

ALTERNATIVES TO BEARER SHARES



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WHY USE FOREIGN COMPANIES

I Disclosure Requirements

1. US Bank Accounts

- A. W8-BEN not reported to IRS unless Canadian citizen.
- B. Pending proposal to require reporting to include 15 European Countries plus New Zealand.

2. Securities Investments Account

- A. W8-BEN must be sent to the IRS regardless of country of residents.
- B. In the case of U.S security investment accounts established with banks in non U.S locations, the information is not automatically sent if non U.S bank is a QI.

3. Automatic Disclosure of Dividends.

- A. IRS wants to know to whom such taxable dividends are paid.
- B. If non U.S recipient is from a treaty country, information received by IRS such as dividends and interest normally sent to treaty partner.
- C. Full Blown treaties with Barbados, Jamaica, Mexico, Trinidad and Venezuela.
Tax Information Exchange agreements with Mexico, Peru, Costa Rica and Colombia.

II. Estate Tax and Probate.

- A. U.S estate tax if holding U.S securities, U.S real estate or other U.S “situs” assets;
18% to approximately 50% .
- B. Avoid Probate Proceedings and Public disclosure of private information.

ALTERNATIVES TO BEARER SHARES

Advantages and Disadvantages

	<u>Advantages</u>	<u>Disadvantages</u>
1. Nominative Shares in name of Owner	<ul style="list-style-type: none"> - No costs; - No risk of losing bearer instrument; - Easily transferable; - Absolute Control; 	<ul style="list-style-type: none"> - No confidentiality; - Share must be probated within country of incorporation or country of domicile of decedent. - Must set up will for probate within the BVI
2. Qualified Custodian (Any licensed registered agent with BVI and any foreign financial institution that receives approval from the BVI)	<ul style="list-style-type: none"> - Low cost and facilitates easy transferability of shares; - No risk of losing; 	<ul style="list-style-type: none"> - Loss of some confidentiality; - Custodian will retain information as to beneficial ownership. - Loss of total control; - Additional filing costs - Transferability on Death ?
3. Joint Tenancy/Ownership	<ul style="list-style-type: none"> - No cost; - No risk of loss; - Automatic transfer upon death of one owner to the surviving owner - M&A can be amended to include joint tenancy provision (first named member has complete and exclusive voting rights over shares) 	<ul style="list-style-type: none"> - Loss of some control, since must get signature of all owners. - Shares must be probated if all owners die simultaneously; - No confidentiality - Once member is named, ownership can not be terminated without consent of member

ALTERNATIVES TO BEARER SHARES

Advantages and Disadvantages (Cont.)

	<u>Advantages</u>	<u>Disadvantages</u>
<p>4. Life Estate</p> <p>(Not permitted in all jurisdictions)</p>	<ul style="list-style-type: none"> - No cost; - Full control during lifetime; - Automatic transfer to heirs on death; - No Probate required 	<ul style="list-style-type: none"> - Loss of control as to heirs and cannot be sold; - No confidentiality;
<p>5. Nominee Stockholder</p>	<ul style="list-style-type: none"> - Reduced cost; - Client's name do not appear on instrument 	<ul style="list-style-type: none"> - No mechanism to pass to heirs upon death
<p>6. - Reserved Power Trust</p> <p>- Vista Trust</p>	<ul style="list-style-type: none"> - More effective than Nominee arrangement since can determine heirs in document; - Lower cost than full Trust; - Effective and practical means to convey title to heirs. - Completely revocable during lifetime; - More control by Settlor 	<ul style="list-style-type: none"> - Higher costs then previous options; - Some loss of confidentiality; - Some jurisdictions do not recognize this contract;

ALTERNATIVES TO BEARER SHARES

Advantages and Disadvantages (Cont.)

<p>7. Co -Trustees</p>	<ul style="list-style-type: none"> - More control of Trust assets during lifetime; - Full benefit of Trust provisions; - 	<ul style="list-style-type: none"> - Cost of Trust; - Some loss of confidentiality;
<p>8. Trust Deed (Revocable Trust)</p>	<ul style="list-style-type: none"> - Full Benefit of Trusts; - Completely Revocable; - Confidentiality; - 	<ul style="list-style-type: none"> - Cost of Trust; - Some loss of control over assets.
<p>9. Irrevocable Trust</p>	<ul style="list-style-type: none"> - Full Benefit of Trust; - Asset protection features and tax planning features (avoidance of U.S. estate tax and possibly income tax). - Confidentiality; 	<ul style="list-style-type: none"> - Permanent loss of control over assets except choice of trustee and investment policy over trust assets. - Cost of Trust;



JURISDICTIONS THAT STILL PERMIT BEARER SHARES *

* However most banks today do not permit accounts opened with unrestricted bearer shares

<u>PANAMA</u>
<u>ANGUILLA</u>
<u>URUGUAY</u>