

PFD CORPORATE SERVICES (BVI) LIMITED
Tropic Isle Building, P.O. Box 3331, Road Town
Tortola, British Virgin Islands
E-mail: info@pricefindlay.com

Tel: (284)494-5514

Fax: (284)494-5551

Automatic Re-Registration of BVI International Business Companies

Effective January 1, 2007 all existing BVI International Business Companies ("IBCs") incorporated before January 1, 2006 will be converted automatically to BVI Business Companies ("BCs") and will become subject to the provisions of the BVI Business Companies Act 2004 (the "Act").

The Act also permits IBCs to apply formally for re-registration and to obtain a Certificate of Re-registration which confirms the re-registration of the company under the Act. IBCs that are formally re-registered under the Act will receive a new company registration number.

Applications for re-registration must be filed on or before November 30, 2006.

Recommendation

We recommend that clients do not apply for formal re-registration of their IBCs under the Act and allow the IBCs to be automatically converted to BVI BCs. If no action is taken, the company will retain its existing company registration number and share capital structure when it is converted to a BVI BC.

Bearer Shares

We remind clients with IBCs that have bearer shares in issue and/or the power to issue bearer shares in their Memorandum & Articles of Association of the following options available:

- **Option 1** A company that currently has bearer shares in issue can continue to keep the shares in bearer form unless they were issued after December 31, 2004, in which case they must be placed in the custody of an authorized custodian. After December 31, 2010, all bearer shares must be held by an authorized custodian irrespective of the date of issuance. From December 31, 2010, the annual licence fee of the company will increase from US\$350.00 to US\$1,100.00 if the authorized custodian is located in the BVI and to US\$1,350.00 if the authorized custodian is located outside of the BVI.

- **Option 2** A company can exchange existing bearer shares for registered shares and at the same time amend its Memorandum & Articles of Association to restrict the right of the company to issue bearer shares. For companies that do so, the license fee will remain US\$350.
- **Option 3** A company that does not have bearer shares in issue but has the power in its Memorandum & Articles of Association to issue bearer shares can amend its Memorandum & Articles of Association to restrict the company's power to issue bearer shares. For companies that do so, the license fee will remain US\$350.
- **Option 4** A company that does not currently have bearer shares in issue but wishes to retain the power to issue bearer shares in the future does not need to take any action. However, after December 31, 2010 the license fee for the company will increase to US\$1,100 per year.

In order to encourage companies to amend their corporate documents to remove the power to issue bearer shares, during the three year period January 1, 2008 through December 31, 2010, increased licence fees will apply to all companies retaining the power to issue bearer shares. For companies with an authorized capital of US\$50,000 or less, the applicable licence fee during the period will be US\$600. For companies with an authorized capital of more than US\$50,000, the applicable licence fee will be US\$1,350. If the company has issued bearer shares and they are all held by an authorized custodian in the BVI, the licence fee is decreased by US\$100.

Recommendation

We recommend that clients wait until 2007 to amend the company's Memorandum and Articles of Association to remove the power of the company to issue bearer shares. At that time it also will be possible to update the provisions of an IBC's original Memorandum & Articles of Association in order that they are consistent with the provisions of the Act.

Our Memorandum on the Act contains a fuller explanation of the changes introduced by the Act and is available on our website www.pricefindlay.com .

We invite you to contact us if you have any questions regarding the topics covered in this Memorandum.