

**Company Formation Document
Inc., plc, Ltd.**

**Establishment and domiciliation
in the canton of Zug
Switzerland**

August 24th, 2008

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SWITZERLAND

You may meet people all over the world saying that Switzerland is a favourable place for companies and administering capital. There are several reasons for this famous reputation. Among them, the political and economical stability as well as the easily accessible position in Europe's center and last but not least the liberal legal system which guarantees the principles of the freedom of commerce and trade as well as of private property.

All these advantages and the high working standard of the Swiss have led to a currency stability with only a small devaluation, an efficient banking system with bank secrecy, free money transactions, industrial peace, tax advantages, the abolition of the customs and nontariff trade restrictions, the availability of qualified personnel and also a high standard of living for executives and employees.

ZUG - CENTRAL SWITZERLAND

Compared to other locations in Switzerland, the canton and the town of Zug offer numerous advantages, first of all, its geographical situation. Zug is approximately 35 km to the international Airport of Zurich-Kloten, some 25 km to the trade metropolis Zurich and only about 20 km to the wonderful City of Lights, Lucerne.

The town of Zug with its 30.000 inhabitants offers a beautiful environment, office staff who speak several languages, a competent service sector based on an efficient infrastructure which is adapted to international needs, and, of course, the considerable tax advantages offered to foreign companies and individuals by tax rulings.

GENERAL INFORMATION

There are several different company types recognized in the Swiss commercial law. A legal entity has the following advantages:

- Limited liability and capital risk
- More attractive financing alternatives
- If desired, large anonymity of the owner
- Clearer definition of the corporate identity

LEGAL REQUIREMENTS

Name of the firm, trade name

Basically, the name can be freely chosen. Yet it has to be in accordance with the truth, it should not cause illusions and it should not be opposed to the public interests. Besides, it has to be different from the names already registered in Switzerland and for geographical or national descriptions a special authorization is needed.

Residence and domicile

The residence of a company means the council area/municipality/city in which the company has its office and is the place for the taxation, place of administration and legal jurisdiction. The domicile is understood as the company's mailing address.

Three stockholders

The Swiss commercial law asks for at least one stockholder for the incorporation of a Company. It is possible that fiduciary stockholders take part in the incorporation of a company.

Basic stock amount

The basic share capital has to be a minimum amount of CHF 100.000. In case of bearer shares, this amount has to be fully paid up.

Articles of incorporation

The articles of incorporation must contain the following information:

- name and domicile
- object and purpose in a few sentences
- the amount of the original capital
- nature of the stock
- rules concerning the convening of the annual general meeting
- the board
- voting rights of the stockholders
- etc.

Any amendment of these articles may be agreed by the Annual General Meeting of the company.

CORPORATE GOVERNANCE

Annual General Meeting of the company

The AGM is empowered with the highest level of control. It elects the Board of Directors and the auditing company.

The Board of Directors

This is the executive organ which is in constant charge of the business' management and responsibility. The person who is in charge of the administration, has to be Swiss or EU citizen and must actually be living in Switzerland

Business managers

The Articles of incorporation may provide the possibility of leaving the management of the company to a third party, i.e. a business manager who may not to be a member of the Board of Directors, nor a shareholder. A foreigner would have to apply for a residency and work visa established by the Swiss authorities.

Auditing Company

The general meeting has to elect one or more auditors every year. This body has the duty to verify that the profit and loss account and the balance-sheets agree with the books. Furthermore, that the books are kept in the prescribed form and that the state of the business and the assets shown, comply with the legal principles of valuation and with any special provisions of the articles of incorporation.

ESTABLISHMENT PROCEDURE

The following has to take place:

- Working out the management policy, choice of the name and fixing the name
- Checking the admissibility of the name
- Cash payment of the share capital into a special blocked “establishment account” with a recognized depository bank in Zug
- Preparation of the establishment documents, like public deeds, signature certificates, articles of incorporation, declaration to the trade register, etc.
- Holding of an establishment meeting in the presence of a person qualified to execute certified public documents. Fiduciaries or authorized agents may also appear as stockholders
- Declaration to the trade register and the fiscal authorities, distributions of the public deeds
- Implementation of the operation readiness of the company

Once the name has been fixed and the share capital has been paid up, a company can be established within one week of the presentation of all the necessary documents by the client or by an outside third party.

Publications

When a company is established, the public establishment deeds and the articles of incorporation have to be declared to the trade register. There will be a publication in the Swiss commercial gazette (SHAB), which puts the company into force. The following will be published: Name (firm), address, aim, capital, number and type of shares, modus of communication for shareholders, name and place of citizenship of the board of directors, authorized signatories, domicile.

Business reports

The annual report of the Board of Directors, the profit and loss account, the balance-sheets and the auditors' report will be communicated only to the stockholders. However, the balance-sheets and the profit and loss account have to be laid open to the cantonal and to the federal tax authorities, which are bound to the official secrets rule.

ESTABLISHMENT COSTS

The below mentioned establishment costs are relate to a company with a share capital of CHF 100.000

Fees and charges of the Federal Chamber of Commerce	circa	CHF	700
Attestation fees regarding deposit of the capital	circa	CHF	250
Public Notary & Tebor Treuhand AG Fees and charges for the issuing of the articles of incorporation, arranging of all the necessary documents, including the costs of certification	circa	CHF	3.500

RECURRING COSTS

The annual recurring costs:

Charges of domiciliation		CHF	1.500
Board Directors' fee		CHF	5.000
Accounting and auditing costs	circa	CHF	2.500
For corporate management the following hourly rates will be charged:			
Handling of telefax, phone, mail and other administration duties		CHF	110
Accounting and tax consulting		CHF	270
Bookkeeping		CHF	140

TAX PLANNING

With the establishment Company (AG) a new legal entity is constituted which is subject to special taxation. Thus in tax planning, it is the total burden of all taxes for the owner and company which is to be taken into consideration.

The following factors have to be investigated:

- costs of establishment and administration
- distribution of profits
- social security/social welfare contributions and insurance
- real estate and capital gains
- withholding tax

Speaking of international oriented companies it has to be pointed out, that Switzerland maintains many double-taxation agreements with different countries (please refer to chapter: Withholding Tax).

THE SWISS TAXATION SYSTEM

The Swiss Taxation System is based on the country's confederation. This explains the three different tax authorities:

Federal Taxes	Taxes on earnings
Cantonal Taxes	Taxes on earnings and capital, church taxes (These taxes are different from canton to canton)
Municipality/City	Taxes on earnings and capital, church taxes (These taxes are different from town to town)

The Federal tax authorities do not grant any special privileges so that Swiss-business and foreign-business companies pay the same taxes. However, holding companies are an exception if they hold participations of a minimum of 10 % or of at least CHF 1.000.000 (no capital gain).

ZUG - TAXATION SYSTEM WITH SPECIAL PRIVILEGES

As you have learned in the former chapter, a company pays also taxes to the canton and the municipality. Since the local government of the canton of Zug has started to attract foreign companies by low taxation, innumerable international companies settled down. And one can say, that by doing this all these companies supported the decision.

The canton of Zug divides the Companies into four different taxation classes:

Regular trading company

The regular trading company is the type of company which is at the disposal of national businessmen operating a trading, manufacturing or service enterprise.

NO TAX RELIEF

Holding company

Holding companies are enterprises whose principal object consists in the holding of participations in other companies. In contrast to the canton of Zurich for example, the canton of Zug does not require a holding company to be operated as a pure investment company and it is sufficient if the majority of the assets consists of participations and the earnings largely come from the profits on participations. (mixed holding company)

TAX RELIEF on capital and reserves NO TAXES on earnings

Domicile companies

Domicile companies are firms which have only their residence (domicile) in the canton of Zug. They may not be outwardly active in Switzerland, i.e. they are not permitted to take on staff of their own nor run their own offices nor start any commercial activities in Switzerland. However, they are freely permitted to do this in other countries. The domicile company is suitable for any kind of business activity, e.g., commerce, the turning to account of patents, the administrations of assets, realty operations

TAX RELIEF on capital and reserves NO TAXES on earnings

Mixed company

Mixed companies are enterprises under foreign control for which the form of a domicile company is not appropriate for business reasons. This company may have its own staff and offices and carry out transactions in Switzerland. The income from Swiss sources will be taxed fully. For the income from foreign countries you pay taxes for the administration only. For these kind of companies you get easily a tax-ruling.

TAX RELIEF on capital and reserves TAX RELIEF on foreign source earnings

ALL TAXES AT A GLANCE**FEDERAL TAXES****CANTONAL AND LOCAL TAXES OF ZUG**

<u>Regular trading company</u>		
capital:	0 %	0.05 %
earnings:	8.5 % of profit before tax	<i>min. 4 % up to CHF 100.000 profit max. 7 % over CHF 100.000 profit</i>
<u>Holding company</u>		
capital:	0 %	<i>0.0075 % of the equity min. CHF 150.--</i>
earnings:	Holding deduction no capital gain on investments over 1 million or 10 % participations	<i>tax free</i>
<u>Domicile company</u>		
capital:	0 %	<i>0.0075 % of the equity min. CHF 150.--</i>
earnings:	as regular trading company	tax free
<u>Mixed company</u>		
capital:	0 %	0.15 %
earnings:	as regular trading company	<u>Swiss source earnings:</u> <i>as regular trading company</i>
		<u>Foreign source earnings: tax ruling example</u> <i>25 % thereof: as regular trading company 75 % thereof: tax free</i>

attention:

The above mentioned rates for the cantonal and communal taxes have to be multiplied by the Proportion of the Cantonal and Local forecast budget, which should be covered by the tax revenues, which usually amounts to 1.55 +/- 0.2

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WITHHOLDING TAX

Almost all earnings originating from Swiss sources are - upon the time they are paid out - subject to a special **withholding tax of 35 %** by the Swiss Government. Among them, the following payments are included:

- dividends paid from a Swiss company
- profit payments out of liquidations from a Swiss company
- interest payments of bonds from any Swiss debtor
- interest payments of Swiss bank accounts
- etc.

Any payer of one of the above mentioned payments is obliged to deduct 35 % from its payment.

Earnings without withholding tax

There are particularly two earnings which are not subject to withholding tax:

- Interest payments for intercompany loans
- Licence payments effected by Swiss individuals or companies

Reimbursement for withholding tax

Any Swiss company or any individual living in Switzerland can claim reimbursement from the government for the deducted withholding tax. And this, one can do upon the time one declares its earnings and pays the respective taxes.

For foreigners it is not possible to get any reimbursement of this withholding tax from the Swiss government. However a reimbursement of this tax is possible if a **double-taxation agreement**, between Switzerland and the state in which the recipient is resident, makes provision for this and the recipient applies to the taxation authorities of his country for a reimbursement.

TRADE ADMINISTRATION SERVICE

Innumerable foreign companies have set up their headquarters or at least a representative office in Zug. There are several good reasons speaking in favour of Zug as business location, as you may already have learned by reading this brochure.

The “**Trade Administration Service**“ of Tebor Treuhand AG puts at the disposal of the customer specialists handling international trading operations. The following tasks are preferred:

- working out and drawing up contracts and agreements
- arranging trade financing where required
- opening, checking and supervision of letters of credit, documentary collections, bank guarantees, etc.
- organization and supervision of transports
- arranging any type of insurance cover
- drawing up required documents (above all for letters of credit and documentary collections)
- arranging hedging operations to safeguard against currency risks
- fully professional cash management
- etc.

These services are available to Swiss trading companies suffering from limited staff numbers, which however wish to meet all their delivery deadlines (e.g. letter of credit due date).

Moreover, this service is provided for companies actively engaged in trading activities from a Swiss domicile, whose volume of business does not, however, justify operation of an own office. Often foreign-controlled firms are involved in such cases, but also Swiss companies operating a separate firm for special reasons (narrow market segment in specific countries, discretion and secrecy, monopolistic position of their company, etc.).

For setting up and incorporating such companies as well as for keeping their books, our office can provide a full service by cooperating closely with well-known law firms.

