Answer-to-Question-_1_

1. Under the initial stage of its expansion into Brazil, prospective Brazilian customers will engage directly with Global Group HQ in Danzu. In this case, such stream will be taxed as a regular import of services. The following tax burden will apply:

(a) Withholding Corporate Tax (IRRF): As the source of the revenue stream is in Brazil, the client will withhold income tax at a 15% rate. Such amount is collect by the client but it is a cost for GAS HQ;

(b) Contribution for Economic Domain Intervention (CIDE): (Law 10.168) Such contribution is levied at a 10% rate on the remittance of technical services abroad and it is a cost for the Brazilian client;

(c) Social Contributions on Gross Turnover (PIS/COFINS): (Law 10.865) Such contributions are due upon import of services at a combined rate of 9.25%. They are also deemed a cost for the Brazilian client;

(d) Service Tax (ISS): (Complementary Law 116) Services tax are levied by municipalities in Brazil and its rate can vary from 2% to 5%. The Brazilian client is responsible for the collection of such tax (probably in the municipality the Brazilian client's HQ is located) but such tax should be deemed a cost for GAS HQ); and

(e) Financial Transaction Tax(IOF/FX):(Decree 6,306) Upon the remittance of funds to GAS HQ, due to the foreign currency exchange transaction (i.e. acquisition of foreign currency), IOF will be due at a 0.38% rate. Such tax would also be a cost for the Brazilian client.

2. For Step 2, in which GAS HQ establishes a Brazilian subsidiary, IOF/FX will be due upon inflow of funds into Brazil. If the Brazilian entity is capitalized via equity, IOF/FX will be due at a 0.38% rate. Conversely, if it is capitalized via debt, IOF/FX will be zero-rated assuming its wheighted average repayment term exceeds 180 days (if below that threshold, a 6% rate will apply upon the inflow of funds).

Both equity and debt transactions must be registered with the Brazilian Central Bank. Debt transactions must comply with transfer pricing and thin capitalization rules in

Brazil (ordinarily 2:1 debt-to-equity ratio).

If GAS Brazil remits dividends to GG HQ, no withholding income tax would apply as Brazilian domestic legislation exempts such flow from taxation (although there are political discussions to increase such tax burden to 15% in the future). On the other hand, if GAS Brazil pays interest to GAS HQ, a 15% tax rate would apply.

3.a. If any profit is recognized upon a potential sale of GAS Brazil, such profit will be subject to capital gains tax in Brazil (source of income in Brazil). The applicable rate will vary depending on the profit amount, as below:

0-5MM: 15%
5-10MM:17.5%
10-30:20%
above 30MM: 22.5%

3.b. Considering the source of revenue is in Brazil, a 15% withholding income tax would be due upon the remittance of royalties abroad. As clearly prescribed by current legislation, royalty streams are not subject to transfer pricing rules in Brazil. Royalty expenses' deductibility is limited from 1% to 5% over net sales.

4. If Brazilian regulations were to identify Danzu as a low-tax jurisdiction, the tax rate upon the import of services (under step 1) and the remittance of interest and royalties (step 2 and future royalty flow) would be increased to 25%.

Such tax rate increase would not kick in if GAS Danzu is deemed to be subject to a privileged tax regime. Such understanding has been recently confirmed by tax authorities in Private tax ruling 575/2017.

Additionally, under both scenarios, thin capitalization rules would be strictier (from the abovementioned 2:1 debt-to-equity ratio to 0.3:1).

5. If Brazil and Danzu entered in a double taxation agreement, in 1, no WHT (IRRF) would be due at source (Brazil) as such stream would be qualified under business profits (article 7 OECD MTC). In 3, no WHT (IRRF) would be due as article 12 of the OECD MTC allocates taxing rights to the resident country (which would disallow Brazil to tax such flow at source).

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Answer-to-Question-2

1. Brazilian legislation establishes that a legal entity is considered a tax resident in Brazil if its regular decisions/activities are taken/performed in the country. Under our legislation, it does not matter if certain decisions were undertaken out of the coutry - if the legal entity is incorporated in Brazil, it is deemed a Brazilian tax resident.

2. Considering all of its own business' revenues are booked in Brazil, the entire amount would be taxed at Pantamac level. The sales undertaken by the European team could be deemed a permanent establishment in that country and taxed accordingly.

3.a. TokyoCo is a JV in which Pantamac owns solely 10%, accordingly, it would not be deemed a controlled foreign corporation (CFC) for Brazilian tax purposes and would be taxed as an afilliate i.e. such profits would solely be taxed upon actual distribution. As such profits were not distributed, they will not (yet) be taxed in Brazil.

3.b. American Islands would be deemed a CFC for Brazilian tax purposes; accordingly its profits (accrued under the local GAAP) will be taxed at the level of Pantomac on December 31st of the year of the profits are accrued.

3.c. EdenCo's profits are solely derived from the participation it holds in Oceania.

Considering the profit of Oceania (as we will detail below) will be taxed as a CFC in Brazil at year-end, the equity pick-up adjustment at the level of EdenCo would not be added to the Brazilian taxable basis.

3.d. As mentioned on 3.c, Oceania will be deemed an (indirect) CFC and its accrued profits will be taxed in Brazil at year-end (December 31st of the year the profits were accrued), regardless of the actual distribution to Pantamac.

3.e. Tangomac will be deemed a CFC of Pantamac. Accordingly, Tangomac's own profits i.e. $51MM will be added to the Brazilian taxable basis at year-end. Equity pick-up derived from its direct investment in Bonitorganic and Bonitorganic 2 would not included as they are related to entities located in Brazil (whose profits are already fully taxable in Brazil).

3.f and g. Bonitorganic and Bonitorganic 2 are Brazilian legal entities, as such, they are subject to ordinary taxation in Brazil and must not be taxed at the level of Pantamac.

4. In case any of the business units record a loss for 2018, such losses could be used to offset future profit for the same legal entity or used in consolidation (for the legal entities that could be consolidated).

In order to treat all CFC in a consolidate manner, the following requirements must be respected:

(i) the country in which the entity is located must have an exchange of information agreement with Brazil;

(ii) the legal entity cannot be located in a low-tax jurisdiction or subject to a privileged tax regime;

(iii) it cannot be held by a legal entity located in jurisdicitons/regimes mentioned in (ii).

(iv) it must have at least 80% of active income.

Reviewing the entities in 3, solely Tangomac would be subject to consolidation as American Islands has 90% passive income, EdenCo is located in a low-tax jurisdiction and Oceania is held by EdenCo (low-tax). Accordingly, consolidation would not carry out practical implications here.

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Answer-to-Question-4

As mentioned, the depicted structure segregates the legal ownership of intangible assets from their original source of financing or decision making and becomes more advantegeous if (i) the jurisdiction of the legal owner has a DTA with the legal owner's jurisdiction, aiming at limiting or waiving taxation at source on the royalties remitted abroad; and/or (ii) royalties expenses are deemed deductible expenses for purposes of calculating corporate income tax at the level of the operational entity.

In Brazil, however, indeed, such structure would not be as tax efficient as in other countries considering our comments below.

- All of the international double tax treaties signed by Brazil allocate taxing rights on royalty streams to the resident and source (i.e. Brazil) countries. Accordingly, the Brazilian operational entity's royalty streams will be subject to a 15% WHT (IRRF). Such allocation deviates from the OECD MTC, under which taxing rights on royalty flows are allocated to the resident country.

- Additionally, as per current Brazilian, deductibilty of royalty expenses in Brazil is limited (from 1% to 5% over net sales).

As we can see, (i) the additional WHT burden upon outflow of royalties and (ii) the

limitations for deductibility of royalty expenses decreases the expected tax benefits of the proposed structure.

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Answer-to-Question-5

1. Yes, if the transaction triggers any capital gain, it will be taxable in Brazil under a progressive bracket system. The applicable rate will vary depending on the profit amount, as below:

0-5MM: 15%
5-10MM:17.5%
10-30:20%
above 30MM: 22.5%

2. The taxpayer is the foreign shareholder of Beta (Alpha) but, considering the transaction is being undertaken between two non-residents, current legislation (Law 10.833, article 26) determines the buyer appoints a proxy in Brazil to calculate and collect such tax.

3. The acquisition cost must be assessed based on support documentation (e.g. SPA, Brazilian Central Bank documentation) and the calculation of the capital gain must be performed in foreign currency (aiming at avoiding taxing foreign currency exchange variations). Any investments performed directly in Brazilian Reais must be considered in Brazilian Reais (e.g. capitalization of profits) for the capital gain calculation.

As mentioned in item 1, the capital gains tax is applied under a staggered method, i.e. the first 5MM of gain would be subject to a 15% tax rate, the tranche between 5-

10MM subject to a 10% tax rate and so on.

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Answer-to-Question-6

1. Upon the import of services the following taxation will apply in Brazil:

(a) Withholding Corporate Tax (IRRF): due at a 15% tax rate as the revenue is sourced in Brazil;

(b) Contribution for Economic Domain Intervention (CIDE): (Law 10.168) Such contribution is levied at a 10% rate on the remittance of technical services abroad (the definition of technical services is quite broad in Brazil);

(c) Social Contributions on Gross Turnover (PIS/COFINS): (Law 10.865) Such contributions are due upon import of services at a combined rate of 9.25%;

(d) Service Tax (ISS): (Complementary Law 116) Services tax are levied by municipalities in Brazil and its rate can vary from 2% to 5% (depending on the service and the specific municipality regulations);

(e) Financial Transaction Tax(IOF/FX):(Decree 6,306) IOF will be due at a 0.38% rate due to the foreign currency exchange transaction (i.e. acquisition of foreign currency) for the remittance of funds abroad.

Although there are Private Rulings issued by tax authorities supporting the tax tretment above for cost-sharing arrangements, if a cost-sharing agreement is entered between Flash Brazil and Thunder, the remittance of funds by Flash Brazil to Thunder to reimburse the latter for the expenses it has incurred should solely be subject to IOF/FX at 0.38%.

The sole reimbursement of expenses (borne by Thunder) by Flash Brazil should not

be deemed a revenue sourced in Brazil as no profit margin is considered in such type of arrangement. Additionally, no PIS/COFINS, ISS or CIDE should levy as there are no services been rendered.

2. In order to be deductible in Brazil, expenses must be ordinary and directly connected to the business activities performed (article 311 of the Brazilian CIT Code). In order to properly support the deductibilty of the reimbursement of costs, the following documentation should be prepared:

(i)Formal agreement between Thunder and Flash Brazil establishing activities whose costs will be shared (as the company's core corporate activities cannot be included in the cost-sharing arrangement) and the key parameters for the assessment of the portion to be allocated to Flash Brazil;

(ii) Detailed description and corresponding quantification of the costs incurred by Thunder that beneffited Flash Brazil (e.g. time-sheet for personnel costs for providing the support activities, software license shared use etc). Such documentation aims at demonstrating that no profit margin is charged to Flash Brazil;

(iii) Credit note issued by Thunder with the detailed description of provided support activities.

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