



Guide to the Cayman Islands Exempted Companies

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Preface

We have set out below a short summary relating to the incorporation of an exempted company in the Cayman Islands along with a list of benefits and requirements.

The Cayman Islands levy no taxes whatsoever on income, capital, capital gains or sales. There are no withholding taxes and no taxes on inheritance. The Cayman Islands generate revenue by the imposition of customs duties, by a stamp duty on land transfers and by other indirect means. There is no currency exchange control in the Cayman Islands.

We recommend that you obtain fiscal and legal advice from attorneys, tax and financial experts in your own country in relation to what you intend to achieve by using a Cayman Islands company. This firm will not advise on any foreign legal or other ramifications of any business or tax venture or scheme and we advise only on the laws of the Cayman Islands.

FORMATION OF A CAYMAN ISLANDS EXEMPTED COMPANY

An "exempted company" under The Companies Law of the Cayman Islands (the "Companies Law") is one whose objects are to be carried out mainly outside the Cayman Islands. The advantages afforded by the law to exempted companies over ordinary (non-resident) companies include:-

- An exempted company may be granted a twenty year guarantee that it will not be subjected to taxation (even though there are presently no taxes in the Cayman Islands). Clients should consider the potential value to them of being in possession of a Tax Exemption Certificate ("TEC") in the event that taxes are ever introduced in the future in the Cayman Islands on profits/income of exempted companies. That value will of course depend very much on the level of net annual income that their exempted companies produce and in many situations that number may dwarf the government increase making TEC's still very attractively priced to some Clients.
- The names of the shareholders of an exempted company are not required to be filed with the Registrar of Companies and an exempted company need only have one shareholder.
- The annual reporting requirements are minimal and consist only of a statement, signed by the company secretary or a director, that the operations of the exempted company have been carried out mainly outside of the Cayman Islands, that the provisions of Section 193 of the Companies Law have been complied with (Section 193 precludes an exempted company from trading in the Cayman Islands except in furtherance of its business carried on outside the Cayman Islands) and that any bearer shares are held by a custodian.
- An exempted company is permitted to issue "no par value" shares.
- The name of an exempted company may be in a foreign language and need not include the word "Limited" or the abbreviation "Ltd."
- An exempted company is not required by law to hold a general meeting of its members.

INCORPORATION

A company cannot be formed until we have received funds and the completed company and due diligence questionnaires. Once received, we can usually submit a company to the Registrar for incorporation on the same

day, however, it may take a week to have the completed papers returned to us from the Registrar of Companies. If you have an emergency requirement for a company, documents can be returned on an 'express basis' at an additional cost.

The information we require for incorporation is:-

- The preferred name of the exempted company with at least two alternatives.
- The authorised share capital of the exempted company. The majority of exempted companies are incorporated with an authorised capital of US\$50,000 as this is the maximum authorised capital permitted for payment of the minimum government fee.
- Any special classes of shares desired and the par value of the shares. If it is contemplated that the exempted company may wish to repurchase or redeem any of its shares at a future date then a class of specifically redeemable shares should be created, such as a class of redeemable preference shares.
- The name(s) and address(es) of the beneficial owner (s) of the shares, whether the shares are to be registered or bearer, and the number of shares to be issued to each shareholder. If the shares are to be bearer shares, the name, address and references of the person to whom the shares are to be delivered must be provided to us. We must have a mailing address and the name of a contact with telephone and fax numbers.
- If the objects of the exempted company are to be restricted, specific details as to the purposes and objects of the exempted company will be required. Otherwise, our standard objects clause is drawn so widely that the exempted company can undertake any business which a natural person can undertake.
- The names and addresses of the directors and officers which must be filed at the office of the Registrar of Companies. A simple notice of acceptance of appointment by each prospective director and officer should also be provided. An exempted company need only have one director. It is also recommended that a company secretary be appointed. The same person may be both director and secretary.

STATUTORY COMPLIANCE

Once the exempted company has been formed, we provide the following services:-



- Registered office of the exempted company.
- Company secretary (or assistant secretary, if required).
- Maintenance of the exempted company records and statutory registers.
- Provision of draft minutes of the statutory meetings to help keep the exempted company in good standing.
- All necessary returns and reports to the Registrar of Companies based on information provided to us.

All transactions should be approved by the directors or officers to whom such business has been delegated. Meaningful records of business decisions should either be prepared by us or, if we provide registered office services to the company, sent to us to ensure completeness of the company's corporate records.

DUE DILIGENCE

Cayman Islands law requires us to "know our client" and we must know the proposed activities of an exempted company to be formed by us. We must also have basic information on its proposed directors, officers and shareholders. Before we incorporate any exempted company, we require you to complete and return to us the attached due diligence questionnaire.

INCORPORATION FEES & DISBURSEMENTS FOR AN EXEMPTED COMPANY

Legal Fees	US\$1,200
Incorporation Fees to Government:- <i>Fees for an Authorised share capital over US\$50,000 are:</i> US\$50,001 to US\$1,000,000 = US\$1,098 US\$1,000,001 to US\$2,000,000 = US\$2,298 over US\$2,000,001 = US\$3,010	US\$732
Disbursements (stamp duty, filing fees, corporate seal etc) approx	US\$625
Tax Exemption Certificate	US\$1,830*
Registered Office Fees (pro-rated)	US\$1,095
Secretarial Fees (pro-rated) if required	US\$300*
Government Express Fees (for 24hr service if required)	US\$550*

*Optional Costs

ANNUAL FEES AND DISBURSEMENTS

Annual fees, due in January of each year, are US\$1,827 for an exempted company with the minimum authorised share capital (which includes our annual registered office fee of US\$1,095 and government fees of US\$732). We can provide the office of secretary or assistant secretary for US\$300 per annum. We also offer mail forwarding services at a fee of US\$300 per annum.

We charge between US\$475-US\$575 per hour for general legal work which you may require over and above the incorporation of the exempted company.

BANKING

If you wish to open a bank account in the Cayman Islands, we would be happy to assist for a nominal fee. Some of the large international banks which have Cayman Islands subsidiaries are:

Butterfield Bank (Cayman) Ltd., Box 705, George Town:
 Tel: (345) 949 7055 Fax: (345) 949 7004
www.butterfieldbank.ky

Cayman National Bank, Box 1097, George Town:
 Tel: (345) 949 4655 Fax: (345) 949 7506
www.caymannational.com

FirstCaribbean International Bank, Box 68, George Town:
 Tel: (345) 949 7300 Fax: (345) 949 7179
www.firstcaribbeanbank.com

Royal Bank of Canada, Box 245, George Town:
 Tel: (345) 949 4600 Fax: (345) 949 5777
www.rbc.com

Scotiabank (Cayman Islands) Ltd., Box 689, George Town:
 Tel: (345) 949 7666 Fax: (345) 949 0020
www.scotiabank.com/ky

RETAINER

Should you wish to proceed with the incorporation, we kindly request that you provide to us a retainer in the amount of US\$3,500.00 on account (or US\$4,000.00 for an express incorporation). This amount may be paid by way of cheque, money order, bank draft or a wire transfer as per the wiring instructions below. We will deliver a fee note to you at the completion of the incorporation.

PLEASE NOTE THAT THE CAYMAN ISLANDS GOVERNMENT IS CURRENTLY REVIEWING FEES AND THEY ARE LIKELY TO BE INCREASED, BUT FIGURES HAVE NOT YET BEEN FINALIZED.