$10,000 for large-scale projects. Importantly, obtaining permits in the PZ is voluntary and does not represent an obligation by the PZ to conduct conformity or compliance checks on regulated industry firms.

PRÓSPERA ZEDE
ISLAS DE LA BAHÍA
PERMIT FOR REGULATED INDUSTRY ACTIVITIES

N.I.R. _____ Permit Nº. _____ Ref. _____
ATTN: _____
PERMITTEE: _____
LOCATION: _____

INDUSTRIAL REGULATION STATUTE
Sec. 5. Regulatory Mandate

NOTICE
The permittee is subject to the exclusive regulatory jurisdiction of Próspera ZEDE over the permitted activities.

Regulatory Jurisdiction Election [Israel] [subnational jurisdiction]
Regulated Industry _____
Type of Permit _____
Type of Project _____
Type of Impact _____
Application No. _____

This permit is issued pursuant to the Próspera ZEDE Industrial Regulation Statute (§§2-2-28-0-0-0-0-0-1 through 2-2-28-0-0-0-0-0-7) and Permit Resolution (§§5-1-45-0-0-0-1 through 5-1-45-0-0-0-0-6).

Issued by Próspera ZEDE
On the _____ day of the month of _____
Expiration Date: _____

Tristan M. Monterroso
Technical Secretary
with the approval of the Council
of Próspera ZEDE

Conceptual rendering of PZ permit for illustrative purposes

Obtaining Permits Comparison Chart⁵

	PZ	USA	HN
Number of Compliance Steps	1	15	17
Compliance Time (days)	1	89	132
Total Compliance Costs (USD)	\$50 to \$200 (for most common permits)	\$6,162	\$12,642

⁴ Próspera Permitting Resolution, §§5-1-45-0-0-0-1 through 5-1-45-0-0-0-6, pzgps.hn/resolutions

Complying with Regulations

After an entity is formed and a firm has obtained permits, it can begin operations. The regulation of operating firms within the PZ occurs in a decentralized manner, and is one of the most innovation-friendly regulatory environments in the world. This regulatory environment only applies to industries specified in the Industrial Regulation Statute.⁶ These include:

- Agriculture
- Health
- Construction
- Manufacturing
- Energy
- Mining and Subsurface
- Food
- Waste Management
- Finance
- Insurance
- Private Security

Regulated industries have a choice between four regulatory environments:

- 1 Operate under the regulatory mandates of the Republic of Honduras outside of the ZEDE
- 2 Operate under the regulatory mandates of any of 20 leading OECD member countries
- 3 Propose new and regulatory regime “based on principles of regulatory best practices for governing the Regulated Industry” which will also apply to any other entrepreneur who does business within the same industry
- 4 Operate with treble damages and enhanced liability for harms caused

This law, combined with mandatory minimum liability insurance, provides the space for entrepreneurs to either operate under OECD country regulations which could be marginally superior to the United States, or most importantly, propose and create (in cooperation with the ZEDE Council) an innovative new regulatory environment which maximizes innovation, efficiency, and creativity while preserving protection of safety, individual rights, and property rights. Additionally, the PZ has a decentralized enforcement mechanism for this regulatory code which will incentivize optimal enforcement levels. Each option and their corresponding enforcement mechanism will be elaborated in turn below.

Comply with Honduran Regulations

This option is as straightforward as it sounds: for regulated industry firms who choose this approach, their regulatory environment will be no different than the rest of Honduras.

Comply with the Regulatory Regime of any of 20 OECD Countries

Unlike nearly every other jurisdiction, PZ has full regulatory reciprocity with Australia, Austria, Belgium, Canada, Chile, Denmark, Estonia, Finland, France, Germany, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Spain, Sweden, Switzerland, United Kingdom, and the United States of America; that is, regulated industry firms can opt to operate under the regulatory code of any of 20 OECD countries, including the regulatory code of subnational entities within that country. For example, a

⁵ World Bank Doing Business Index data used for USA and HN, and World Bank Doing Business Index Methodology used for PZ calculation, <https://www.doingbusiness.org/en/>

⁶ PZ Industrial Regulation Statute, §§ 2-2-28-0-0-1 through 2-2-28-0-0-7, <https://pzgps.hn/statutory-enactments/>

firm could elect to operate under the regulatory code of Houston, Texas, in the United States and all regulations which that entails at all three levels of government (city, state, and federal). In situations where such compliance would require submission to regulatory inspections or discretionary regulatory determinations, the law only mandates that one make a good faith effort to conform to the applicable standards (we recommend hiring an outside expert or professional, who can certify good faith compliance with an adopted reciprocal regulatory framework, to perform and make the necessary inspections and determinations; the GSP may publish a preferred list of providers or directly offer such services in the future). The regulated firm is required to disclose its regulatory selection both publicly (within the entity registry when filing for registration) and in any contracts to which it is a party.

This gives entrepreneurs and business owners the capability to select the regulatory environment most optimally designed for their industry among all OECD nations, and automatically sets the PZ apart as a destination for innovation.

Petition for Recognition of Optimal Regulatory Practices

If a regulated industry person determines that she favors a regulatory environment not currently available in any OECD country or the Republic of Honduras, she can instead propose to the PZ's legislative body, the Próspera Council, an entirely "new and innovative regulations that are based on principles of regulatory best practices for governing the Regulated Industry in which the Regulated Industry Person proposes to operate and do business in the PZ."⁷ The Council will then consider the proposed regulatory environment for adoption. If it is adopted by the council, then this new regulatory framework will be among the menu of regulatory options for any and all firms operating within the same industry.

This option creates the opportunity for heavily regulated industries to propose best-practices regulations which could unleash the innovative capacities and job creating capabilities of their industry while still protecting the public interest.

Comply with injunctive relief and 3x enhanced liability

The final option available to a regulated industry person is the PZ's own default regulatory framework. Under this option, regulated industry persons are subject to prohibitory and mandatory injunctive relief to remedy any violation of the PZ regulatory mandate and are subject to be held liable for three times the total compensatory damages awarded in arbitration or court proceedings which result from a violation of the PZ regulatory mandate. The regulatory mandate is simple and transparent, stating that:

every Regulated Industry Person is prohibited from engaging in any act or omission that:

- (a) is likely or certain:*
 - i. to create a nuisance within the PZ;*
 - ii. to constitute tortious conduct or breach of contract and cause injury to any person lawfully present within the PZ;*
 - iii. to result in trespass to any real property registered in the PZ Property Registry or chattel owned, leased or lawfully possessed by any person lawfully present within the PZ; or*
 - iv. to constitute a conversion of any chattel owned, leased or lawfully possessed by any person lawfully present within the PZ.*

In layman's terms, this simply means that a regulated industry person who creates a public nuisance, violates the terms of any contracts they are party to, causes harm to an individual, or violates the property rights of anyone in the jurisdiction is in violation of the law and is subject to having to pay 3x compensatory damages. Additionally, all officers, board members, and owners are personally liable for these damages along with the business itself, capped at those individual's ownership interest or previous years compensation level.

Decentralized Enforcement

To accomplish the fair enforcement of the Próspera ZEDE's innovative regulatory framework, the PZ has an enforcement mechanism which decentralizes enforcement away from the PZ administration itself and allows all residents to enforce regulatory violations which harm them. Every natural resident of the PZ has been legally granted standing to sue any regulated industry person for violations of their chosen regulatory code and receive the resulting compensatory damages which such a suit entails.

To put this into concrete terms, this means that if any resident has conclusive proof that a regulated industry person is violating their regulatory code, that individual resident can take action to enforce the regulation (via a lawsuit) without having to go through a government bureaucracy to do so.

Complying with Labor Law

The other important aspect of regulation on doing business within Próspera concerns labor. Próspera has adopted a best-practices framework for labor law which draws inspiration from leading jurisdictions as well as the Honduran national government's labor laws. According to the Próspera Labor Statute, PZ's labor regulations are as follows:⁸

- 01 Próspera Labor Premium.** Covered Employees must be paid at least 10%-25% more than the Honduran national minimum wage for each industry.
- 02 Próspera Labor Benefits.** Every employee will have a trust account called the Próspera Labor Benefit Fund, initially established by their first employer, which belongs to the employee and travels with them. Each employer for whom they work must contribute at least 10% of the gross compensation paid for work performed in Próspera to each qualifying Employee in the immediately preceding quarter, which the employee can use for retirement, healthcare needs, education needs, legal needs, emergency housing needs, or situations of emergency economic hardship.
- 03 Próspera Overtime Requirement.** Covered Employees must be paid 125% overtime pay when the employees work in excess of 48 hours a week or 6 days a week.
- 04 Marketable Tax Credit Eligibility.** Employers can apply for a grant of Marketable Tax Credits (MTCs) for the aggregate amount they paid towards the Próspera Labor Premium, Próspera Labor Benefit, and Próspera Overtime Requirement in any previous tax year when offerings of such MTCs are made.
- 05 Labor Unions.** Employees are free to form labor unions and participate in strikes; but such freedom includes the responsibility to respect peace, order, and property rights.
- 06 Right to Work.** Contracts which restrict employment opportunities to only associates of a Labor Union are presumptively unenforceable.
- 07 Exemptions.** Immediate family members of the employer, natural persons in substantial ownership of the firm, interns, entry level hires (that is, people with no previous work experience in the industry), and small business hires (that is, people employed by firms with fewer than 10 full time employees or annual gross revenue less than \$1,000,000).
- 08 Paid in US Dollars.** All workers in the Próspera ZEDE are required to be paid in US dollars in order to add legal stability and security from exchange rate fluctuations.

LEVEL OF LABOR RESTRICTIONS COMPARISON CHART⁹

	PZ	USA	HN
OECD Labor Restrictions Score (scale of 0-5)	0.5	1.2	2.4

Paying Taxes

The next step for operating businesses within the PZ is the payment of taxes. The PZ has one of the simplest tax codes of any jurisdiction, with low and fair levels as well as tax methodologies that are most economically efficient for operating firms. Próspera's tax code is as follows:

TAX	OFFICIAL TAX RATE	QUALIFICATIONS	EFFECTIVE TAX RATE
Individual Income Tax	10%	Only 50% of income is deemed taxable	5% of income
Business Income Tax	10%	Only 10% of income is deemed taxable	1% of income
Retail Value Added Tax	5%	Only 50% of the final retail sales price is deemed the "value added" by the retail stage of production	2.5% of final sales price
Land Value Tax	1%	Only a tax on land, not property improvements	1%

The above are the only taxes levied on individuals or business operating in the Próspera ZEDE. That means the PZ lacks:

- Capital gains tax
- Medicare taxes
- Wealth tax
- Excise taxes
- Import duties
- Estate taxes
- Export duties
- Gift taxes
- Payroll taxes
- Gasoline taxes
- Social security taxes
- Alcohol taxes

There are a multitude of other taxes which other leading jurisdictions levy not mentioned here which the PZ also lacks. And if one can prove that another jurisdiction is more competitive, one can publicly petition the PZ for a corresponding tax exemption, provided that the exemption is capable of being made available to all similarly situated taxpayers.

Paying Taxes & Marketable Tax Credits

Paying taxes in the PZ is an easy and straightforward process requiring minimal paperwork. Taxes will be paid in US dollars and are withheld as in most other leading jurisdictions.

For non-resident taxpayers, monthly withholdings of income tax based on the immediately preceding month's revenues earned within the PZ must be made within 15 days after the close of each month. However, all taxpayers may also prepay taxes at a discount through the use of marketable tax credits.

Marketable tax credits (MTCs) are market tradeable tax credits which any eligible person may buy, sell, or trade

with any other eligible person (which includes virtually anyone who is not a criminal or in criminal proceedings). The valuation of these tax credits vary from year to year, with more recently purchased MTCs being more valuable relative to later purchases of MTCs. There are various kinds of MTCs, but below is the valuation schedule of a Type 1 MTC:

Amount of prepayment of MTC	YEAR OF MTC OFFERING			
	2019	2020	2021-2024	2025-2029
VALUE OF MTC RELATIVE TO PAYMENT AMOUNT				
Less than \$2.5mm	200%	175%	150%	125%
Between \$2.5m and \$5m	350%	325%	275%	250%
Between \$5m and \$10m	400%	425%	400%	375%
Greater than \$10m	500%	450%	425%	400%

As this chart makes clear, MTC offerings by the PZ are an opportunity for firms to reduce their actual paid-in tax liability by effectively paying taxes early through the purchase of MTCs. These can then be sold later to other firms with a higher demand for them, thus creating extra liquidity for firms which may need it.

LEVEL OF
TAXATION
COMPARISON
CHART¹⁰

	PZ	USA	HN
Aggregate Tax Revenue as a Percent of GDP	7.5% (guaranteed by charter provision)	33.3% (historical only)	23.36% (historical only)
Marketable Tax Credit Offerings	✓	✗	✗

Resolving Disputes

Although no business wants to be caught up in lawsuits, they do sometimes occur, and the expeditious and judicious resolution of disputes is critical to the long-term success of a business. Recognizing this, the PZ has ensured that both the foundational legal system and the dispute resolution mechanisms available to business and individuals in the PZ are inspired by and an improvement upon other leading jurisdictions legal systems, especially the United States.

Within the PZ, the default dispute resolution mechanism is the Próspera Arbitration Center, or PAC. Legal disputes in Próspera which involve civil matters are by default handled by arbitration (the PAC, or any other dispute resolution forum chosen by contracting parties, including the ZEDE Courts or any other Honduran court). Criminal matters are by default handled by the ZEDE Courts.

The ZEDE Courts are still in the process of formal creation by the Honduran Supreme Court. However, they are expected to be structured similarly to the court system in the USA, where there will be ZEDE specific courts (à la District Courts) and a Superior ZEDE court overseeing all others and serving in effect as an appellate court. Moreover, the Honduran Government is collaborating directly with reputable US legal organizations to gather and filter jurist candidates of the highest regard to sit on the ZEDE Court bench. Until the ZEDE Courts are established, criminal matters would default to existing Honduran Courts.

However, the Próspera ZEDE has another layer of prosecution of criminal matters that does not require the creation of the ZEDE Court Circuit: a Civil Penalties Statute. This statute lays out several financial penalties for a number of criminal offenses, allowing residents of the PZ to pursue litigation in the PAC or other arbitral institutions to obtain restitution and be made whole after a criminal offense against their persons or property.

The PAC is staffed by highly reputable judges from the US and abroad. A few of these judges include:

- **Judge John Gemmill**, former Arizona Court of Appeals Judge
- **Judge John Pelander**, former Arizona Supreme Court Justice
- **Judge Kenneth Mangum**, former Arizona Superior Court Judge
- **Judge Martin Klapper**, senior partner at HopgoodGanim
- **Judge Iliya Shapiro**, leading constitutional law scholar and head of the Robert A. Levy Centre on Constitutional Studies

Both the PAC and ZEDE Courts will resolve most private disputes based upon the Roatan Common Law Code (RCLC), Próspera's legal framework. The RCLC combines sets of best practice rules from reliable sources into a simple but comprehensive legal system. The RCLC is based on the principles of the Common Law derived from hundreds of years of jurisprudence in the United States. The Common Law is supplemented by business codes consisting of several model acts and uniform codes published by the ALI and the Uniform Law Commission (ULC), the basic arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL), and similar non-governmental sources. For example, to encourage entrepreneurship and comply with recognized best practices, the RCLC incorporates the American Bar Association's Model Commercial Corporations Act, which has also been adopted by 31 U. S. states.

In summary, this means dispute resolution in the PZ will be fair, cost effective, fast, reliable, and judicious.

**DISPUTE
RESOLUTION
COMPARISON
CHART¹⁰**

	PZ	USA	HN
Common Law Legal Code	✓	✓	✗
Default Arbitration	✓	✗	✗

About Próspera

PRÓSPERA IS A SOCIOECONOMIC DEVELOPMENT ENTERPRISE

that partners with governments to catalyze Prosperity Hubs within a separate and semi-autonomous legal and regulatory jurisdiction. These underlying legal jurisdictions are the next evolution of special economic zones, with some of the best legal and regulatory environments for doing business anywhere in the world. Próspera creates these Prosperity Hubs to strike at the root cause of underdevelopment and poverty, creating a lasting ladder out of poverty that unleashes the untapped potential of those in the developing world.

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