

March 25, 2014

Dear Ms. Chairman,

Pettenati Centro America, S.A. de C.V. ("PTCA") hereby offers to supply the cotton/polyester/spandex fabric as specified in the above noted Request (185.2014.03.20.Fabric.ST&RforHansae).

Company History:

PTCA is a leading manufacturer of knitted textile fabric located in El Salvador, and is wholly owned by Pettenati Textil S.A. ("PTBR"), located in Brazil. PTCA started its operation in November 2008, and has been manufacturing and exporting knitted fabric mainly used for CAFTA purposes.

Expertise in Production of Subject Product:

PTBR has been manufacturing cotton/polyester/spandex rib knit velour fabric ("velour") since 1975 in its facilities in Brazil, for which it has become largely known (Exhibit 1). When PTCA was established and started its operation in 2008, PTBR transferred its "know how" and expertise to PTCA with the intent to produce velour fabric under the CAFTA rules of origin. Since 2009, PTCA regularly produces velour similar to the specifications of the subject fabric. In the last 24 months, PTCA has produced approximately 400 tons of velour, and is currently producing velour similar to the Hansae's specified fabric for delivery in 2014. Attached are some examples of cotton knit velour fabrics similar to the subject fabric currently in production (Exhibit 4).

Velour fabrics require a specific knowledge and care to be successfully manufactured. The required cotton yarn needs to be made with a longer fiber than usual and requires a lower torsion than a common cotton yarn used, for instance, for single jerseys fabrics. From 2009 to 2011, PTCA bought cotton yarns for velour from Parkdale Mills in United States and from other suppliers outside the CAFTA region. However, PTCA continued to work with CAFTA yarn spinners to develop the necessary yarns used to knit cotton velour. In 2011, PTCA developed a program with a local manufacturer, INMOBILIARIA APOPA SA de CV (Hilcasa), which is now the sole supplier for the cotton yarns used in producing PTCA's cotton knit velour (Exhibit 3).

In addition to the above yarn requirements, the velour fabric manufacturing requires specific velour knitting machines, specific flat plate shearing machines, continuous tumbler machines and specific industrial processes and procedures. PTCA has all of the necessary equipment, and extensive expertise using that equipment in producing velour fabrics.

Available Capacity:

PTCA has a current capacity for velour fabrics of more than 2,400 tons per year. A portion of this capacity is used to produce other types of fabric (i.e. fleeces). At this time, PTCA can offer 480 tons of the subject fabric per year. PTCA can also expand this capacity, as needed and with a few months' notice, by 50%, for a total of 720 tons per year.

Due Diligence:

During the course of Hansae's due diligence, Mr. Elvis Chae of Hansae contacted the El Salvador Chamber of Textile and Apparel ("CAMTEX"). On February 12, 2014, Mauricio Ernesto Rodriguez of CAMTEX stated that "it was necessary to receive photos and physical samples of the type of material" (Exhibit 2). Mr. Chae responded with an email that included photographs and specifications. However, because Hansae did not provide the physical samples or indicate that it would not do so, Mr. Rodriguez assumed that it would be sending the samples, and that it might take some time for them to arrive as the samples would be coming from Asia. Because Mr. Rodriguez had not yet received a physical sample, he did not forward the request to CAMTEX members. As a result, PTCA was not aware of Hansae's inquiry or interest until it received an email notification from OTEXA on March 24, 2014.

Normal Business Practice for New Programs/Fabric Development:

PTCA is available to begin the process for development of a new program. PTCA's normal business practice with new programs and/or customers is to discuss the specifications and needs of its customer, negotiate terms of sale, develop the program (including testing and obtaining customer approvals of samples), and once an order has been placed, begin production.

In conclusion, as required by CITA's procedures, PTCA is capable of producing the specified fabric in commercial quantities in a timely manner, and offers to supply the subject product.

Respectively Submitted,



Francesco Pilenga
Director of Operations
Pettenati Centro America S.A. de C.V.