



The HoverSmeight Service company

Information and forms

Issue 3

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Company formation files and forms, May 2009



HoverSmeight

trusted around the world



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The service company
(what to know about ...)

+ Lets talk something new...

First: about the way we work.

We at HoverSmeight have a rule; if we handle a service, it must be done in the most efficient way. We don't like bothering you too much with all the details.

However there are things you will have to do; we can't live without. But remember, we try to limit your time to the absolute minimum so you can do what you're good at; being a successful entrepreneur.

The service company.

So it boils down to simply one thing: you are good in being the entrepreneur, we are good in the company's operations.

Lets keep it simple.

For a lot of companies we are the backbone of operations.

The most easy is accounting, we serve our customers with a up to date (online accessible) P&L and balance sheet, altogether with 40 management reports.

We helped a lot of companies with payroll, sales and marketing, IT development, taxes, investments, purchasing and sourcing, e-commerce, insurance, banks, call center, legal, money collection and more.

The theory behind the concept: (in short...)

Every company is a set of things to be done; normally they will convert, when your company is growing, into company departments. Finances, maintenance, production, logistics, fleet control, IT, sales and marketing etc.

When you start (or started long time ago) you are (were) the CEO, COO, CFO, managing director, HR-manager, warehouse manager, whatever, all in one.

When the business grows you will be a manager and no longer an entrepreneur...

We strongly believe that future companies are only the entrepreneur's heart; what he or she is good at. Think of the creative and human touch needed to be successful.

What you also need is an operational company that is reliable and well organized to keep costs down.

Today, nobody will actually have their own car fleet controller but outsources this to a car lease company. A lot of companies already outsourced their IT to an IT company and simply pay a monthly invoice for the service. Their cars run more cheaply and their IT costs go down with 30% (Gartner 2007)

So, look at your company and see what you like to be done by a trusted third party, so you can do what you are good at! Or, if you just start, look at what you don't want to do with your valuable time.....

We promise you:

- Lower cost
- Better organized departments
- Full confidentiality
- And: best in class professionals you are not able to hire for the money

+ The service company, the modern variation of a trust company

The service company is the actual split in your company between the wanted operations on the one side and your core tasks on the other.

The tasks you like to keep are up to you, but accounting is a standard task in the service company.

What will happen?

We will form a new company which will be the contractor to your existing company to do all chosen operations.

The new company's shareholder is HoverSmeight. We will charge your company a monthly fee for all services rendered. Normally this will be about 30% less than you were used to pay. All risks are ours.

This company will do the following:

Accounting

And can do at least the following:

Payments, bank, credit card

Money collection

Marketing and sales

E-commerce

IT

HR-resources

Pay rolling

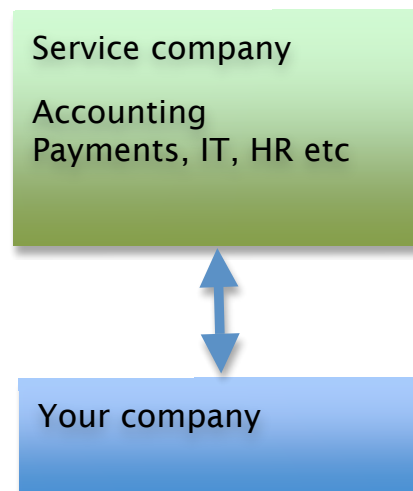
Purchasing and sourcing

Insurance

Call center

Investments

And more (please ask...)



What can happen?

Until now you outsourced parts of your business which already brings you and your company extra profit. Taxable profit that is....

Normally you can reduce tax burden by moving offshore or hide yourself in a trust so you are no longer taxed. However avoiding taxes will become more and more difficult.

The downside of a trust is above all that the trust is not really meant to do business, but to protect assets and reduce the tax burden.

And, you are an entrepreneur....and the business is not ready for a "trust" or other more consolidating measures.



That's why.....

You want to grow your business and we like to buy your company (the operations side).

All revenues go through our service company so we are driven to be the entrepreneur together with you. The more money we make for you , the more we earn as well....

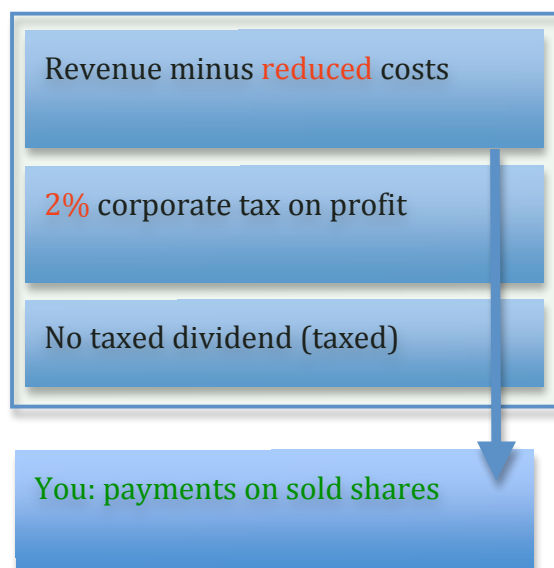
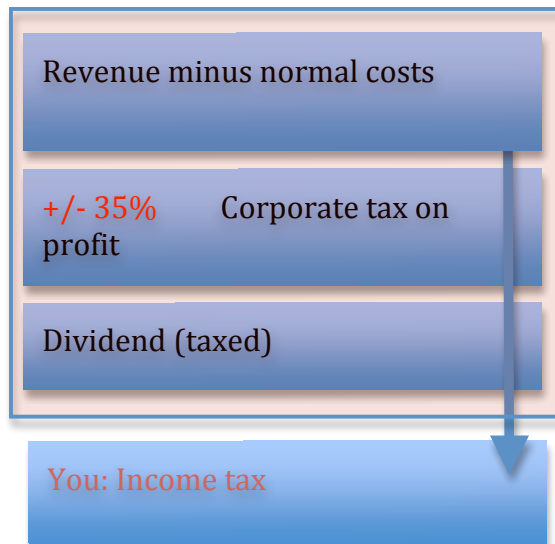
The purchase will be on a earn-out construction which means that yearly or even monthly you will receive a part of the payment.

This payment happens to be same amount as your normal profit and thus dividend, plus

- improved by less corporate taxes and,
- improved by less costs and,
- improved by the profit *not being* profit made by the company (dividend tax+income tax) *but not-taxed* due to being payment on selling shares...

What's in it for you?

A real business like construction, bringing you more time to do what you are good at, more money and probably even more fun at work.



**An example.**

A client has a revenue of 1 million US\$ and a profit before taxes and taxes (EBIT) of US\$ 75.000. Of its costs, 75% is product purchase, 25% is costs of staff, accounting, payroll, office rent and his own salary etc.

What can I do?

We expect you to do what your good. You can invest whatever you want, make the choices you want; we want you to make more profit in the long run. We'll help you to achieve at your best. As you can see we take 25% on the profits after tax. Even if we don't achieve any reductions on costs, you will benefit from the lower corporate tax and the absence of tax on income or dividend. Basically you can't lose; neither can we.

I sold a part of my company...what if?

Can I buy my shares back? Of course you can. Every share purchase agreement holds a clause for a so called roll-back, you can buy the shares back every 12 months or at the moment when we fail to comply.

What is left in my own company? Depending on your choices, you can keep everything (except accounting) We will hire your company for all work left behind and you can send a monthly invoice to us to cover costs (basically we will do that for you..). However, the more you "keep", the less the cost cutting advantages.

| Your company | | |
|----------------------------|------------------|-----------------|
| Revenue | | 1.000.000 |
| Cost of goods | | <u>-750.000</u> |
| Gross Margin | | 250.000 |
| | | |
| Costs | | <u>-175.000</u> |
| EBIT | | 75.000 |
| Corporate tax | | <u>-22.500</u> |
| nett earnings | | 52.500 |
| charged to the shareholder | 25% dividend tax | <u>-13.125</u> |
| To the shareholder | | 39.375 |

| As service company | | |
|--------------------------------------|-------------------|-----------------|
| Revenue | | 1.000.000 |
| Cost of goods | | <u>-750.000</u> |
| Gross margin | | 250000 |
| | | |
| Costs | At least 20% less | <u>-140.000</u> |
| EBIT | | 110.000 |
| Corporate tax | 2% | -2.200 |
| Nett earnings | | <u>107.800</u> |
| | | |
| To you as earn-out on sale of shares | 75% | 80.850 |

Is there more to it?

The money for your shares will be paid to anybody you like. There are no rules how much and when we have to pay to you for your shares.

The only rule is we pay 75% of the profits after tax and interest; to anybody.... So, you can have the money partly paid to yourself and partly to a foundation...or an offshore...or.....

The money paid to you counts for the purchase of the shares and that will continue for the duration of the agreement. There will be practically no moment in time when we are finished paying you.

Do I have to sell all shares?

No you don't. In some countries you are taxed for selling the majority of the shares. The sales of the shares are not connected to operation cost cutting procedure. They are for cutting on taxes. "As long as you sell your revenue...."

Do I have to sell shares to have the operation cost cutting advantages?

No, you can also opt for the cost cutting itself. We will also be happy serving you with our services mentioned before; accounting, payroll, bank etc.

What are the costs?

For the normal services we like to refer our pricelist. For setting up a service company there are some extra costs to start: The company formation, some legal and accounting costs. We will charge you a flat fee of 8.950 US\$ all including. Which will, depending on your level of costs, be earned back in weeks because the costs will go down immediately...

Furthermore

Purchasing and selling services and products will, if you opt for selling (part of) your shares done through an E-zone. There are rules and regulations for an E-zone license.

Before

We realize that using the service company construction will have to comply with the local tax authorities and legal rules. We work with a lot of local accountants and lawyers in Europe to make sure you are well advised with the back up of your own accountant and lawyer.

I am interested, what's next?

That's easy, just give us a call or E-mail. We will be in contact within 24 hours. To make it more comfortable; we speak English, Dutch and German so you can discuss this in any convenient language.

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