

Some Advantages of Using a Protected Cell Company (“PCC”)

Protected Cell Companies (“PCC’s”) are:

- Less expensive to administer than would be the case in a company with multiple subsidiaries. A PCC has a single board, a single company secretary and a single administrator. PCC’s can therefore provide a means of entry into markets to entities for which it would otherwise be uneconomic.
- Treated as a single legal entity for taxation purposes which can have tax benefits.
- Generally, the beneficial owners of shares in a PCC are not a matter of public record. The registered agent is required to hold details of beneficial ownership of the shares. These details are not a matter of public record although the resident agent may be required to release the information pursuant to a court order or regulatory request.
- Provide flexibility and protection if the core or a single cell of the PCC becomes insolvent.

If a particular cell were to find itself in financial difficulty, a receiver could be appointed to that cell without affecting the other cells or the core. This should be contrasted with a multi-class company where, if losses were suffered in respect of one class of shares such that the assets in respect of those shares were less than the liabilities, the creditors might have access to the assets of the whole company.

- If a PCC enters into liquidation, the liquidator is required to recognise the rights of each individual cell and to protect the assets of each cell from the creditors of other cells.
- In certain circumstances a PCC may outgrow its purpose. For example, a single cell of a PCC might achieve such success in its business that it needs additional freedoms not available as a cell of a PCC (for example, the ability to transact in its own right). In such cases, there are a number of options available under Isle of Man Law, whereby the cell can be converted into a stand-alone company.

Cells

As the cells of a PCC do not require registration with the Isle of Man Companies Registry, they can be formed quickly by Board resolution.

Naturally the accounting is slightly more complicated in that assets and liabilities need to be separate and separately identifiable and attributed to the appropriate cell (although no more complicated than for a multi-class structure); however, the costs savings should be measurable.

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It is possible to list the shares of a cell or cells of a PCC on a stock exchange in accordance with the rules of the particular exchange.

For further information on Isle of Man companies or any other Isle of Man company and trust administration services, please contact Julie Ronan on (01624) 676868

This publication is intended only to provide a brief guide. It does not purport to be comprehensive or to provide legal advice.

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