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MEMORANDUM

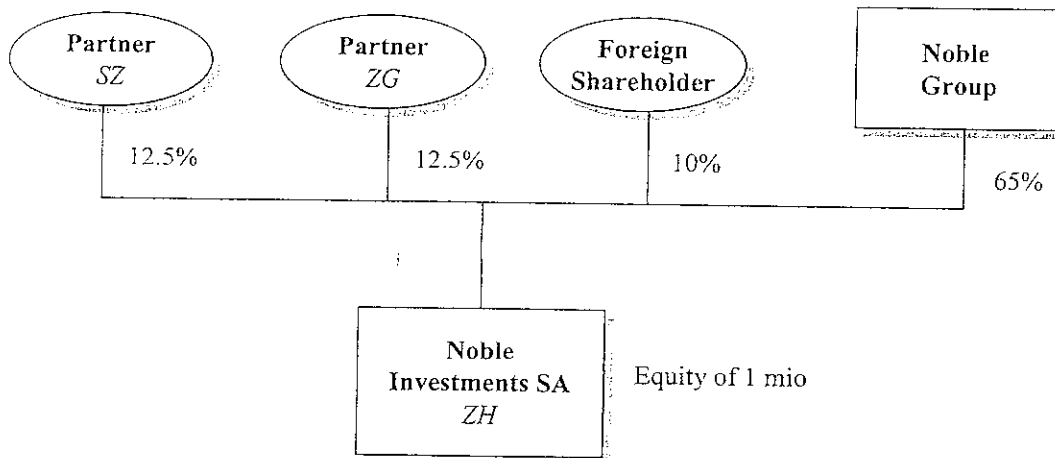
To: Noble Investments SA

From: Dr. Thomas Graf

Re: Swiss tax aspects in connection with the establishment of Noble Investments SA

Date: March 22, 2001

The following shall summarize various Swiss tax aspects to be considered in connection with the business activities of Noble Investments SA, Zurich. Noble Investments SA will be established as a joint venture company of two Swiss resident partners, a foreign resident partner and the Noble group. Noble Investments SA will be a Zurich resident company and will be active in the field of structuring financial products.



1. Tax aspects of Swiss resident partners

1.1 Principles

Salary and bonus income of the two Swiss resident partners is subject to ordinary individual income tax. Furthermore, salary and bonus income is subject to social security contributions of some 10% (total of employer's and employees' contributions).

Dividend income of the two Swiss resident partners derived from their participation in Noble Investments SA is subject to ordinary individual income tax. However, dividend income is not subject to social security contributions.

Compensation of **expenses** is not subject to individual income tax as long as such compensation may not be considered as hidden salary payment or hidden profit distribution.

The participation of the two Swiss resident partners in Noble Investments SA may be held through a **personal holding company**. On cantonal and communal income tax level, a personal holding company is income tax-exempt (holding privilege) if the following conditions are met:

- Main purpose of holding and administering participations.
- 2/3 of the assets or 2/3 of the income consists of participations or is derived from participations (alternative conditions). In the practice of the Zug tax authorities, a holding company must own at least one participation of 20% or of a fair market value of CHF 2 mio.

On direct federal tax level, dividend income of a personal holding company from qualifying participations (participation of at least 20% in the share capital of the dividend paying company or fair market value of the participation of at least CHF 2 mio) is subject to the participation exemption. Qualifying capital gains derived from the sale of a participation of at least 20% which has been held for at least one year is also subject to the participation exemption. Non-qualifying income of a personal holding company such as interest income, royalty in-

come, management fee income or investment income from a non-qualifying participation is subject to corporate income taxation at the direct federal tax level at the rate of 7.83%.

1.2 Recommendation

Basically, the income of the two Swiss resident partners can be split into a bonus component and a dividend component. The participation of the two partners in Noble Investments SA will be held through a joint personal holding company. This leads at least to a tax deferral on the dividend component:

- In a first phase, where Noble Investments SA does not yet dispose of distributable profits there will be a bonus component only.
- In a second phase, where Noble Investments SA will have distributable profits, the two Swiss resident partners may establish their joint personal holding company and will receive a combination of bonus payments (taxable income) and dividend payments (tax deferral). If a sale of the participation in Noble Investments SA is a likely scenario, the establishment of a joint personal holding company is not recommendable.

In addition to salary and bonus payments, the Swiss resident partners may receive special compensation of expenses such as lump sum expense payments of some CHF 700 per month and compensation for business use of private car.

2. Swiss tax aspects of Noble Investments SA

2.1 Principles

Due to the fact that Noble Investments SA's business activities are carried out in the canton of Zurich only, it is not recommendable to incorporate Noble Investments SA in another canton or abroad. Furthermore, for the activities of Noble Investments SA in the canton of Zurich a special tax status is unlikely to be available. Basically, Noble Investments SA is therefore subject to ordinary corporate income tax in the canton of Zurich at the rate of 25%.

Basically, salary and bonus payments to the two Swiss resident partners as well as expense payments are tax-deductible with Noble Investments SA. However, since the Swiss resident partners are shareholders of Noble Investments SA as well, the Swiss tax authorities will pay special attention to the level of bonus payments. If the bonus payments are not at arm's length, there is a risk that they are qualified as non tax-deductible hidden profit distributions.

2.2 Recommendation

In order to avoid the qualification of bonus payments as hidden profit distributions and in order to optimise the Swiss resident partners' personal income tax situation, bonus payments should be kept at a reasonable level. In the Employment Agreement, a passus stating that the total of bonus payments and dividends paid to the employee shall be 17.5% of the turnover seems to be acceptable from a tax point of view if the wording is carefully chosen.

It may be taken into consideration to establish an offshore subsidiary of Noble Investments SA and to carry out special business transactions with strong foreign relationship through this offshore subsidiary. However, such a structure must be negotiated in advance with the responsible Zurich tax inspector.

3. Swiss tax aspects of Noble group

3.1 Principles

Dividend payments of Noble Investments SA are subject to Swiss withholding tax at the standard rate of 35%. The broad network of Swiss double taxation treaties reduces Swiss withholding tax usually to a rate in the range from 0% to 15%.

No Swiss withholding tax is levied on royalty payments as well as on interest payments (as long as the loan does not qualify as a bond under Swiss tax principles).

3.2 Recommendation

The participation in Noble Investments SA should be held by a Noble group company which is resident in a country that has concluded a double taxation treaty with Switzerland providing

for the nil withholding tax rate on dividend distributions (e.g. the Netherlands or Luxembourg).

It may be taken into consideration to conclude a license agreement between Noble group and Noble Investments SA entitling Noble Investments SA to use the brand name Noble and other intangibles owned by Noble group. Since there is no Swiss withholding tax on license payments this license payments may be paid to an offshore group company. Such an agreement should be discussed in advance with the responsible Zurich tax inspector.

Also loans to Noble Investments SA may be granted by an offshore group company of the Noble group. However, Swiss thin capitalisation rules must be considered.

The establishment of a Swiss holding company of the Noble group, holding the participation in Noble Investments SA and other Noble group companies should be further investigated. Due to recent changes in the Swiss holding company taxation regime and due to the broad double taxation treaty network of Switzerland, Switzerland has become a very favourable holding location (see enclosed memorandum).

From a Swiss tax point of view it is possible that in a first step a Bermuda Noble group company acts as founder of Noble Investments SA. In a second step, a few months after the incorporation, the Bermuda group company may transfer the participation in Noble Investments SA to a European or Swiss holding company.

THG