COMPANY FORMS MOST COMMONLY USED IN THE PRINCIPALITY OF LIECHTENSTEIN

A brief overview

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INTRODUCTION

PRINCIPALITY OF LIECHTENSTEIN – FACTS AND FIGURES

The Principality of Liechtenstein is a small, German speaking country in Central Europe, bordered by Switzerland to the west and south and by Austria to the east and north. Its area is just over 160 square kilometres (62 square miles), and it has an estimated population of 37,000 (2013). Liechtenstein is divided into 11 municipalities. Its main municipality is Vaduz.

Liechtenstein is a constitutional hereditary monarchy based on a democratic and parliamentary foundation. Its Reigning Prince is Hans-Adam II. In 2004, the Reigning Prince entrusted his eldest son, Hereditary Prince Alois, with the exercise of all sovereign rights, but remained Head of State in accordance with the Constitution.

Official currency in Liechtenstein is the Swiss franc (CHF). Liechtenstein has one of the highest gross domestic product (GDP) per capita in the world (2011: CHF 110,440) and one of the lowest unemployment rates at 2.4% (April 2014).

Liechtenstein is a member of the European Free Trade Association (EFTA) and part of the European Economic Area (EEA) as well as the Schengen Area, but not of the European Union.

The nearest international airports are located in Zurich, Switzerland (about 140 km), and Munich, Germany (about 260 km).

LEGAL SYSTEM

Liechtenstein is primarily famous for its financial sector. Its economic upturn came with the introduction of the new Law on Persons and Companies in the beginning of the 20th century. The new formed Foundations, Establishments and Trusts combined with their low taxation were a great success. Today, Liechtenstein is well-known for its legal security, political stability, the strong connection to Switzerland by a Customs Union Treaty as well as a Currency Treaty and the well-educated workforce. As per 2013, 17 banks are domiciled in Liechtenstein, which together manage about 200 billion Swiss francs of wealth.

From a legal point of view, the Liechtenstein legislation is very remarkable, since large parts of the legislation were received from other jurisdictions, mostly from Austria and Switzerland. The law of obligations as well as the civil procedure, inheritance, execution and criminal law are received from the corresponding Austrian law, the property and labor law have been received from their Swiss counterpart. A small part of the legislation is created by the Liechtenstein legislator. In addition, Liechtenstein is obliged to implement certain EU provisions into national law, because of its membership in the EEA.

All company forms under Liechtenstein law are stipulated in the Law on Persons and Companies of 20 January 1926 (published in the Liechtenstein Law Gazette 1926 No. 4). The most common and for foreign investors interesting company forms are the Foundation, the Establishment, the Company Limited by Shares and the Trust. The basic principles of these company forms and their taxation are thus described in the following.

Schaan, April 2014

FOUNDATION (STIFTUNG)

CHARACTERISTICS

Measured by numbers, the Foundation is the most popular legal form in Liechtenstein. A Foundation is defined as a legally and economically independent special-purpose fund with legal entity, which was formed through the unilateral declaration of the will of its Founder(s). At the time of formation, the Founder(s) donate(s) assets to the Foundation, which are henceforward separated from the private assets of the Founder(s). As a result, only the Foundation is entitled to the assets donated to it.

Once the Foundation obtains its own legal personality, the will of the Founder(s) is fixed in the Foundation documents (Foundation Deed, Articles and By-Laws/Regulations) and the Foundation is basically no longer subject to outside control. The Foundation is managed by the Foundation Council appointed by the Founder(s). However, the Founder(s) may reserve to himself (themselves) certain rights in the Foundation Deed or Articles to alter the Foundation during its lifetime (e.g. right to revoke the Foundation and/or to amend the Foundation documents). In a so-called Letter of Wishes, confidentially addressed to the Foundation Council, the Founder(s) may stipulate his (their) intentions and desires on how the Foundation should be managed and the assets distributed. However, the Foundation Council is not legally bound to such document.

PURPOSE

A Foundation may be either charitable or private-benefit. The activity of a charitable Foundation is entirely or predominantly intended to serve charitable purposes. Charitable purposes are deemed to be a benefit to the general public. On the other hand, a private-benefit Foundation is entirely or predominantly intended to serve private or personal purposes (in particular Family and Company Foundations). Mixed Foundation purposes are also thinkable, as long as the charitable or private-benefit purpose prevails.

The purpose of a Family Foundation is the defrayal of costs of upbringing or education, provision for or support of members of one or more families or similar family interests.

The purpose of a Company Foundation is to hold and administer participation in an enterprise, as defined by the entrepreneur(s), who donated the enterprise to the Foundation. This kind of Foundation may be used by entrepreneur(s) for succession planning, asset protection and tax purposes.

A Foundation is permitted to carry on business run along commercial lines only if it directly serves the achievement of its charitable purpose or if this is permitted on a special statutory basis. However, insofar as the orderly investment and management of the Foundation assets require, the setting-up of a commercial operation is permissible, even for private-benefit Foundations.

FORMATION

The foundation is formed with the drawing up of a Foundation Deed, signed by the Founder(s) or its representative (authentication of the signatures is required), which includes the three "*essentialia negotti*" of the Foundation formation transaction:

1 the will of the Founder to set up an independent Foundation;
2 the donation of specifically designated assets, and
3 the stipulation of the Foundation purpose.

The purpose of the Foundation has to include the designation of tangible Beneficiaries, or Beneficiaries identifiable on the basis of objective criteria, or the category of Beneficiaries. Instead there might be an express reference to a supplementary Foundation document (By-Laws or Regulations) regulating this.

Usually, the economic Founder of the Foundation remains anonymous since the formation of the Foundation is effected fiducially through a Liechtenstein Trustee, who acts as representative of the Founder.

The Foundation may also be formed by way of transaction mortis causa. In this case the Foundation is formed by way of last will or contract of inheritance.

REGISTRATION AND/OR DEPOSITION

Charitable Foundations and private-benefit Foundations carrying on business run along commercial lines on the basis of special law acquire the right of legal personality by entering in the Public Registry.

Other private-benefit Foundation may be entered in the Public Registry. However, there is no legal obligation to do so. This Foundations acquire their legal entity after the drawing up of the Foundation Deed including the three essentialia negotti.

The Foundation documents have not to be deposited with the Public Registry. There is only an obligation to deposit a notification of formation with the Office of Justice within 30 days after formation. Thus, the Foundation's Beneficiaries are not public. It only has to be confirmed that the tangible beneficiaries, or beneficiaries identifiable on the basis of objective criteria, or of the category of beneficiaries, have been designated by the founder, unless this is evident from the notified Foundation purpose.

CAPITAL

The Foundation's minimum capital amounts to CHF 30,000 (alternatively EUR 30,000 or USD 30,000). The capital may be increased at any time by the Founder or third parties. Together with further assets donated to the Foundation, the Foundation capital forms the Foundation assets, which are available to cover debts and for distribution to the Beneficiaries.

Normally, prior to the formation, the capital is deposited with a Liechtenstein, Swiss or EEA bank in a blocked account. The bank thereon issues a so-called proof of capital, whose submission is sufficient for the Public Registry to prove payment in of the minimum capital required.

ADMINISTRATION

The Foundation Council is the supreme governing body of the Foundation. It is made up of at least two members. The Foundation Council manages the business of the Foundation and represents it. It is responsible for the fulfilment of the purpose of the Foundation in compliance with the provisions in the Foundation documents.

Moreover, the Foundation Council manages the Foundation assets in compliance with the Founder's intention in conformity with the purpose of the Foundation and in accordance with the principles of good management. The Founder may lay down specific and binding management criteria in the Foundation Articles, By-Laws or Regulations.

OTHER BODIES

The Founder may designate additional executive bodies that may have advisory, approval, instruction or veto rights (e.g. Protector or an Advisory Board).

In practice, external wealth managers are appointed as an additional body.

SUPERVISION

Charitable Foundations are under the supervision of the Foundation Supervision Authority (STIFA). Also private-benefit Foundation may be under the supervision of the Foundation Supervision Authority, if such a provisions was stipulated in the Articles. The Foundation Supervision Authority ex officio takes care that the Foundation's assets are managed and used in compliance with the Foundation purpose.

BENEFICIARIES

The Beneficiary is defined as a natural person or legal entity that with or without valuable consideration, unconditionally or subject to certain prerequisites or conditions, for a limited or unlimited period, with or without restrictions, revocably or irrevocably, at any time during the legal existence of the Foundation or on its termination derives or may derive an economic benefit from the Foundation.

Following this definition there are various types of Beneficiaries:

1 An entitled Beneficiary has a legal claim to a financial benefit from the Foundation;
2 A discretionary Beneficiary only has a possible beneficial interest, which is placed within the discretion of the Foundation Council or another body appointed for this purpose;
3 A prospective Beneficiary is a Beneficiary, who on a condition precedent or at a specified time has a legal claim to acquire an entitlement;
4 An ultimate Beneficiary receives the remaining assets following the liquidation of the Foundation.

A Foundation has either entitled or discretionary Beneficiaries. Moreover, a discretionary Foundation, which only has discretionary Beneficiaries, cannot have any Beneficiaries with a legal claim for a benefit. In a discretionary Foundation it is in the free discretion of the Foundation Council or another authorised body to choose a Beneficiary from various group/classes of Beneficiaries determined by the economic Founder. The distinction between Beneficiaries with a legal claim and discretionary Beneficiaries is of importance for tax and asset protection reasons.

In the case of Family Foundations, the Founder may provide in the Articles that the creditors of Beneficiaries are not permitted to deprive these Beneficiaries of their entitlement to a beneficial interest or prospective beneficial interest by way of safeguarding proceedings, compulsory enforcement or bankruptcy.

None of the documents, in which the Beneficiaries are defined, are made public, since they do not have to be submitted to the Public Registry or other authorities.

DISSOLUTION

The Foundation is dissolved in the following cases:

1 Initiation of bankruptcy proceedings

If it is noticed by the Foundation Council that the Foundation is over-indebted or bankrupt, the Princely Court of Justice must be informed of this situation without delay. The Court is not to be called, if the creditors of the company declare to step behind the other creditors and thus give the company time to pay their debts or, if there is a chance that the over-indebtedness or bankruptcy will be recovered within two months. The Court introduces bankruptcy proceedings, if sufficient assets to cover the costs of bankruptcy proceedings are available. The Bankruptcy Law is thereon applicable. The duration of bankruptcy proceedings may vary depending on the complexity of the case.

If not enough assets are available to cover the costs of bankruptcy proceedings, which is generally the case, or after conclusion of bankruptcy proceedings, the Foundation Council files an application to the Public Registry that the Foundation has to be deleted.

2 Resolution of the Foundation Council

The Foundation Council is obliged to render a resolution to resolve the Foundation, if it has received a legally admissible revocation by the Founder (in the case that the Founder has reserved to himself this

right in the Articles), the purpose of the Foundation has been achieved or is no longer achievable, the duration determined in the Articles has expired or due to other grounds stated in the Articles. The resolution of the Foundation Council to resolve the Foundation must be adopted unanimously, unless otherwise provided in the Articles.

If the Foundation is entered in the Public Registry, liquidation proceedings commence upon filing of an application to the Public Registry (please see for the liquidation proceedings below Chapter Establishment – Dissolution). If not, after payment of the debts, the assets of the dissolved Foundation are transferred to / divided among the ultimate Beneficiary(-ies). Thereon, an application is filed by the Foundation Council to the Public Registry requesting the deletion of the Foundation.

3 Decision of the Princely Court of Justice

The Princely Court of Justice may render a decision to resolve the Foundation for reasons stated by law.

TAXES

During lifetime of the Foundation its income is taxed with a flat rate of 12.5%. However, a minimal tax of CHF 1,200.00 is due each tax year, which is fully accumulated to the income tax. Liechtenstein has no capital tax.

A no-commercial active Foundation that only manages assets and holds bankable assets may apply and qualify as a so-called private asset structure (PVS). If this status is granted by the tax authority, these legal entities are only taxed at a flat rate of CHF 1,200.00 per annum.

An interest rate, which is each year determined by the government (2013: 4%), for the Foundation's equity capital is deductible as business expenditure. Moreover, gains from participations in domestic or foreign legal entities (dividends) or capital gains from the sale or liquidation of participations in domestic or foreign legal entities are tax free. The tax rate is reduced to 2.5% for income from intellectual property, which was acquired or created by the Foundation after January 1, 2011.

Distributions to foreign Beneficiaries are not subject to any taxation in Liechtenstein, however may be in the country of residence of the Beneficiary.

ESTABLISHMENT (ANSTALT)

CHARACTERISTICS

The Establishment is a legal form, which is not known in any other jurisdiction apart from Liechtenstein. The Establishment is the most flexible structure of the Liechtenstein Company Law: It is something in between a Corporation and Foundation, since it may be structured with or without members. The Establishment can be used for any purpose – commercial or non-commercial. Characteristic is that the so-called Establishment fund may fully or partly consist of contributions in kind apart from cash. Moreover, the Establishment fund may be divided into shares, which may have the character of securities. In addition, the Establishment may have Beneficiaries like a Foundation.

Because of its flexibility, an Establishment may be structured like a single-member company, a Foundation or a Corporation:

1 **Establishment structured like a single-member company (most common)**

The typical Establishment is owned and managed by a single person. He is the holder of the so-called Founder's rights and thus the supreme governing body of the Establishment. This kind of Establishment may have a Board of Directors or other organs, which are chosen and controlled by the owner of the Founder's rights. The holder of the Founder's rights issues the Articles and determines in the By-Laws the persons – in general it will be the holder of the Founder's rights himself – who get benefits from the Establishment.

2 **Establishment structured like a Foundation (Establishment without Founder's rights)**

It is not mandatory that the Founder of the Establishment is the holder of the Founder's rights and thus the supreme governing organ of the Establishment. The Articles may state that the Board of Directors is the supreme governing body of the Establishment and exercises the rights of the Founder. In this case, the Founder has any function within the Establishment. However, the Board of Directors manages the Establishment following the will of the Founder, which was stipulated in a Letter of Wishes or a Mandate Agreement like in a Foundation.

3 **Establishment structured like a Corporation**

This type of Establishment has several holders of the Founder's rights and the capital is divided into shares. The supreme governing body is the Assembly of the holders of the Founder's rights. Basic issues are therefore not decided by the Board of Directors but the Assembly of the holders of the Founder's rights. If the Establishment is set up like this, it has the character of a Company Limited by Shares.

FORMATION

An Establishment may be formed by a natural person or a legal entity. In general, a Liechtenstein Trustee acts as the representative of the economic Founder to preserve the anonymity of its client.

To create an Establishment Articles signed by the (legal) Founder or the Founders together with an Asset Endowment Deed have to be issued to the Public Registry. The Establishment comes into effect and acquires its legal personality upon registration in the Public Registry.

In case of a formation by a legal Founder the Founder's rights are transferred to the economic Founder(s) or third persons by way of assignment.

CAPITAL

The Establishment's minimum capital amounts to CHF 30,000 (alternatively EUR 30,000 or USD 30,000). If the capital is divided into shares, the minimum capital amounts to CHF 50,000 (alternatively EUR 50,000 or USD 50,000). The capital – so-called Establishment fund – may also be fully or partly paid in as contributions in kind. Contributions in kind have to be valued by an expert prior to their contribution. The Establishment fund may be increased at any time.

Normally, the capital is deposited with a Liechtenstein, Swiss or EEA bank in a blocked account. The bank thereon issues a so-called proof of capital, whose submission is sufficient for the Public Registry to prove payment in of the minimum capital required.

The Establishment is only liable for its debts with its own assets.

ORGANISATION

1 Holder of the Founder's rights

The holder of the Founder's rights is the supreme governing body of the Establishment, if the Establishment is not structured like a Foundation. There also may be numerous holders of the Founder's rights; a maximum amount is not stipulated by law. The law provides that the Assembly of the holders of the Founder's rights passes their decisions unanimously, unless the Articles provide otherwise.

The Founder's rights are transferable and inheritable, however may not be encumbered or pledged.

2 Board of Directors

The Board of Directors is the supreme governing body, if this is stipulated in the Articles. Otherwise it deals with issues not reserved to the holder of the Founder's rights resp. the Assembly of the holders of the Founder's rights, in particular the management of the business and the representation of the Establishment. At least one member of the Board of Directors must be a professional Trustee licensed in Liechtenstein with domicile either in Liechtenstein or another EEA member state.

3 Audit Authority

An Audit Authority is mandatory, if the Establishment undertakes commercial activities or its purpose allows the undertaking of commercial activities. Otherwise, an Audit Authority can be appointed.

4 Representative

In addition, an Establishment, which is not commercially active in Liechtenstein and thus has no delivery address, has to appoint a Representative domiciled in Liechtenstein, who is either a Liechtenstein citizen or a national of an EEA member state. A Representative may also be a domestic legal entity, which has appointed a natural person as Representative pursuant to the law (e.g. a Liechtenstein Trustee).

The Representative is obliged by law to receive declarations and communications of all kinds from the Liechtenstein Courts and authorities as well as to keep files. The representative is entered in the Public Registry.

It is possible to appoint other bodies depending on the Establishment's structure.

BENEFICIARIES

The supreme governing body of the Establishment may stipulate one or many natural person(s) or legal entity(-ies) that derive an economic benefit from the Establishment. This benefit may be with or without valuable consideration, unconditionally or subject to certain prerequisites or conditions, for a limited or unlimited period, with or without restrictions, revocably or irrevocably, at any time during the legal existence of the Establishment or on its termination.

The Beneficiaries determined or at least determinable and the kind of their benefit are stipulated in the Articles or By-Laws. If the Beneficiaries are defined in the By-Laws, they remain anonymous to the authorities or to third parties, since the By-Laws are not submitted to the Public Registry.

If no provision for Beneficiaries is made in the Establishment's Articles or By-Laws, it is assumed by law that the holder of the Founder's rights is the Beneficiary. In the case of an Establishment without Founder's rights, it is mandatory to define Beneficiaries in the Articles or By-Laws.

Please see in addition the remarks made above to the Chapter Foundation – Beneficiaries.

DISSOLUTION

The Establishment is terminated by initiation of bankruptcy proceedings, resolution of the supreme governing body or decision of the Princely Court of Justice:

1 Initiation of bankruptcy proceedings

If it is noticed by the Management that the Establishment is over-indebted or bankrupt, the Princely Court of Justice must be informed of this situation without delay. The Court is not to be called, if the creditors of the entity declare to step behind the other creditors and thus give the entity time to pay their debts or if there is a chance that the over-indebtedness or bankruptcy will be recovered within two months. The Court introduces bankruptcy proceedings, if sufficient assets to cover the costs of bankruptcy proceedings are available. The Bankruptcy Law is thereon applicable. The duration of bankruptcy proceedings may vary depending on the complexity of the case.

If not enough assets are available to cover the costs of bankruptcy proceedings or after conclusion of bankruptcy proceedings, the supreme governing body files an application to the Public Registry that the Establishment has to be deleted.

2 Dissolution by resolution of the supreme governing body

Unless otherwise determined in the Articles, the resolution for liquidation of the Establishment must be agreed by a 2/3 majority of the votes of the supreme governing body (or resolution of the single holder of the Founder's rights).

Liquidation proceedings commence upon filing of an application to the Public Registry. During liquidation proceedings the Establishment remains its legal personality and uses its existing name with the unabbreviated subjoinder "in liquidation".

One or several Liquidator(s) is (are) appointed from the Board of Directors, insofar as the liquidation is not transferred to other persons by resolution of the supreme governing body or in the Articles. One Liquidator must be domiciled in Liechtenstein and have an EEA member state citizenship.

After the debts have been repaid, the assets of the dissolved Establishment are divided among the holder(s) of the Founder's rights or transferred to the ultimate Beneficiary. However, distribution cannot be effected before six months have expired, calculated from the day, on which dissolution was announced, for the third time in the public publication organs with the request to register claims. Finally, an application is to be filed to the Public Registry requesting the deletion of the Establishment.

3 Decision of the Princely Court of Justice

The Princely Court of Justice may render a decision to resolve the Establishment for reasons stated by law.

TAXES

During lifetime of the Establishment, its income is taxed with a flat rate of 12.5%. However, a minimal tax of CHF 1,200.00 is due each tax year, which is fully accumulated to the income tax. Liechtenstein has no capital tax.

A non-commercial active Establishment that manages assets and only holds bankable assets may apply and qualify as a so-called private asset structure (PVS). If this status is granted by the tax authority, these Establishments are only taxed at a flat rate of CHF 1,200.00 per annum.

An interest rate, which is each year determined by the government (2013: 4%), for the Establishment's equity capital is deductible as business expenditure. Moreover, gains from participations in domestic or foreign legal entities (dividends) or capital gains from the sale or liquidation of participations in domestic or foreign legal entities are tax free. The tax rate is reduced to 2.5% for income from intellectual property, which was acquired or created by the Establishment after January 1, 2011.

Distributions to foreign Beneficiaries are not subject to any taxation in Liechtenstein, however may be in the country of residence of the Beneficiary.

THE COMPANY LIMITED BY SHARES (AKTIENGESELLSCHAFT)

CHARACTERISTICS

The idea of a Company Limited by Shares is known in many other jurisdictions. Like in other countries, Liechtenstein's Company Limited by Shares is a popular choice of legal form for commercially active companies.

The Company Limited by Shares is a company with its own name (firm), whose capital, which is determined in advance (nominal capital, capital invested), is divided into certain amounts (shares) or portions (quotas) and whose liability is limited to the company's assets. The shareholders are only liable as far as the performances as laid down in the Articles are concerned and are not liable personally for the company's liabilities with their private assets.

FORMATION/REGISTRATION

To form a Company Limited by Shares at least two Founders, who may be natural persons or legal entities, are mandatory. However, after the formation, the shares may be hold by a single person (one-person Company Limited by Shares is permitted). The economic Founders remain anonymous, if they authorise a Liechtenstein Trustee, who acts as legal Founder, to carry out the formation procedure.

The formation process defers, either the Company Limited by Shares is formed successively or simultaneously:

1 Successive Formation (less common)

The successive formation is less common, since the Founders turn to the public, what makes the formation process tedious. For the gradual formation of a Company Limited by Shares, it is required to determine the Articles, which must be signed by the (legal) Founders, in a public deed. Further, the shares, which form the nominal capital, must be subscribed. Finally, in a constitutive general meeting of the subscribers the approval of the subscription and fulfilment of payment for shares as well as the appointment of the required company's bodies has to be decided.

2 Simultaneous Formation

Instead of having a constitutive general meeting of the subscribers, the Founders may in a public deed, which was signed by them and includes the Articles determined by the Founders, declare to form a Company Limited by Shares. In the public deed they further confirm that all the shares have been took over, at least 25% of the value of each share has been paid in, the allowance of Founder's advantages has been approved and the necessary company's bodies have been appointed.

Either the formation was carried out successively or simultaneously, the Company Limited by Shares acquires its legal personality after registration in the Public Registry.

The application for registration issued by the members of the board with signing authority has to include the original or a certified copy of the Articles as well as the minutes of the constitutive general meeting (successive formation) or of the public deed (simultaneous formation).

After the Company Limited by Shares has been entered in the Public Registry, the entry is published in extracts in the official publications organs (local newspapers, internet). In the case of a Company Limited by Shares that does not carry on business run along commercial lines, only a reference to the registration as well as to the deposited documents and the other details is made in the official publications organs.

CAPITAL

The Company Limited by Shares' minimum capital amounts to CHF 50,000 (alternatively EUR 50,000 or USD 50,000) and is divided into certain amounts (shares) or into portions (quotas), which may be equal or dissimilar (shares without par value). The minimum capital must be fully paid in.

The capital may also be fully or partly paid in as contributions in kind (property or rights). Under certain exceptions, an expert must value the contributions in kind and issue a report to the General Meeting. The capital may also be raised by way of acquisition of assets from the Founders. The capital may be increased or decreased under certain circumstances.

Normally, the capital is deposited with a Liechtenstein, Swiss or EEA bank in a blocked account. The bank thereon issues a so-called proof of capital, whose submission is sufficient for the Public Registry to prove payment in of the minimum capital required.

The Company Limited by Shares is only liable for its debts with its own assets.

THE TYPES OF SHARES

There are different types of shares that a Company Limited by Shares may issue. The most important are:

1 Registered shares

Registered shares are issued in the name of a shareholder. They are freely transferable, also by blank endorsement. However, there may be also registered shares, whose transfer is restricted or prohibited in the Articles without the prior consent of the Board of Directors. In order to transfer the registered shares, it is only necessary to deliver the endorsed share title to the purchaser. The company has to record all owners of registered shares in a share register. Only after registration in the share register a person is considered to be shareholder of the company.

2 Bearer shares

Bearer shares refer to its holder. They have to be deposited at a custodian appointed by the Company Limited by Shares, who keeps a register of all bearer share owners. If someone has the desire to transfer his bearer shares to another person, he has to notify the custodian of his desire, who registers the new owner in the register. Upon registration the new owner is shareholder of the Company Limited by Shares.

A Company Limited by Shares may either issue registered shares or bearer shares or a combination of both types. It is also possible to determine in the Articles that registered shares may be converted to bearer shares and vice versa.

3 Non par value shares

The non par value shares are issued for a portion of the nominal capital, without having to have a specific value.

4 Voting shares

With a regulation regarding voting shares in the Articles a Company Limited by Shares may restrict the number of votes of the bearers of several shares or provide in the Articles that shares confer the right of several votes (plural shares) or confer different voting rights.

5 Participation certificates

The Articles may stipulate a participation capital, which is divided into **participation certificates**. These participation certificates are issued against payment, have no nominal value and grant no voting right. The participation capital may not amount to the double of the share capital. The holders of participation certificates may not have a worse position than the shareholders in regard to the allocation of net profit and liquidation profit as well as the receiving of new shares. The holders of participation certificates have no right to participate at an annual general meeting, although they are informed about its convention as well as its subject of negotiations and applications.

ORGANISATION

The following three organs are mandatory for a Company Limited by Shares:

1 General Meeting
2 Management
3 Audit Authority
4 Representative (if not commercially active in Liechtenstein)

However, it is possible to appoint additional bodies.

1 General Meeting

The General Meeting of the shareholders is the supreme governing body of the Company Limited by Shares, which expresses the company's intentions to the shareholders and the governing bodies. The powers of the General Meeting include:

(1) The appointment of the Board of Directors and the Audit Authority;
(2) The Approval of the balance sheet and determination of its results and the dividends;
(3) The release of the administration;
(4) The passing of resolutions concerning the acceptance and amendment of the Articles and, insofar as the Articles do not determine otherwise, the establishment of branches,
(5) The passing of resolutions concerning the matters reserved by the law or the Articles for the General Meeting or submitted to it by other bodies.

However, the Articles may transfer to another body, completely or partly, the duties of the General Meeting pursuant to the law and the Articles.

An ordinary General Meeting shall take place every year within six months of the close of the business year. Extraordinary General Meetings shall be convened as required. The place, where the General Meeting should be held, may be determined in the Articles. The same applies to the manner, how the General Meeting is to be called. However, the notice shall include an agenda for the General Meeting, which shall state clearly and completely the matters to be dealt with.

2 Management

The Management is the governing body of the Company Limited by Shares. The members are appointed by the General Meeting, initially for a period of maximum three years and thereafter for a maximum period of six years. Where the administration is entrusted to several persons or firms, these form the Board of Directors, whose powers may be defined in detail in the Articles or in special Regulations. Members of the Board of Directors must not be shareholders of the company.

In Companies Limited by Shares, which do not have a Liechtenstein trade license, at least one member of the Management authorised to manage and represent, must be a citizen of the European Economic Area (EEA) with residence in an EEA member state and with admission as Trustee in accordance with the Liechtenstein Trustee Act.

A Company Limited by Shares, whose nominal capital amounts to at least one million Swiss francs, must have a Board of Directors, which consists of at least three members, unless the Company is only domiciled in Liechtenstein, with or without an office, or only administers assets, but does not conduct other business in Liechtenstein.

The Articles may determine that management and representation may be transferred by the General Meeting or the Board of Directors to one or several natural person(s) or legal entity(-ies), member(s) of the Board of Directors (Delegates) or third parties, who need not to be member(s) of the Company

Limited by Shares. Persons (firms) entrusted in this manner with the conduct of the business and representation are bodies of the company.

The duties of the Board of Directors are:

(1) To prepare the agenda for the General Meeting and to implement its resolutions;
(2) To draw up the rules necessary for the orderly conduct of business and to instruct management accordingly;
(3) To supervise the persons entrusted with management and representation, having regard to the correct execution of the latter pursuant to the law, the Articles and the Regulations;
(4) With this aim in view, to be regularly informed concerning the course and the conduct of business.

The Board of Directors shall also be responsible for the minutes of the General Meeting and of the board, for the necessary business records being properly kept and for the annual balance sheet drawn up in accordance with the legal regulations, audited and, if required, published.

3 Audit Authority

The supreme governing body is obliged to appoint an Audit Authority. As Audit Authority one or several Auditors may be appointed, who have to be independent from the Company Limited by Shares. Initially the auditors can be appointed for a maximum of one year, and thereafter for not longer than three years.

Mid-size and large companies (the criteria are determined by law) have to appoint a certified public accountant or an audit company authorised to practise by the applicable laws.

The decisions or other deeds over the appointment or the withdrawal and the particulars of the Audit Authority have to be entered in and to be deposited at the Public Registry.

4 Representative

Further, a Company Limited by Shares, which is not commercially active in Liechtenstein and thus has no delivery address, has to appoint a Representative domiciled in Liechtenstein, who is either a Liechtenstein citizen or a national of an EEA member state. A Representative may also be a domestic legal entity, which has appointed a natural person as Representative pursuant to the law (e.g. a Liechtenstein Trustee).

The representative is obliged by law to receive declarations and communications of all kinds from the Liechtenstein courts and authorities as well as to keep files. The representative is entered in the Public Registry.

DISSOLUTION

The Company Limited by Shares is terminated by initiation of bankruptcy proceedings, a General Meeting resolution or decision of the Princely Court of Justice:

1 Initiation of bankruptcy proceedings

If it is noticed by the Management that the Company Limited by Shares is over-indebted or bankrupt, the Princely Court of Justice must be informed of this situation without delay. The Court is not to be called, if the creditors of the Company Limited by Shares declare to step behind the other creditors and thus give the Company time to pay its debts or if there is a chance that the over-indebtedness or bankruptcy will be recovered within two months since determination of the inability to pay. The Court introduces bankruptcy proceedings, if sufficient assets to cover the costs of bankruptcy proceedings are available. The Bankruptcy Law is thereon applicable. The duration of bankruptcy proceedings may vary depending on the complexity of the case.

If not enough assets are available to cover the costs of bankruptcy proceedings or after conclusion of bankruptcy proceedings, the Management files an application to the Public Registry that the Company Limited by Shares has to be deleted.

2 Resolution of the General Meeting

Unless otherwise determined in the Articles, the resolution for liquidation of the Company Limited by Shares must be agreed by a 2/3 majority of the votes of the General Meeting.

During liquidation proceedings the Company Limited by Shares remains its legal personality and uses its existing company name, with the unabbreviated subjoinder "in liquidation" towards third parties and among the possible members.

One or several Liquidator(s) is(are) appointed from the members of the Management, who is(are) domiciled in Liechtenstein and has(have) an EEA member state citizenship, insofar as the liquidation is not transferred to other persons by resolution of the General Meeting or the Articles.

After the debts have been paid, the assets of the dissolved Company Limited by Shares are divided among the shareholders in proportion to the amounts paid in. However, distribution shall not be effected before six months have expired, calculated from the day, on which dissolution was announced for the third time in the public publication organs with the request to register claims. Finally, an application is to be filed to the Public Registry requesting the deletion of the Company Limited by Shares.

3 Decision of the Princely Court of Justice

The Princely Court may render a decision to resolve the Company Limited by Shares for reasons stated by the law.

TAXES

Due to the Customs Union Treaty with Switzerland the Swiss Federal Law on Stamp Duties is applicable in Liechtenstein. The Swiss Stamp Duties are taxes on legal transactions involving certain deeds. There are three different types of duties: issuance duties, transfer duties and duties on insurance of premiums. The issuance duty is levied, if shares or participation certificates are issued. Thus, upon its formation, the Company Limited by Shares has to pay a stamp duty of 1% of the amount contributed to it as consideration for the participation rights, at least of the nominal value. However, only if the contribution exceeds 1 million Swiss francs.

During lifetime of the Company Limited by Shares its income is taxed with a flat rate of 12.5%. However, a minimal tax of CHF 1,200.00 is due each tax year, which is fully accumulated to the income tax. Further, stamp duties may apply, if the share or participation capital is increased. Liechtenstein has no capital tax.

A non-commercial active Company Limited by Shares that manages assets and only holds bankable assets may apply and qualify as a so-called private asset structure (PAS). If this status is granted by the tax authority these companies are only taxed at a flat rate of CHF 1,200 per annum.

An interest rate, which is each year determined by the government (2013: 4%), for the Company's equity capital is deductible as business expenditure. Moreover, gains from participations in domestic or foreign legal entities (dividends) or capital gains from the sale or liquidation of participations in domestic or foreign legal entities are tax free. The tax rate is reduced to 2.5% for income from intellectual property, which was acquired or created by the Foundation after January 1, 2011.

TRUST (TREUHÄNDERSCHAFT)

CHARACTERISTICS

Liechtenstein is the only civil law jurisdiction in mainland Europe, which has adopted the Anglo-Saxon common law Trust in his legal system.

The Trust is defined as a relationship entered into between the Trustee and the Settlor. Within this Trust relationship the Settlor transfers movable or immovable property or a right (as Trust property) of whatever kind with the obligation to administer or use of such property in his own name as an independent legal owner for the benefit of one or several third persons (Beneficiaries) with effect towards all other persons.

The Trust has similarities to a Foundation, if third parties, which do not include the Settlor, are appointed as Beneficiaries and the Trustee takes over the obligation to administer and to use the Trust property for the Beneficiaries, in particular to make distributions from the Trust property to Beneficiaries in compliance with their beneficial right.

PUPROSE

A Trust may be formed for charitable and private-benefit purposes. A charitable purpose is deemed to be a benefit to the general public. On the other hand, a private-benefit purpose is entirely or predominantly intended to serve a private or personal purpose. A mixed purpose is also thinkable, as long as the charitable or private-benefit purpose prevails.

However, a fiduciary undertaking, which pursues commercial activities may be operated only as a Trust enterprise (Trust reg.). The Trust enterprise is regulated in an own chapter of the Law on Persons and Companies (PGR) and is not part of this overview.

FORMATION/REGISTRATION

A Trust is formed by a written agreement between the Settlor and the Trustee. A statement of consideration is not required. A Trust also may be created by virtue of a unilateral declaration by the Settlor and a written declaration of acceptance by the Trustee. In addition, a Trust may be formed by last will or testament.

In all cases, the Trust must be expressly denominated as such.

Within twelve months of its creation, every Trust created for a period of longer than twelve months must be recorded in the Public Registry. A registration may be avoided, when the original or a certified copy of the formation deed is deposited with the Public Registry within the same time limit. A further exception is,

where property of a Trust is registered in other Public Registry, such as the Land Register, the Patent Register or similar and the Trust itself is entered in these Public Registers.

With regard to Trusts entered in the Public Registry the Settlor and the Beneficiaries have not to be disclosed in the application for registration to the Public Registers. In the case of deposited Trusts, it is prohibited to the Public Registry to disclose any information to the exclusion that an upright trust relationship actually exists.

TRUST PROPERTY

There is no minimum value for the assets constituting the Trust property.

To the Trust property belong all assets so designated by the Settlor, as well as all assets acquired by the administration of such property. The Trust property also includes property acquired on grounds of a right accruing to the Trust property as a substitute for an object of the Trust property, which has been destroyed, damaged or removed, or acquired in any other way, by the means of the Trust property or as the result of a transaction related to the Trust property.

The creditors of the Settlor or his successors in title may only lodge a claim against the Trust property pursuant to the provisions of the Law concerning Acts Voidable at the Instance of Creditors, the Law concerning Donations or the Succession Law.

The creditors of the Beneficiary may lodge a claim against the Trust property by way of levy of execution or bankruptcy proceedings, but only insofar as the Beneficiary himself has claims against the Trust property and a provision concerning the prohibition of such withdrawal, as in the case of Family Foundations, does not exist.

The creditors of the Trustee have no right of claim against the Trust property in injunction proceedings or in the case of levy of execution and bankruptcy of the Trustee; the Trust property shall be regarded as separate property.

SETTLOR

The Settlor may be a natural person, firm or legal entity. Subject to the mandatory provisions of the law, he may define the precise terms of the Trust. In particular, he may stipulate:

1 That under certain conditions or after a certain period of time, the Trust property is reverted to him or his successors in title or to third parties like Foundations or Establishments;

2 That under certain conditions a Trustee may be removed and possible future Trustees may be appointed;

3 Conditions according to which a Beneficiary shall be excluded and another nominated in his place and conditions, on which Trust property shall pass to other Beneficiaries in the event of death or exclusion of Beneficiaries or similar.

However, the Settlor may not draw up conditions, which bind the Trustee to continuous instructions of the Settlor. Where such provisions are drawn up, the relationship shall be deemed to be a normal mandate within the intendment of the law on obligations.

TRUSTEE

The Trustee may be a natural person, firm or legal entity. There is no limitation as to how many Trustees may be appointed for a Trust. At least one Trustee must be a professional Trustee licensed in Liechtenstein with domicile either in Liechtenstein or another EEA member state.

The Trustee is obliged to comply with the provisions of the Trust instrument and the provisions of law, which are not in contradiction with the provisions of the Trust instrument, to preserve and administer the Trust property with the care of a prudent businessman and where customary or appropriate, he has to insure the Trust property against risk. The Trustee can dispose the Trust property in the same manner as an independent holder of rights and duties. However, the Trustee may not dispose of the Trust property in a manner, which could affect adversely or frustrate the purpose of the Trust.

In the absence of provisions to the contrary or unless an emergency requires urgent measures, Co-Trustees must act jointly (collectively).

The Trustee must further draw up an inventory of the assets and liabilities of the Trust and the said inventory must be revised annually. He has to take care that records are available within a reasonable time at the domestic seat of the Trust for inspection.

BENEFICIARIES

The Beneficiaries are named either in the Trust instrument or in a separate instrument of appointment.

The Settlor and the Trustee may also be Beneficiaries of the Trust. However, the Trustee may not be the sole Beneficiary.

Each Beneficiary entitled to claim, who considers his rights or interests prejudiced by a disposition or an act of administration of the Trustee, may, in the absence of a provision to the contrary in the Trust instrument, petition the Princely Court of Justice to order that the fault be remedied.

Pure purpose Trusts, which have no determined or determinable Beneficiary, are recognised by law, however this kind of trust is supervised by the Court.

For further details regarding the different types of Beneficiaries see above Chapter Foundation – Beneficiaries.

PROTECTOR

In practice, a Protector is appointed in the Trust instrument, who has certain powers like the appointment of Beneficiaries, the revocation of the Trustee or the prior approval of certain duties of the Trustee. Also a Protector committee of persons may be appointed as Protector. Usually, the Protector is a person well-known and closely related to the Settlor or the Beneficiaries.

DISSOLUTION

In general, the Trust terminates pursuant to the provisions of the Trust instrument and, in addition, if the Trust property is exhausted and not replaced.

If nothing to the contrary is contained in the Trust instrument, the Trust property must be transferred to the Settlor or his successor in title and, in the absence of such persons, to the entitled Beneficiary and, in the absence of an entitled Beneficiary, to a Foundation, whose purpose is as similar as possible to that of the Trust.

Withdrawal by the Settlor or revocation of a Trust is admissible only if the agreement or the unilateral Trust instrument expressly reserves such right or is permitted pursuant to the regulations concerning Foundations created by testamentary disposition or contract of inheritance. In all other cases the Trust is irrevocable.

TRUSTS PURSUANT TO FOREIGN LAW

Trusts pursuant to foreign law may be created in Liechtenstein provided:

1 The relationship between the Settlor, Trustee and Beneficiaries is subject to the Trust regulations of the foreign law, which must be included in detail in the Trust instrument and that the relationship between the Trust and third parties shall be subject to Liechtenstein law,

2 That a mandatory Court of arbitration shall decide in disputes between Settlor, Trustee and Beneficiary.

TAXES

Since the Trust has no legal entity, no income tax must be paid. However, a minimal tax of CHF 1,200.00 is due, which has to be paid one tax year in advance. Liechtenstein has no capital tax.

Distributions to foreign Beneficiaries are not subject to any taxation in Liechtenstein, however may be in the country of residence of the Beneficiary.

FURTHER INFORMATION

If you wish to have further information on the above-mentioned company forms or if you have other inquiries, please contact:

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DISCLAIMER

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