

HARNEYS

Corporate Services

A USER'S ADMINISTRATIVE GUIDE TO BRITISH VIRGIN ISLANDS COMPANIES

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Introduction

This guide is intended for a non-lawyer who has purchased from Harneys Corporate Services Limited (formerly HWR Services Limited) a British Virgin Islands company incorporated under the BVI Business Companies Act, 2004, with essentially standard Memorandum and Articles. It attempts to give background information which will be useful to anyone operating such a company, but it should not be interpreted as specific advice in relation to any particular situation. It is not intended for use in connection with companies which have authority to issue bearer shares or whose Memorandum and Articles contain other non-standard provisions. For further information please refer to our legal guides available online at www.Harneys.com.

For over 20 years, the British Virgin Islands has enjoyed a well-earned reputation as an excellent place to incorporate companies which are straightforward to administer and economical to maintain. Your company is incorporated under an Act of the BVI legislature passed in 2004 which continues this tradition.

Communicating with us

You may contact us by phone, by fax or by e-mail. Our contact details are set out at the end of this guide. In the first instance, the best person to contact will be the account manager whose name was provided when the company documents were sent to you. To enable us to contact you when necessary, please let us know if you change your address or any of the contact details you have given us. Alternatively, if you have created an online account on our website, you may also update your contact details directly at www.harneyscorporate.com. Please refer to the Website section at the end of this guide for further information on creating online accounts.

Routine Maintenance

In order for your company remain in good standing, it will be necessary for it to pay annual fees. There are two sets of annual fees: one is the fee payable to the BVI Registry of Corporate Affairs (“Registry”) and the other is our fee, which covers the providing of a registered office and such other basic services as are necessary to keep the company in good standing.

We bill the two sets of fees together and ask that they be paid to us in good time for the date when the Registry fees are due. If your company was incorporated between the months of January and June (inclusive), the due date will be the last day of May. If your company was incorporated between the months of July and December (inclusive), the due date will be the last day of November. If payment is not made in time, penalties are incurred and, 5 months after the due date, the company is struck off the Register of Corporate Affairs (“Register”). You should expect to receive an invoice in March for companies whose fees are due by the end of May and in June for companies whose fees are due by the end of November. If you should not receive an invoice, please contact us.

The simplest way to pay us is by sending us a US (or BVI) cheque, or a US dollar bank draft for the amount due, with a copy of the invoice or a letter identifying the company for which payment

is being made. You may also pay by credit card (Visa or MasterCard) or by wire transfer. It would be much appreciated if you could try to ensure that payment reaches us in good time to enable us to pay the Registry fee.

Statutory Requirements

➤ Registers of Directors and Shareholders

When we forward to you the company documents included in your company kit, the company will normally have directors and shareholders in place and we will have created a share register and a register of directors, which we will keep in the company's file in our office, which is the registered office of the company. It is required by law that we keep these registers (either as originals or as copies). If we are to keep only copies of the register of shareholders or directors, you must notify us in writing within 15 days of any changes to those registers. You must also provide us with a record of the physical address where the originals are kept and notify us of any change in that address within 14 days of the change.

➤ Registers of Charges

It is also a requirement that the company keep in our office, being the company's registered office, a register of any mortgages, pledges, charges or security interests created by it over its property. Please therefore advise us of any intention on the part of the company to enter into any documentation relating to mortgages, pledges, charges or security interests. Particulars of charges can now also be registered in a new public Register of Registered Charges maintained by the Registrar of Corporate Affairs in the BVI. Either the company or the chargee can apply to register particulars. There is no time limit per se and failure to register does not affect the charge's validity.

➤ Financial records

It is not necessary to send us accounts, unless we are providing directors for your company. The directors of the company are however required to keep financial records which account for its transactions.

➤ Company resolutions

This guide refers in a number of places to "resolutions". It may therefore be helpful if we explain here what a "resolution" is. A resolution is a formal decision made by the director(s) or shareholder(s) of a company. It may either be made by the correct number of people (the "quorum") at a properly called meeting, in which case it is usually recorded afterwards in minutes, or it may be made in writing without a meeting signed by the correct number of people. If a company has only one director, he must make resolutions in writing and, similarly if a company has only one shareholder, he must make resolutions in writing. The management of the company is the responsibility of its director(s). The company is not required to hold annual meetings of shareholders or directors. In fact it is not required to hold any meetings at any fixed intervals. Meeting may be held and resolutions passed as and when convenient.

It is usually not necessary for you to send us copies of directors or shareholders resolutions, but if you do so, we will be happy to keep them on the company's files. In any event, you must

provide us a written record of the physical address where they are kept. We may also sometimes suggest that you to send us copies of resolutions to clarify issues arising in connection with changes of directors and shareholders.

➤ Company Seal

A company incorporated under the BVI Business Companies Act, 2004 is required to have a company seal.

➤ Documents and Information to be kept by the Registered Agent

Please bear in mind that as Registered Agent, we are required to keep the following documents relating to your company:

- A set of Memorandum and Articles of Association (including any amendments)
- The share register or a copy
- The register of directors or a copy
- The register of charges, if any
- Copies of all documents filed at the Registry of Corporate Affairs in the previous 10 years.
- An impression of the company seal

If we only have copies (as opposed to the originals) of the share register and register of directors, we must be advised of the physical address where the originals are kept. We must also be advised of any change on those registers and of any change of the location of the originals within 14 days of the change.

We are not required to keep minutes and resolutions, but if we do not keep them, we must be advised of the physical address where the originals are kept and we must be advised of any change of the location of the originals within 14 days of the change.

Specific Transactions

You may from time to time need assistance from us in connection with specific transactions. We have listed below a number of common types of transaction in order to give you an idea of what is involved and what we would need in order to help you. A modest charge is made by us for this type of work and where the Registry is involved, it will also make a charge. All of these charges are, at least in our opinion, reasonable, but if we do not tell you how much to expect by way of costs, please do not hesitate to ask.

➤ Verificatory documentation

You will at some stage probably need documents establishing the valid existence of the company and/or the identities of its directors and shareholders, for instance in order to set up a bank account for the company or when the company is entering into an important contract. You may require one of the following documents:

- Certificate of Good Standing

The existence of the company can be most easily and convincingly established by a so-called “Certificate of Good Standing”. This is issued by the Registrar and states that the company is good standing and not in the course of being wound up. It generally takes about 3 working days to obtain.

- Registered Agent’s Certificate or Certificate of Incumbency

The identities of directors and shareholders are not a matter of public record. The practice is therefore that when it is necessary to establish these, the registered agent, i.e. Harneys Corporate Services Limited, gives a certificate setting out the information required. This certificate is usually called a Registered Agent’s Certificate (for the obvious reason that it is given by the Registered agent) or a Certificate of Incumbency (because it shows inter alia who are the incumbent directors). We can generally produce such a certificate within 24 hours, provided that we are assured that the information we have on our file is up to date.

➤ Apostilles and legalisation

For some purposes, formal authentication of documents may be required by organisations with which your company deals. This usually takes the form of an apostille, which is the name given to a simple standard internationally-recognised form executed by the government authorities in one country, whose purpose is to authenticate a document from that country which is intended to be used in another. Apostilles can be obtained simply and cheaply in the BVI normally within 24 hours. In some countries apostilles alone are not accepted. In those countries, your company may be asked to have documents legalised. This process normally involves obtaining an apostille in the BVI and then sending the document to London for authentication by the Foreign and Commonwealth Office and then to the embassy of the relevant foreign country where the document is to be used. Because of the numerous steps involved in this procedure and the multiplicity of official fees, it is inclined to be somewhat time-consuming and expensive.

➤ Change of directors

If you wish to change the directors of your company, this can be achieved by the passing of a resolution by the shareholder(s) or the existing director(s), followed by the updating of the register of directors. Even if you do not feel you need our assistance with the resolution, we should be advised because of the requirement that we keep a register of directors at our office. Please also note that a person cannot be appointed a director of a BVI Business company unless he has first consented in writing to be a director.

➤ Issuing of new shares

If you wish to issue new shares, the transaction should be approved by the passing of a resolution by the director(s), followed by the issuing of a share certificate and the updating of the company’s share register. Even if you do not feel you need our assistance with the resolution and share certificate, we should be advised because of the requirement that we keep a share register at our office.

Share certificates should be signed or "executed" as specified in the relevant directors' resolution, normally a director's signature is required, although it is possible for a share certificate to be sealed with the company seal without a signature.

➤ Transfer of shares already issued

If a shareholder wishes to transfer his shares, he should complete the share transfer form on the back of his share certificate in favour of the proposed transferee and pass it to the director(s). The transaction should then be approved by the passing of a resolution by the director(s), followed by the cancellation of the old share certificate, the issuing of a new certificate and the updating of the company's share register. Share certificates should be signed or "executed" as specified in the relevant directors' resolution, normally a director's signature is required, although it is possible for a share certificate to be sealed with the company seal without a signature. Again, even if you do not feel you need our assistance with the resolution and the share certificate, we should be advised because of the requirement that we keep a share register at the company's registered office.

➤ Amendments to the Memorandum and Articles

In the event that for any reason you should wish to amend the company's memorandum or articles of association, the directors or the shareholders should pass a resolution stating precisely (word by word) how the amendment should be made. The amendment only becomes effective when filed by us as registered agent at the Registry. This is particularly important where the change being made affects the share structure of the company. In such a case it should be noted that shares authorised as a result of the amendment may not be issued until the amendment has been filed. In other words, in that situation you should wait for us to confirm the filing of the amendment before issuing any newly authorised shares.

➤ Declarations of dividends

The declaration of a dividend is within the powers of the directors. When making a declaration, they must ensure that certain solvency tests are complied with and they must include a statement to this effect in their resolution authorising the dividend. Unless you are familiar with the requirements and procedure, you will probably need to contact us for detailed advice before the directors declare a dividend.

➤ Powers of attorney

Your company may grant powers of attorney. In order to do so, a resolution of directors is needed. The directors must exercise due care and discretion when issuing powers of attorney both with regard to the individual empowered and the extent of the powers granted.

Mail forwarding

We will automatically, without prior arrangement, forward mail received at the registered office to the correspondence address we have for the company. A small fee is charged for this. We will normally forward mail received through the post by airmail and we will normally forward courier packages by courier. We will also bill the company for any courier expenses. If you expect large quantities of mail for the company to be sent to the BVI, you may wish to contact us

regarding special arrangements for forwarding it. Please bear in mind that mail can take several weeks to reach us from outside the BVI and it may also take several weeks to reach the company's correspondence address outside the BVI after we forward it on. Please also be careful to use the exact name of your company as it appears on its Certificate of Incorporation so as to reduce the risk of confusion between your company and another with similar name.

Confidentiality

We will treat as confidential all information about your company which is not on public record. You should however be aware that there are procedures, whereby we may be obliged to disclose certain information to certain third parties in particular circumstances. Such procedures, which in practice are not frequently invoked, normally involve an order of the court, a magistrate's search warrant or an administrative order of some kind. In the absence of any such procedure, we will seek authority from the company, using the contact details we have for the company, before disclosing any information.

Striking-off and liquidation

There are two options when you no longer need your company. You may either allow the company to be struck off or you may have the company formally liquidated.

➤ Striking off

The most common way for companies to be disposed of is by deliberately allowing them to be struck off the Register. As mentioned above, this occurs 5 months after the due date for payment of annual fees if those fees are not paid to the Registry. Striking off has the merit that it costs nothing and involves no effort. When a company is struck off, it remains in a dormant state for 10 years, during which time it can be restored to the Register by payment of arrears of fees and penalties. Naturally, the cost of restoration increases as time goes by. If you decide at any time to have your company struck off, let us know. We will stop charging you our annual fees from the time you tell us you no longer need the company.

➤ Liquidation

The usual reason for liquidating a company is that, for tax or liability reasons, it is desirable to be able to establish that a company has definitively ceased to exist on a specific date. The procedure usually takes a minimum of about 2 months. There is a fee involved on our side and, depending upon the circumstances, the person chosen to act as liquidator may also charge a fee. You should consult us, if you think you may wish to have your company liquidated.

General advice

Please feel free to contact us at any time for advice in connection with the operation of your company. We should be able to answer straightforward questions of a company secretarial nature without difficulty or delay. If you have questions of a legal nature, we may suggest that the matter be referred to our associated law firm, Harney Westwood & Riegels.

Our contact details

Our contact details are as follows:

Postal address: Harneys Corporate Services Limited, PO Box 71, Road Town, Tortola, British Virgin Islands

Physical address: Harneys Corporate Services Limited, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands

Telephone: +1.284.494.2233

Fax: +1.284.494.3547

e-mail: mail@harneys.com or you may e-mail your account manager direct at the address for him/her shown in the cover letter sent to you with your company documents.

Website: www.harneyscorporate.com

If you incorporated your company through our online service you can use the account username and password which you created at that time to log onto www.harneyscorporate.com and obtain information regarding your BVI company. You are also able to update your contact details.

If you do not have an online account for your BVI company and would like to create one, please contact your account manager so that they may provide you with a username and password.