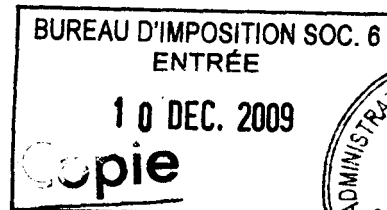


Luxembourg, December 10<sup>th</sup>, 2009

Administration des Contributions Directes  
 Attn. Monsieur Marius Kohl  
 Bureau d'imposition Sociétés VI  
 18, rue du Fort Wedell  
 L-2982 Luxembourg



<b>Subject :</b>	<b>Acquisition of Skype group by Silver Lake Partners and a consortium of investors</b>
<b>Name of the group :</b>	<b>Silver Lake Partners</b>
<b>Name of the project :</b>	<b>Project Springboard</b>
<b>Luxembourg entities involved :</b>	<p>Springboard Group S.à r.l. – tax number: 2008 2437 178</p> <p>Springboard Finance Holdco S.à r.l. – tax number: 2009 2430 864</p> <p>Springboard Finance S.à r.l. – tax number: 2009 2425 038</p> <p>Springboard Acquisitions S.à r.l. – tax number: 2008 2437 151</p> <p>Springboard Investments S.à r.l. – tax number to be determined</p> <p>Skype Luxembourg Holdings S.à r.l. - tax number: 2005 2433 437</p> <p>Skype Technologies S.A. – tax number: 2003 2223 525</p> <p>Skype Communications S.à r.l. – tax number: 2005 2435 138</p>
<b>Investment amount :</b>	<b>3 Bios</b>
<b>Keyword :</b>	<b>Financing activity, Arm's length remuneration, Shareholding activity, Debt/Equity ratio, Tax transparency of partnerships, Participation exemption, Partial liquidation, Tax consolidation, Functional currency</b>
<b>Signature date :</b>	<b>- 8 FEB. 2010</b>

Dear Mr. Kohl,

Further to our discussions of August 27<sup>th</sup>, 2009 and November 5<sup>th</sup>, 2009, we would like to discuss with you the tax implications of the acquisition of the Skype group completed by Silver Lake Partners and a consortium of investors.

The present document is intended to state our understanding of the tax treatment applicable to this operation and that will be reflected in the tax returns of the companies of this group.

## **BACKGROUND**

### **1. Consortium leading investor: Silver Lake Partners**

Founded in 1999, Silver Lake is a global private investment firm with approximately USD 13 Billion in assets under management. With offices in Menlo Park, New York, London, San Francisco and Hong Kong, Silver Lake employs over 75 investment professionals across its strategies.

The firm's investing strategies derive from specialization in three primary areas: Middle Market Technology, Credit and Large Cap Technology the latter being lead by Silver Lake Partners.

Silver Lake Partners is a leader in private investments in technology, technology-enabled, and related growth industries. Its funds' portfolio companies include or have included technology industry leaders such as Ameritrade, Avago, Avaya, Business Objects, Flextronics, Gartner, Gerson Lehrman Group, Instinet, Intelsat, IPC Systems, MCI, NASDAQ OMX, NetScout, NXP, Sabre Holdings, Seagate Technology, Serena Software, SunGard Data Systems, Thomson and UGS.

Silver Lake Partners seeks to invest with the strategic and operating insights of an experienced industry participant. Silver Lake Partners' mission is to function as a value-added partner to the management teams of the world's leading technology franchises.

For more information about Silver Lake Partners, please refer to [www.silverlake.com](http://www.silverlake.com).

### **2. Seller retaining a 30% stake: eBay**

eBay Inc. (eBay), incorporated in May 1996, provides online marketplaces for the sale of goods and services, as well as other online commerce, or ecommerce, platforms, online payments services and online communications offerings to a diverse community of individuals and businesses.

eBay has three business segments: Marketplaces, Payments and Communications. Its Marketplaces segment provides the infrastructure to enable global online commerce through a variety of platforms, including the traditional eBay.com platform and eBay's other online platforms, such as classifieds businesses, secondary tickets marketplace (StubHub), online shopping comparison Website (Shopping.com), apartment listing service platform (Rent.com), as well as its fixed price media marketplace (Half.com). eBay's Payments segment comprises its online payment solutions PayPal and Bill Me Later. Its Communications segment consists of Skype Technologies S.A.

Headquartered in San Jose, California, eBay has local sites that serve Australia, Austria, Belgium, Canada, China, France, Germany, Hong Kong, India, Ireland, Italy, Malaysia, the Netherlands, New Zealand, Poland, the Philippines, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States.

eBay is a company listed on the NASDAQ stock market (index US2786421030).

For more information about eBay, please refer to [www.ebayinc.com](http://www.ebayinc.com).

### **3. Target group: Skype**

Founded in September 2002, Skype is a software that enables voice over Internet protocol (VoIP) calls between Skype users, and provides connectivity to traditional fixed-line and mobile telephones.

Responsible for 8% of global international calling minutes, and with its users making 3.1 Bios minutes of calls to landlines and mobiles in the third quarter of 2009, Skype is a leading global internet communications company. In the third quarter of 2009, Skype users made 27.7 Bios minutes of Skype-to-Skype calls, and over a third of these were video calls.

In 2005, the founders of Skype, Niklas Zennström and Janus Friis, sold the company to eBay for an amount of c. USD 2.6 Bios.

Skype is headquartered in and carries part of its operations from Luxembourg.

For more information about Skype, please refer to [www.skype.com](http://www.skype.com).

#### **A. OVERVIEW OF THE TRANSACTION**

As discussed during our meetings of August 27<sup>th</sup>, 2009 and November 5<sup>th</sup>, 2009 (please refer to the discussion papers in *Appendix I* and *Appendix II*), please find hereafter an overview of the transaction.

For the avoidance of doubt, the steps and activities described in the present letter prevail upon the information contained in the above-mentioned discussion papers for the purpose of the Luxembourg tax implications.

Silver Lake Partners and a consortium of investors<sup>1</sup> acquired from eBay International AG, an eBay affiliate, a 70% stake in Skype group through a four-tier of fully taxable Luxembourg resident companies, i.e. Springboard Group S.à r.l. (“LuxGroup”), Springboard Finance Holdco S.à r.l. (“LuxHoldCo”), Springboard Finance S.à r.l. (“LuxFinance”) and Springboard Acquisitions S.à r.l. (“LuxAcquisitions”). LuxFinance, the third company of the chain, holds LuxAcquisitions through a chain of two US LLCs, i.e. Springboard Finance Holdco LLC (“US LLC 1”) and Springboard Finance LLC (“US LLC 2”)<sup>2</sup>.

eBay retains a 30% stake in Skype group. The new investors and eBay are collectively referred to as the “Sponsors”.

The acquisition was funded with equity for an amount of USD 2,136.8 Mios, with Vendor Loan Note<sup>3</sup> (“VLN”) and Senior term debt<sup>4</sup> (“Senior Debt”) for an aggregate amount of USD 825 Mios.

---

<sup>1</sup> The consortium of investors includes CPP Investment Board Private Holdings Inc., Andreessen Horowitz Fund I, L.P., Joltid Limited and Charleston Investment Holdings Limited.

<sup>2</sup> US LLC 1 and US LLC 2 are collectively referred to as “US LLCs”.

<sup>3</sup> Please find attached in *Appendix VIII*, a summary of the key characteristics of the VLN issued by US LLC 1 and in *Enclosure VII*, the VLN Terms & Conditions.

<sup>4</sup> Please find attached in *Appendix VIII*, a summary of the key characteristics of the Senior Debt granted by third party lender to US LLC 2 and in *Enclosure IX*, the Senior Debt Terms & Conditions.

## **Deloitte**

Springboard Investments S.à r.l. (“LuxInvestments”), a Luxembourg company currently held by LuxAcquisitions was also set up to perform certain selected investments.

In the context of the settlement of the litigation between Joltid and Skype group concerning the use of certain intellectual properties, Skype Technologies S.A. (“Skype Technologies”), one of the Luxembourg companies of Skype Group, acquired intellectual property rights (“IP”) which will be transferred to Skype Ireland Ltd<sup>5</sup>.

### **B. LUXEMBOURG TAX IMPLICATIONS**

#### **1. Tax residency**

LuxGroup, LuxHoldCo, LuxFinance, LuxAcquisitions and LuxInvestments have their statutory seat in Luxembourg.

Therefore, in accordance with Article 159 of the Luxembourg income tax law (“LITL”), with §2 of the Gewerbesteuergesetz and pursuant to the “Vermögenssteuergesetz” dated October 6<sup>th</sup>, 1934 and the “Bewertungsgesetz” dated October 16<sup>th</sup>, 1934, LuxGroup, LuxHoldCo, LuxFinance, LuxAcquisitions and LuxInvestments will be considered for both Luxembourg domestic law and double tax treaties purposes as Luxembourg resident companies as long as they maintain their statutory seat and/or have their central administration in Luxembourg.

Certificates of residence will be granted upon request.

#### **2. Tax transparency of the US LLCs**

LuxFinance holds 100% of the membership interests in US LLC 1 which owns in turn 100% of the membership interests in US LLC 2.

A foreign entity is generally characterized either as a partnership or as a corporation for Luxembourg tax purposes on the basis of a comparison between the characteristics of the foreign entity and the ones of a Luxembourg partnership/corporation.

Based on their legal analysis of the characteristics of the US LLCs Loyens & Loeff<sup>6</sup> is of the opinion that the legal characteristics of US LLC 1 and US LLC 2 show a strong resemblance to the legal characteristics of a Luxembourg *Société en Commandite Simple* (“SCS”).

The main legal features supporting this opinion are the following:

- The members have power to manage and represent the US LLCs;
- There is no minimum capital requirement;
- The capital contributions can be made either in cash, in kind or in the form of services rendered to the US LLCs;
- The members may not transfer their interest without the prior written consent of the members;

---

<sup>5</sup> Please find in *Appendix III*, a description of the acquisition steps relevant for the Luxembourg entities, in *Appendix V*, a chart of the pre-acquisition structure and in *Appendix VI*, a chart of the current post-acquisition structure.

<sup>6</sup> Please find in *Appendix VII* the legal opinion of Loyens & Loeff dated November 11<sup>th</sup>, 2009 and in *Enclosure III* the operating agreements of US LLC 1 and US LLC 2.

## **Deloitte**

- The members of the US LLCs have a direct profit entitlement, irrespective of the contributions; and
- The US LLCs were formed by private deed immediately effective.

Considering that the SCS is a tax transparent entity from a Luxembourg tax perspective based on Article 175 (1) LITL, US LLC 1 and US LLC 2 will also be considered as transparent from a Luxembourg tax point of view.

According to Article 14 (2) LITL, the individual profit share of the partners, as well as any amounts allocated to them in return for services rendered to the partnership, for loan granted to the partnership and assets made available to the partnership, are qualified as commercial profits for Luxembourg tax purposes. The provisions of this Article apply if the partner is taxable in Luxembourg, regardless of whether the partnership is resident in Luxembourg or in a foreign jurisdiction.

This Article is completed by Article 57 LITL, which provides that the partnership is treated as a collection of the partner's individual business. As a result, the income of the Luxembourg partner is determined as if the partnership was simply ignored (i.e. the profits are directly taxed in the hands of the partners, regardless of whether they are distributed or not to them).

Therefore, any profit derived by US LLC 1 and US LLC 2 will be considered as profit realized by LuxFinance pro rata of the membership interests held by LuxFinance.

Based on Article 166 (3) LITL and Article 1 (1) of the Grand Ducal Decree of December 21<sup>st</sup>, 2001 as amended, LuxFinance will be deemed to have a direct shareholding in the capital of LuxAcquisitions pro rata the fraction held in the net assets of the US LLCs.

In addition, the VLN and the Senior Debt should be considered as having been granted to LuxFinance.

Therefore, LuxFinance will draw a tax balance sheet which will reflect the direct shareholding in LuxAcquisitions, the VLN and Senior Debt as own liabilities.

### **3. Corporate Income Tax and Municipal Business Tax**

#### **3.1. Shareholding activity**

##### **a. Debt-to-equity ratio**

LuxGroup, LuxHoldCo and LuxFinance finance their respective shareholdings in LuxHoldCo, LuxFinance, Springboard Acquisitions Corp. ("US Corp.") and LuxAcquisitions (through US LLC 1 and US LLC 2) with 100% of equity.

Therefore, LuxGroup, LuxHoldCo and LuxFinance will not be in breach of the debt-to-equity ratio required for shareholding activities.

LuxAcquisitions finances its shareholding in Sonorit Holding AS ("Sonorit"), will soon finance its shareholding in LuxInvestments with 100% equity and finances its shareholding in Skype Luxembourg Holdings S.à r.l. ("Skype Holdings") by means of debt, i.e. a first intercompany

## Deloitte

loan for an amount of USD 125 Mios (“IBL C<sup>7</sup>”) and a second intercompany loan for an amount of USD 700 Mios (“IBL D<sup>8</sup>”), for an aggregate amount of USD 825 Mios (i.e. 29.97%) and equity for an amount of USD 1,927.6 Mios (i.e. 70.03%).

Therefore, LuxAcquisitions will not be in breach of the debt-to-equity ratio required for shareholding activities.

### b. Dividends, liquidation proceeds and capital gains derived from shareholdings

Dividends income, liquidation proceeds and capital gains derived (i) by LuxGroup from LuxHoldCo, (ii) by LuxHoldCo from LuxFinance and US Corp., (iii) by LuxFinance from its shareholding in LuxAcquisitions through US LLC 1 and US LLC 2, and (iv) by LuxAcquisitions from Skype Holdings, LuxInvestments and Sonorit will be exempt from corporate income tax (“CIT”) and municipal business tax (“MBT”) in Luxembourg provided that the conditions stated in Article 166 LITL<sup>9</sup> and in the Grand Ducal Decree dated December 21<sup>st</sup>, 2001 are met.

#### *i. Beneficiary company*

LuxGroup, LuxHoldCo, LuxFinance and LuxAcquisitions are fully taxable Luxembourg resident companies within the meaning of Article 166 (1) 1 LITL.

#### *ii. Distributing company*

LuxHoldCo, LuxFinance, LuxAcquisitions, LuxInvestments and Skype Holdings are fully taxable Luxembourg resident companies within the meaning of Article 166 (2) 1 LITL.

Regarding US Corp. and Sonorit, Article 166 (2) 3 LITL states that the distributing company can be notably a non resident joint-stock company which is fully liable to a tax corresponding to Luxembourg CIT.

The criterion of being fully liable to a tax corresponding to Luxembourg CIT has notably been defined in the preparatory work of the law of July 9<sup>th</sup>, 2004 modifying the income tax and the evaluation of goods and values (parliamentary document n° 5232) and states that is considered as a tax corresponding to the Luxembourg CIT, a tax levied by the state organization, on a mandatory basis and at an effective tax rate which cannot be below the half of the Luxembourg CIT, i.e. currently 10.5%.

In addition, the determination of the taxable basis must obey to rules and criteria similar to those applicable in Luxembourg.

US Corp. is a US resident joint-stock company, fully liable to the US corporate income tax at a normal rate ranging between 15% and 35% depending on the kind of item.

Sonorit is a Norwegian resident joint-stock company, fully liable to the Norwegian corporate income tax at a normal rate of 28%.

---

<sup>7</sup> Please find attached in *Appendix VIII*, a summary of the key characteristics of the IBL C granted by US LLC 2 to LuxAcquisitions and in *Enclosure XI*, the IBL C Terms & Conditions.

<sup>8</sup> Please find attached in *Appendix VIII*, a summary of the key characteristics of the IBL D granted by US LLC 2 to LuxAcquisitions and in *Enclosure XII*, the IBL D Terms & Conditions.

<sup>9</sup> As amended by the Luxembourg Law of 17 November 2006.

## **Deloitte**

Hence, US Corp. and Sonorit will be considered as non resident joint-stock companies fully liable to a tax corresponding to Luxembourg CIT in the meaning of Article 166 (2) LITL.

### *iii. Threshold*

The participation held (i) by LuxGroup in LuxHoldCo, (ii) by LuxHoldCo in LuxFinance and in US Corp., (iii) by LuxFinance through US LLC 1 and US LLC 2 in LuxAcquisitions and (iv) by LuxAcquisitions in LuxInvestments, Skype Holdings and Sonorit represents 100% of the share capital of their respective shareholding(s).

These percentages of ownership comply with the minimum threshold required by Article 166 (1) LITL and by the Grand Ducal Decree dated December 21<sup>st</sup>, 2001.

Therefore provided that at the time the income is put at the disposal of the beneficiary company /the sale occurs the beneficiary company has held or makes a commitment to hold a shareholding in the distributing company of at least 10% or of an acquisition price equivalent to at least EUR 1.2 Mio (or EUR 6 Mios for capital gains), any dividends, liquidation proceeds and capital gains derived by LuxGroup, LuxHoldCo, LuxFinance and LuxAcquisitions from their respective shareholding(s) should be exempt from CIT and MBT in Luxembourg.

### *iv. Charges related to the shareholdings*

Since and as long as LuxGroup, LuxHoldCo, LuxFinance, and LuxAcquisitions finance their respective participation(s) in LuxHoldCo, LuxFinance, US Corp., LuxAcquisitions, LuxInvestments and Sonorit entirely with equity, no interest expenses should be considered as being in direct economic connection with exempt income pursuant to Article 45 (2), Article 166 (5) LITL and the Grand Ducal Decree dated December 21<sup>st</sup>, 2001.

The operating expenses of LuxGroup, LuxHoldCo and LuxAcquisitions are normal running expenses of a Luxembourg company without being specifically connected to their respective participation(s) in LuxHoldCo, LuxFinance, US Corp., LuxInvestments, Skype Holdings and Sonorit. Therefore, operating expenses of LuxGroup, LuxHoldCo and LuxAcquisitions will not fall within the scope of Articles 45 (2) and 166 (5) LITL.

In addition, LuxAcquisitions finances its shareholding in Skype Holdings with equity and debt, i.e. IBL C and IBL D.

The share capital of Skype Holdings will in the near future be split into two classes of shares i.e. A and B Classes which will have distinct economic rights.

It is expected that Class A shares will give entitlement to receive a small allocation of profit corresponding to a percentage of the par value of the shares of such class whereas the remaining profit available for distribution should be allocated to Class B shares.

LuxAcquisitions will entirely finance Class A shares by debt, i.e. IBL D and IBL C and Class B shares with equity.

Since these two classes of shares have distinct economic rights, LuxAcquisitions will be considered as having two shareholdings in Skype Holdings, one for the Class A shares and another one for the Class B shares.

## **Deloitte**

Therefore, for the purposes of the preparation of its tax returns, LuxAcquisitions will fill in two 506A models, one detailing the holding of Class A shares in Skype Holdings and the second detailing the holding of Class B shares in Skype Holdings.

Since the Class A shares will be financed by debt, interest expenses incurred by LuxAcquisitions in direct economic connection with an exempt income (i.e. interest expenses on any portion of debt used to fund the participation) will not be tax deductible up to the amount of dividends and/or liquidation proceeds received in the year the dividend/liquidation is put at the disposal of LuxAcquisitions. The amount of such interest expenses in excess of the dividends and/or liquidation proceeds will be tax deductible.

Any capital gains realized by LuxAcquisitions upon disposal of Class A shares in Skype Holdings will be taxable up to the amount of interest expenses in direct economic connection with Class A shares in Skype Holdings having reduced the taxable basis of the Company in the year of disposal and prior years.

Given that Class B shares are entirely financed by equity, no interest expenses should be considered as being in direct economic connection with exempt income i.e. namely with dividends, liquidation proceeds and capital gains derived from Class B shares pursuant to Articles 45 (2), Article 166 (5) LITL and the Grand Ducal Decree dated December 21<sup>st</sup>, 2001.

### **c. Dividends distributed**

LuxInvestments, Skype Holdings, LuxAcquisitions, LuxFinance, LuxHoldCo and LuxGroup are Luxembourg resident fully taxable companies in the sense of Article 147 (2), a) LITL.

In addition, the participations held by (i) LuxAcquisitions in LuxInvestments and Skype Holdings, (ii) LuxFinance through the US LLCs in LuxAcquisitions, (iii) LuxHoldCo in LuxFinance and (iv) LuxGroup in LuxHoldCo represents 100% of the share capital of these subsidiaries. This percentage of ownership complies with the minimum threshold required by Article 147 (2) LITL.

Therefore, any dividends distributed by LuxInvestments, Skype Holdings, LuxAcquisitions, LuxFinance and LuxHoldCo to their respective parent company will benefit from the withholding tax exemption provided for by Article 147 (2) LITL to the extent that at the time of the distribution, the beneficiary company has held or makes a commitment to hold a shareholding of at least 10% or of an acquisition price equivalent to at least EUR 1.2 Mio in the distributing company for an uninterrupted period of at least 12 months.

### **3.2. Financing activity**

Given the tax transparency of US LLC 1 and US LLC 2, LuxFinance should be considered as performing a back-to-back financing activity for an amount of USD 825 Mios since:

- The IBL C of USD 125 Mios and IBL D of USD 700 Mios granted by US LLC 2 to LuxAcquisitions are deemed to be directly granted by LuxFinance to LuxAcquisitions which are respectively financed by the VLN issued by US LLC 1 which is deemed to be issued by LuxFinance and the Senior Debt granted to US LLC 2 which is deemed to be granted to LuxFinance;



## Deloitte

- The intercompany loan of USD 125 Mios (“IBL B<sup>10</sup>”) granted by US LLC 1 to US LLC 2 should be disregarded since LuxFinance would be deemed to be both the borrower and the issuer.

### a. Debt-to-equity ratio

There is no specific debt-to-equity ratio requirement for financing activities. The current share capital of LuxFinance, i.e. USD 1,967.7 Mios will be considered sufficient for the financing activity performed.

### b. Tax treatment of IBL C, IBL D, Senior Debt and VLN

Given their legal characteristics<sup>11</sup> and their economic substance, the IBL C and the IBL D should be recorded in the accounts of LuxAcquisitions as debt instruments under Lux GAAP.

Based on the so-called principle of “*accrochement du bilan fiscal au bilan commercial*” contained in Article 40 LITL, meaning that the values in the tax balance sheet should be those of the commercial balance sheet unless tax rules provide otherwise, the IBL C and the IBL D should be considered as debt for CIT and MBT purposes.

Given their legal characteristics<sup>12</sup> and their economic substance, the Senior Debt granted to US LLC 2 and the VLN issued by US LLC 1 will be treated as debt from a Luxembourg tax point of view and will be recorded in the tax balance sheet of LuxFinance accordingly.

The treatment of the IBL C, the IBL D, the Senior Debt and the VLN as debt for CIT and MBT purposes has the following CIT and MBT implications:

#### *i. Deductibility of the interest payments/accruals*

Interest payments/accruals made by LuxAcquisitions under the IBL C and IBL D and by LuxFinance under the VLN and the Senior Debt will not be considered as a transfer of profit in the sense of Article 56 LITL.

Therefore, such interest payments/accruals made by LuxAcquisitions and LuxFinance will be deductible for CIT and MBT purposes.

#### *ii. Withholding tax on interest payments*

Interest payments/accruals made by LuxAcquisitions under the IBL C and the IBL D and by LuxFinance under the VLN and the Senior Debt will neither be considered as dividend nor as hidden distribution of profits in the sense of Article 164 (3) LITL. In addition, since the yield to

---

<sup>10</sup> Please find attached in *Appendix VIII*, a summary of the key characteristics of the IBL B granted by US LLC 1 to US LLC 2 and in *Enclosure X*, the IBL B Terms & Conditions.

<sup>11</sup> Please find attached in *Appendix VIII*, a summary of the key characteristics of the IBL C and in *Enclosure XI*, the IBL C Terms & Conditions.

Please find attached in *Appendix VIII*, a summary of the key characteristics of the IBL D and in *Enclosure XII*, the IBL D Terms & Conditions.

<sup>12</sup> Please find attached in *Appendix VIII*, a summary of the key characteristics of the Senior Debt and in *Enclosure IX*, the Senior Debt Terms & Conditions.

Please find attached in *Appendix VIII*, a summary of the key characteristics of the VLN and in *Enclosure VII*, the VLN Terms & Conditions.

be served on the IBL C, the IBL D, the VLN and the Senior Debt is fixed and not linked to the annual profit or liquidation proceeds of the issuer, interest payments will be out of scope of Article 146 (1) and specifically 146 (1) 3 LITL. Therefore, no withholding tax will apply on such interest payment/accruals.

This tax treatment does not cover the potential withholding tax implications applicable under (i) the Law of June 21<sup>st</sup>, 2005 which has transposed the provisions of the European Union Savings Directive 2003/48/CE dated June 3<sup>rd</sup>, 2003 into the Luxembourg legislation, and (ii) the Law of December 23<sup>rd</sup>, 2005 (as amended) which has introduced a 10% withholding tax on interest payments to Luxembourg resident individuals by a Luxembourg entity.

c. Arm's length remuneration

LuxFinance performs a back-to-back financing activity for an amount of USD 825 Mios through US LLC 1 and US LLC 2.

Pursuant to the arm's length principle deriving notably from Articles 56 and 164 (3) LITL, the conditions applying to the transactions concluded between related parties should correspond to the conditions of similar transactions concluded between independent parties.

Given the fact that LuxFinance will not bear any default risk, that the amounts borrowed (VLN and Senior Debt) and on-lent (IBL C and IBL D) match and are denominated in the same currency (i.e. USD), a gross 0.0625% commercial remuneration on LuxFinance financing activity computed on the average annual outstanding principal amount of the liabilities corresponds to an arm's length remuneration<sup>13</sup> taking into account the limited risks borne on the financing activity.

Because of the commercial constraints of the transaction, the amounts on-lent by US LLC 1 and US LLC 2 should bear interest at the same rate as the payables financing these receivables. As a consequence, the above gross remuneration will in principle not be reflected in the commercial accounts of LuxFinance since the interest rate on the IBL C and IBL D will match the interest rate of respectively the VLN and the Senior Debt. However, LuxFinance shall be taxable on the above mentioned 0.0625% arm's length remuneration which would be deemed to be realized from a Luxembourg tax perspective.

Therefore, the taxable basis of LuxFinance will be adjusted accordingly for tax purposes. The value of the tax adjustment will however not be treated in any respect as a hidden distribution of profit within the meaning of Article 164 (3) LITL and will therefore not trigger any withholding tax pursuant to Articles 146 and 148 LITL.

### **3.3. Rdio Convertible Promissory Note**

a. Before conversion

Given its legal characteristics<sup>14</sup> and its economic substance, the Rdio Convertible Promissory Note ("Rdio Note") should be recorded in the accounts of LuxInvestments as a debt instrument under Lux GAAP notwithstanding its conversion feature.

---

<sup>13</sup> Reasonable amount of general and administrative expenses can be deducted against this arm's length gross remuneration.

<sup>14</sup> Please find in *Appendix VIII* a summary of the key characteristics of the Rdio Convertible Promissory Note.

## **Deloitte**

Based on the so-called principle of “*accrochement du bilan fiscal au bilan commercial*” contained in Article 40 LITL, meaning that the values in the tax balance sheet should be those of the commercial balance sheet unless tax rules provide otherwise, the Rdio Note should be considered as debt for CIT and MBT purposes.

Pursuant to the Rdio Note agreement<sup>15</sup>, no interest would be charged on the note.

As a general rule, the conditions applying to transactions concluded between related parties should correspond to the conditions of similar transactions concluded between independent parties<sup>16</sup>.

As a consequence, the Rdio Note should entitle LuxInvestments to an arm’s length remuneration.

The Rdio Note does not bear interest. However, the Rdio Note is automatically converted into shares of Rdio Inc (“Rdio”) upon next equity financing received by Rdio (“Next Financing<sup>17</sup>”). The convertible feature of the debt instrument should be considered as an arm’s length remuneration which will be derived by LuxInvestments from the Rdio Note upon automatic conversion of the Rdio Note.

Considering the above, the interest free character of the Rdio Note will be considered as acceptable in light of the arm’s length principle.

### **b. Upon conversion**

Pursuant to the terms and conditions of the instrument, the Rdio Note is automatically converted into shares of Rdio upon Next Financing.

Pursuant to Article 22 LITL, the exchange of assets by a Luxembourg company should be considered as the sale of the given asset at a price corresponding to its fair market value followed by the acquisition of the asset received in exchange.

Therefore, the conversion of the Rdio Note into Rdio share capital should be viewed as the realization of the note at fair market value followed by the acquisition at fair market value of the shares received in exchange.

As a consequence, should the fair market value of the converted asset (i.e. the Rdio Note) be lower than its book value, the realized loss suffered by LuxInvestments should be deductible for CIT and MBT purposes.

However, pursuant to Article 22bis (2) 1 LITL, in case of conversion of a loan into share capital of the debtor, this exchange operation should not lead to the realization of the potential latent gains on the exchanged assets (i.e. the receivables) unless the creditor waives the benefit of the provision.

---

<sup>15</sup> Please find in *Enclosure XIII*, the Rdio Note Terms & Conditions.

<sup>16</sup> This arm’s length principle results notably from Articles 56 and 164 (3) LITL.

<sup>17</sup> Next Financing as defined in the Rdio Note agreement means the Company (Rdio Inc)’s next equity financing in one or a series of transactions involving the receipt by the Company of at least ten million dollars (USD 10,000,000.00) (excluding the principal amount of this Note automatically convertible upon the consummation of the Next Financing).

## **Deloitte**

Consequently, any gain realized at the level of LuxInvestments upon the conversion of the Rdio Note into share capital in case the fair market value of the Rdio Note exceeds its book value will not be taxable for CIT and MBT purposes.

Pursuant to Article 22*bis* (4) LITL, the acquisition price and the acquisition date of Rdio shares held by LuxInvestments subsequently to the conversion of Rdio Note will for CIT and MBT purposes correspond to the acquisition price and date of the Rdio Note.

### **c. Further to conversion**

Further to the potential conversion of the Rdio Note, LuxInvestments would hold a shareholding in Rdio.

Rdio is a US resident joint-stock company, fully liable to the US corporate income tax at a normal rate ranging between 15% and 35% depending on the kind of item.

As a consequence, Rdio will be considered liable to a tax similar to the Luxembourg CIT in the meaning of Article 166 (2) 3 LITL<sup>18</sup>.

Therefore, provided that at the time income is put at the disposal of LuxInvestments / sale of Rdio shares occurs, LuxInvestments has held or makes a commitment to hold a shareholding in Rdio of at least 10% or of an acquisition price equivalent to at least EUR 1.2 Mio (or EUR 6 Mios for capital gains), dividends, liquidation proceeds and capital gains derived by LuxInvestments from Rdio should be exempt from CIT and MBT in Luxembourg.

In addition, as LuxInvestments will entirely finance its participation in Rdio with equity, no interest expenses should be considered as being in direct economic connection with exempt income pursuant to Article 45 (2), Article 166 (5) LITL and the Grand Ducal Decree dated December 21<sup>st</sup>, 2001. The operating expenses of LuxInvestments are normal running expenses of a Luxembourg company without being specifically connected to its participation in Rdio. Therefore, operating expenses of LuxInvestments will not fall under the scope of Articles 45 (2) and 166 (5) LITL.

### **3.4. Partial liquidation regime**

The share capital of LuxGroup is split into 10 classes of shares<sup>19</sup>. All the classes are entitled to receive a small allocation of profit (i.e. from 0.01% of the par value of shares for Class A shares to 0.055% of the par value of shares for Class J shares) and the remaining profit should be allocated to the last outstanding class in the reverse alphabetical order.

LuxGroup may redeem a whole class of shares in accordance with the relevant provisions of the Articles of Association<sup>20</sup>. The last class of shares redeemed will be cancelled resulting in a decrease in capital corresponding at least to the nominal value of the shares cancelled.

Pursuant to Article 101 (2) LITL, in case of redemption of a participation followed by a corresponding reduction of the share capital, the company is deemed to be partially liquidated for the part corresponding to the redeemed participation.

---

<sup>18</sup> Please refer to *section 3.1.b. ii* for a detailed analysis of the conditions of Article 166 (2) 3 LITL.

<sup>19</sup> Please refer to *Step 16 of Appendix III*.

<sup>20</sup> Please find in *Enclosure VI, the minutes of the extraordinary general meeting of LuxGroup restating its Articles of Association further to the split of its share capital of LuxGroup into 10 classes of shares*.

## **Deloitte**

Similarly, it is generally accepted that the redemption of a whole class of shares, having distinct rights from the other classes of shares, followed by a proportional reduction of the share capital, must be regarded as a partial liquidation of the company, even if the shareholder(s) who dispose(s) of a whole class of shares still own(s) shares in the company.

Consequently, the redemption of a whole class of shares by LuxGroup, followed by a proportional reduction of its share capital, will be treated as a partial liquidation of the net assets of LuxGroup. Such partial liquidation proceeds will not be subject to withholding tax pursuant to Article 97 (3) d) LITL in combination with Article 146 LITL.

### **3.5. Warrant certificates**

#### **a. Tax treatment of the warrant certificates**

The warrant certificates issued by LuxGroup and received for no consideration by Joltid Limited should have the following characteristics:

- No issue price;
- Strike price of USD 3,169.06 per share to be issued upon exercise of the purchase right granted by the warrant certificates;
- Maturity of 10 years or upon occurrence of a Reorganization Event<sup>21</sup>;
- Warrant certificates may be exercised at any time, in whole or in part by the holder;
- Warrant certificates shall not entitle holder to any rights of a shareholder of LuxGroup in respect of the shares issuable upon exercise of the warrant, including the voting right, dividend or other distribution or any compensation upon repurchase or redemption of shares by LuxGroup.

Based on their characteristics, the warrant certificates should in principle be recorded in accounts of LuxGroup as an off balance sheet engagement until exercise.

In any case, irrespective the accounting treatment, based on the characteristics and the economic substance of the instrument, the warrant certificates should be considered as off balance sheet engagement for CIT and MBT purposes.

#### **b. Exercise of the warrant certificates**

Upon exercise of the warrant certificates, the holder should receive one share of each class of shares of LuxGroup in exchange for the payment of the exercise price, i.e. USD 3,169.06 per Warrant Share (“Exercise Price”), the share capital of LuxGroup being increased for an amount equal to the Exercise Price.

---

<sup>21</sup> Reorganization Event is defined as any transaction or event (including, but not limited to, any merger, consolidation, sale of assets, tender or exchange offer, reorganization, reclassification, compulsory share exchange or liquidation) pursuant to which all or substantially all of the outstanding Ordinary Shares are converted into or sold or exchanged for, or the holders thereof otherwise become entitled to receive, cash, securities or other property, other than any such transaction or event (a) where the Ordinary Shares outstanding immediately prior to such transaction or event are converted into or exchanged for, or the holders thereof otherwise become entitled to receive, securities of the Company (meaning LuxGroup), or if the Company is not the surviving entity, the surviving or transferee Person that represent a majority of the voting power of such surviving or transferee Person immediately after giving effect to such transaction or event, or (b) with any Person or Group (as defined in Rules 13d-3 and 13d-5(b)(1) of the Securities Exchange Act of 1934, as amended) that is affiliated with the Company.

## Deloitte

In case the aggregate fair market value of the shares issued by LuxGroup upon exercise of the warrant is higher than the Exercise Price paid by Joltid Limited, the difference between the fair market value and the Exercise Price will neither be assimilated to a deemed distribution nor to any other dividend distribution in the sense of Article 164 LITL. In addition, this difference will not be considered as a remuneration depending on the profit distributed in the sense of Article 146 (1) 3 LITL. Consequently, the exercise of the warrant will not give rise to any withholding tax.

### c. Reorganization Event

In case LuxGroup shall consummate a Reorganization Event, the warrant certificates will automatically expire and LuxGroup will pay to the warrant holders an amount corresponding to the product of (a) the amount of cash consideration that would be payable to a holder of the number and classes of Ordinary Shares<sup>22</sup> then included in one Warrant Share<sup>22</sup> in such Reorganization Event (taking into account the payments required to be made to all holders of warrants, options or other rights to purchase Ordinary Shares in connection with such Reorganization Event) *minus* the Exercise Price for a Warrant Share, multiplied by (b) the aggregate number of Warrant Shares issuable upon exercise of the warrants.

By virtue of this provision, upon a Reorganization Event, the warrant holders are entitled to receive from LuxGroup a consideration in principle equal to the fair market value of the shares that would have been issued in case the warrant certificates would have been exercised and in any case the value attributed to these shares upon such Reorganization Event. The sole objective of the provision is to prevent the adverse economic impact that such Reorganization Event could have for the warrant holders considering that outstanding warrants automatically expire upon such event.

Such consideration is to be considered as a repurchase at fair market value by LuxGroup of the subscription option to which the warrant holders are entitled by virtue of the warrant agreement.

Since warrant certificates shall not entitle the warrant holders to any rights of a shareholder of LuxGroup in respect of the shares issuable upon exercise of the warrants, such as voting right, dividend or other distribution or any compensation upon repurchase or redemption of shares by LuxGroup, warrant holders will not be considered as having a shareholding in LuxGroup in respect of the holding of the warrant certificates.

The loss recognized by LuxGroup on the repurchase of the subscription option attached to the warrant will be considered neither as a hidden distribution in the sense of Article 164 (3) LITL, nor to a remuneration depending on the profit of LuxGroup pursuant to Article 164 (2) LITL, nor to a transfer of profit according to the provisions of Article 56 LITL. Accordingly, the loss recognized on the repurchase of the subscription option attached to the warrant should in principle be deductible from the taxable basis of LuxGroup.

However, since and to the extent that the increase in value of LuxGroup is related to profit from exempt shareholding, notably LuxHoldCo, the loss would not be deductible up to the amount of the exempt income received/or would be subject to recapture in case the amount of the loss exceeds the exempt income derived from the said shareholding for the fiscal year during which the warrant certificates are redeemed in accordance with the provisions of Articles 45 (2) LITL and 166 (5) LITL and the Grand Ducal Decree dated 21 December, 2001.

---

<sup>22</sup> As defined in the Warrant Agreement. Please refer to *Enclosure XIV*.

## **Deloitte**

In addition, based on the foregoing description of the warrants, the proceeds received by the warrants holders as a result of a Reorganization Event will not be considered as income from securities falling within the scope of Articles 97 (1) 1, 2 and 3 and will therefore not be subject to withholding tax in accordance with Article 146 LITL.

### **3.6. Advisory Agreement**

LuxGroup entered into a Management Agreement<sup>23</sup> with some affiliated entities of the Sponsors (the “Advisors”) under which advisory services should be rendered by the latter to Springboard Companies i.e. LuxGroup and its direct or indirect subsidiaries including Skype Holdings, US Corp. and Sonorit in consideration for an annual advisory fee of USD 10 Mios which should be payable jointly and severally by Springboard Companies.

The Advisors should act as independent contractors and advisory services to be rendered should include management, advisory and consulting services in relation to the affairs of Springboard Companies.

Considering the above, the annual advisory fee will neither be assimilated to a deemed distribution nor to any other dividend distribution in the sense of Article 164 LITL. In addition, the annual advisory fee will not be considered as a remuneration depending on the profit distributed in the sense of Article 146 (1) 3 LITL. Consequently, the payment/accrual of such advisory fee will not be subject to withholding tax.

### **3.7. Royalties paid to Euroskoon LLC**

In the context of the settlement of the litigation between Skype group and Joltid Limited, Skype Technologies has purchased from Euroskoon LLC, an affiliated entity of Joltid a license under Patents<sup>24</sup> (“Streamcast License”).

Pursuant to the Agreement, an initial amount of USD 2.5 Mios has been paid for the purchase of the Streamcast License and an annual royalty of USD 1.5 Mio will be paid for the use of the Streamcast License. The initial amount was paid by Skype Technologies.

Notwithstanding the fact that Joltid is one of the Sponsors, given that the latter only holds a minority stake in LuxGroup and considering the litigation settlement context, Joltid should still be considered as an independent party.

Therefore, the initial amount paid by Skype Technologies will not be considered as a transfer of profit in the sense of Article 56 LITL.

In addition, the initial payment will neither be assimilated to a deemed indirect distribution nor to any other dividend distribution in the sense of Article 164 LITL and will not be considered as a remuneration depending on the profit distributed in the sense of Article 146 (1) 3 LITL. Consequently, the payment of such royalties will not be subject to withholding tax.

---

<sup>23</sup> Please find in *Enclosure XV* the Management Agreement.

<sup>24</sup> Patents as defined under the Patent License and Purchase Agreement means Automatic Display of Web Content to Small Display Devices: Improved Summarization and Navigation and a series of Systems, Methods And Programming For Routing And Indexing globally Adressable Objects And Associated Business Models.

## **Deloitte**

### **3.8. Reimbursement of expense suffered by Investors**

As described in *Steps 32, 36 and 38*, LuxHoldCo paid the transaction fees and M&A fees incurred for the purpose of the acquisition of Skype group. In addition, LuxGroup will reimburse eBay up to USD 3 Mios in respect of stamp taxes suffered by the latter upon the sale of a 70% of its stake in Skype group. Furthermore, LuxHoldCo will pay for the expenses incurred in respect of the IP litigation.

Pursuant to Article 23 (3) LITL, a shareholding has to be valued at its acquisition price which is defined in Article 25 LITL as being all expenses incurred by the company in order to acquire the assets as it is at the time of the evaluation.

Since these expenses have been incurred for the purpose of the acquisition of Skype group, they will be considered as being a part of the acquisition price increasing accordingly the amount of the shareholding which the company supporting these expenses has in the group.

The reimbursement of such expenses will neither be assimilated to a deemed indirect distribution nor to any other dividend distribution in the sense of Article 164 LITL. In addition, the payment of these expenses will not be considered as a remuneration depending on the profit distributed in the sense of Article 146 (1) 3 LITL. Consequently, the payment of such expense will not be subject to withholding tax.

### **3.9. Intellectual property assets acquired by Skype Technologies ( "IP" )**

As described in *Steps 28, 29 and 40*, shortly after the acquisition of the IP by Skype Technologies, the latter will transfer such IP to Skype Ltd in exchange for (i) the settlement of the EUR 60 Mios loan which has been granted by Skype Ltd to Skype Technologies and (ii) equity contribution to Skype Ltd for the difference between the fair market value of the IP and EUR 60 Mios.

The intention of the Sponsors at inception was that the IP were to be held directly by Skype Ltd. Due to transaction and timing constraints, it was decided to have them initially acquired by Skype Technologies and then transferred to Skype Ltd within the 15 days.

Under the economics of the transaction, there was no intention to have the IP held by Skype Technologies and to have a profit realized thereon by the latter. In this respect, the potential increase in value of the IP for the period during which they were held by Skype Technologies will be considered as a capital contribution from the Sponsors to Skype Technologies and downward from Skype Technologies to Skype Ltd for the amount of the increase in value of the IP during the period they were held by Skype Technologies. Therefore, no capital gain should be recognized from a tax perspective upon transfer of the IP from Skype Technologies to Skype Ltd.

## **4. Net Worth Tax**

### **4.1. Luxembourg subsidiaries**

LuxGroup, LuxHoldCo, LuxFinance, LuxAcquisitions, Skype Holdings and LuxInvestments are fully taxable resident companies. Therefore, as long as LuxGroup, LuxHoldCo and LuxAcquisitions hold a shareholding of minimum 10% or with an acquisition price of at least



## **Deloitte**

(USD equivalent of) EUR 1.2 Mio in their respective subsidiaries, these shareholdings will be entitled to the exemption from NWT provided for by § 60 of the Bewertungsgesetz.

For the avoidance of doubt, the exemption provided for by § 60 of the Bewertungsgesetz will apply to the shareholding in LuxAcquisitions held by LuxFinance through US LLC 1 and US LLC 2.

In addition, the exemption provided for by § 60 of the Bewertungsgesetz will apply to the Class A shares and Class B shares held by LuxAcquisitions in Skype Holdings.

### **4.2. Foreign subsidiaries**

#### **a. At the level of LuxHoldCo**

US Corp. is a non resident joint-stock company which is fully liable to a tax corresponding to Luxembourg CIT (please refer to *Section B.3.1.b.ii*). Therefore, as long as the shareholding held by LuxHoldCo in US Corp. represents at least 10% of the share capital of US Corp. or has an acquisition price of minimum (USD equivalent of) EUR 1.2 Mio, this shareholding will be entitled to the exemption from NWT provided for by § 60 of the Bewertungsgesetz.

#### **b. At the level of LuxAcquisitions**

Sonorit is a non resident joint-stock company which is fully liable to a tax corresponding to Luxembourg CIT (please refer to *Section B.3.1.b.ii*). Therefore, as long as the shareholding held by LuxAcquisitions in Sonorit represents at least 10% of the share capital of Sonorit or has an acquisition price of minimum (USD equivalent of) EUR 1.2 Mio, this shareholding will be entitled to the exemption from NWT provided for by § 60 of the Bewertungsgesetz.

### **4.3. Debt instruments**

#### **a. At the level of LuxFinance**

Given the tax transparency of US LLC 1 and US LLC 2, the VLN and the Senior Debt are deemed to be directly granted to LuxFinance.

Given their legal characteristics and their economic substance, the VLN and the Senior Debt granted to LuxFinance will be considered as debt instruments from a NWT perspective.

Since they are not related to an exempt asset, the VLN and the Senior Debt will be deductible from the NWT basis of LuxFinance pursuant to § 62 of the Bewertungsgesetz.

#### **b. At the level of LuxAcquisitions**

Given their legal characteristics and their economic substance, the IBL C and IBL D granted to LuxAcquisitions will be considered as debt instruments from a NWT perspective. Since and as long as IBL C and IBL D are related to an exempt asset (i.e. shareholding of Class A shares in Skype Holdings), the value of the IBL C and IBL D will not be deductible from the NWT basis pursuant to § 62 of the Bewertungsgesetz.

c. At the level of LuxInvestments

Given its legal characteristics and its economic substance, the Rdio Note issued by Rdio to LuxInvestments will be subject to NWT.

However, in case the Rdio Note is converted into Rdio shares, since Rdio is a non resident joint-stock company which is fully liable to a tax corresponding to Luxembourg CIT (please refer to *Section B.3.3.c*) and to the extent that the shareholding held by LuxInvestments in Rdio Inc. represents at least 10% of the share capital of Rdio or has an acquisition price of minimum (USD equivalent of) EUR 1.2 Mio, this shareholding will be entitled to the exemption from NWT provided for by § 60 of the Bewertungsgesetz.

**5. Tax functional currency**

Given that the acquisition price of the Skype group is set in US dollars and that the debt funding instruments (i.e. the VLN, major portion of the Senior Debt, the IBL C and the IBL D) as well as the share capital of LuxGroup, Lux HoldCo, LuxFinance, LuxAcquisitions and LuxInvestments are USD denominated, the currency governing most of the transactions in which the Luxembourg companies of the acquisition structure are involved is US dollars.

Therefore, for sake of consistency with the other entities involved in the acquisition structure (i.e. US LLC 1, US LLC 2 and US Corp.) and for sake of simplicity, annual accounts of the Luxembourg companies of the acquisition structure will be expressed in US dollars.

Consequently, for practical reasons, in order to simplify the filing of the CIT and MBT returns, LuxGroup, LuxHoldCo, LuxFinance, LuxAcquisitions and LuxInvestments will be allowed to determine their respective taxable basis based on the result of the year in US dollars converted into euros using the US dollars/euros exchange rate prevailing at year-end notwithstanding the fact that the annual accounts of the Luxembourg companies of Skype group are EUR denominated and that their taxable basis is determined in euros.

For the purposes of the preparation of their respective tax returns, an appendix dedicated to the determination in US dollars of their respective USD taxable basis will be established. The latter will be established based on the USD result of the year as stated in the commercial/fiscal balance sheet from which non deductible expenses expressed in US dollars will be added and exempt income expressed in US dollars will be deducted.

Similarly, for the purpose of the computation of the NWT basis, the unitary value of LuxGroup, Lux HoldCo, LuxFinance, LuxAcquisitions and LuxInvestments will be determined in US dollars and converted in euros using the US dollars/euros exchange rate prevailing at year-end.

LuxGroup, Lux HoldCo, LuxFinance, LuxAcquisitions and LuxInvestments will commit themselves to keep their accounts in US dollars for the following five years and prepare their CIT, MBT and NWT returns based on the method described in the previous paragraphs for the corresponding years.

The potential contribution of LuxInvestments, which is currently held by LuxAcquisitions, down the chain to a Skype group Luxembourg entity (in principle Skype Communications S.à r.l., an existing Luxembourg company of Skype group (“LuxCommunications”)) will not jeopardize the above tax treatment. Therefore, LuxInvestments will still be allowed to determine its taxable basis based on the result of the year in US dollars converted into euros using the US

dollars/euros exchange rate prevailing at year-end notwithstanding the fact that the annual accounts of its potential new shareholder are EUR denominated and that their taxable basis is determined in euros.

## **6. Fiscal consolidation regime**

A request for the application of the fiscal consolidation regime provided for by Article 164*bis* LITL will shortly be filed with your office for LuxAcquisitions, LuxCommunications and LuxInvestments. The formal application will be sent in a separate letter in compliance with the provisions of Article 164*bis* (4) LITL.

LuxAcquisitions, LuxInvestments and LuxCommunications are three Luxembourg resident joint stock companies fully liable to CIT and MBT. LuxAcquisitions holds (i) indirectly more than 95% of the share capital of LuxCommunications and (ii) directly more than 95% of the share capital of LuxInvestments. It is envisaged that LuxInvestments be contributed to LuxCommunications. Further to such contribution, LuxAcquisitions would hold indirectly more than 95% of the share capital of LuxInvestments. LuxAcquisitions, LuxCommunications and LuxInvestments will have the same financial year beginning and closing. LuxAcquisitions, LuxCommunications and LuxInvestments will commit to enter into a fiscal consolidation and to keep the fiscal consolidation requirements for a period of at least 5 years.

Therefore the conditions (other than the conditions of form) to benefit from the fiscal consolidation regime provided for by the Article 164*bis* LITL and the Grand Ducal Decree dated July 1<sup>st</sup>, 1981 are met.

LuxAcquisitions and LuxInvestments will have their annual accounts expressed in US dollars and use the USD tax functional currency for the purpose of the determination of their CIT and MBT basis. The annual accounts of LuxCommunications are expressed in euros and its CIT and MBT basis is determined in euros.

However, Article 164*bis* LITL does not require that the companies applying for the fiscal consolidation regime have their annual accounts expressed in the same currency and does not preclude such fiscal consolidation where some of the companies of the fiscal consolidation determine their CIT and MBT basis in euros and other in a foreign currency (thereafter converted in euros based on year-end exchange rate).

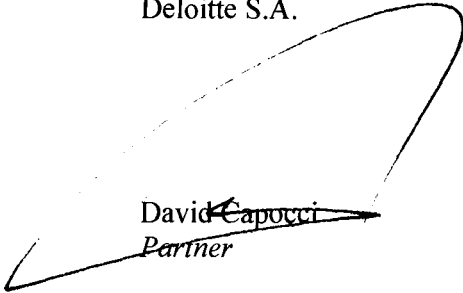
Therefore, the three above mentioned companies will be entitled to the benefit of the fiscal consolidation regime regardless the above considerations in respect of the currency into which their annual accounts are expressed and the currency into which their CIT and MBT basis is determined.

**Deloitte**

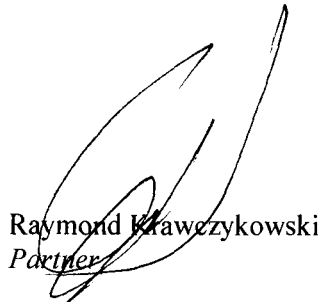
Should you require further information, we remain at your entire disposal.

Yours sincerely,

Deloitte S.A.



David Capocci  
Partner



Raymond Krawczykowski  
Partner

**Appendix:**

- Appendix I:* Discussion paper of August 27<sup>th</sup>, 2009
- Appendix II:* Discussion paper of November 5<sup>th</sup>, 2009
- Appendix III:* Acquisition steps
- Appendix IV:* Pro forma tax balance sheet of the Luxembourg entities involved in the acquisition structure
- Appendix V:* Chart of the pre-acquisition structure
- Appendix VI:* Chart of the post-acquisition structure
- Appendix VII:* Copy of the legal opinion of Loyens & Loeff dated November 11<sup>th</sup>, 2009 of the characteristics of the US LLCs
- Appendix VIII:* Key characteristics of the IBL C, the IBL D, the Senior Debt and the VLN.

**Enclosures:**

- Enclosure I:* Articles of Association of LuxGroup
- Enclosure II:* Articles of Association of LuxAcquisitions
- Enclosure III:* LLC agreements of US LLC 1 and US LLC 2
- Enclosure IV:* Articles of Association of LuxFinance
- Enclosure V:* Articles of Association of LuxHoldCo
- Enclosure VI:* Minutes of the extraordinary general meeting of the shareholders of LuxGroup, LuxHoldCo, LuxFinance and LuxAcquisitions
- Enclosure VII:* VLN Terms & Conditions
- Enclosure VIII:* Articles of Association of LuxInvestments
- Enclosure IX:* Senior Debt Terms & Conditions
- Enclosure X:* IBL B Terms & Conditions
- Enclosure XI:* IBL C Terms & Conditions
- Enclosure XII:* IBL D Terms & Conditions
- Enclosure XIII:* Rdio Note Terms & Conditions
- Enclosure XIV:* Warrant agreement
- Enclosure XV:* Management agreement

# Project Springboard

Skype Luxembourg Holdings S.à r.l. 2005 2433 437  
 Skype Technologies S.A. 2003 2223 525  
 Skype Communications S.à r.l. 2005 2435 138  
 Skype Software S.à r.l. 2005 2431 779

*Arm's length remuneration, CPECs, Debt-to-Equity ratio, Hidden dividend distribution, Partial liquidation, Participation exemption, Tax consolidation, Tax transparency of partnerships*

## 1. Background

- Silver Lake Partners and co-investors ("the Investors") intend to acquire the Skype group which main product consists of software application that allows users to make voice calls over the Internet for free between users and at cost for call to other landlines and mobile phones. An advance tax clearance letter was filed on April 20<sup>th</sup>, 2005 and stamped on June 30<sup>th</sup>, 2005 in respect of the tax treatment of the three Luxembourg companies involved in the licensing activity of the group.
- The acquisition is contemplated to be performed either by the acquisition of the Luxembourg Holding company of the group i.e. Skype Luxembourg Holdings S.à r.l. (hereafter "Skype Lux HoldCo") or by the acquisition of Skype Technologies S.A. (hereafter "STSA").
- Should the acquisition be performed at the level of the top holding, it is contemplated that the latter merges with its direct subsidiary STSA. Upon the merger which is contemplated to be booked at Fair Market Value (i.e. € 2.500 m) by the absorbing company i.e Skype Lux HoldCo, the latter should incur a loss of approximately € 600 m.

Statement of the estimated losses to carry forward :

Skype Communications S.à r.l.			
Accounting result of the year		Fiscal result before carried forward losses	
2005	(12.433.562)	2005	(12.433.562)
2006	(30.846.255)	2006	(30.846.255)
2007	(5.145.088)	2007	(5.138.421)
2008	70.023.021	2008	62.985
<b>Total</b>	<b>21.598.116</b>	<b>Total</b>	<b>(48.355.253)</b>

Skype Technologies S.A.			
Accounting result of the year		Fiscal result before carried forward losses	
2005	5.970.832	2005	(4.826.817)
2006	28.013.842	2006	(2.897.679)
2007	70.547.161	2007	(878.993)
2008	107.179.842	2008	1.389.629
<b>Total</b>	<b>211.711.677</b>	<b>Total</b>	<b>(7.213.860)</b>

## 2. Tax Treatment

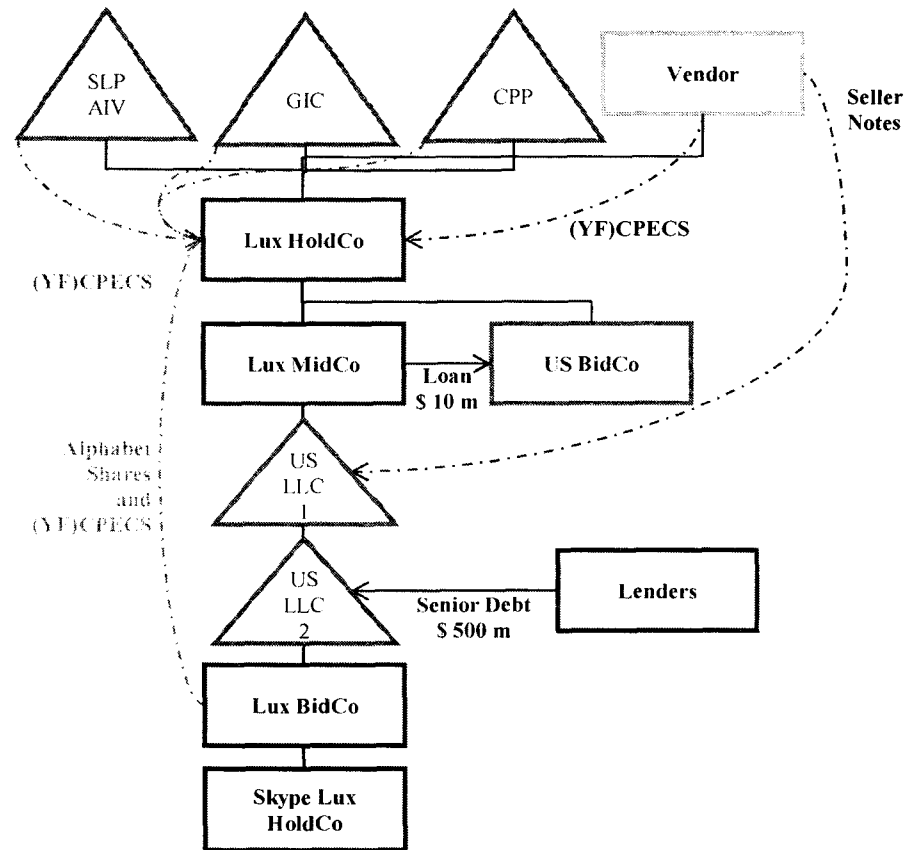
- The acquisition of Skype group by the Investors should not challenge the validity of the confirmation obtained since the activities of the Luxembourg companies described in the letters should not change after the acquisition i.e. :
  - The royalties income realized by Skype Limited for licenses given by STSA is deemed to be fully distributed to STSA through a hidden profit distribution. STSA will be allowed to deduct a deemed license fee amounting to 95% of the license fees received;
  - Any revenue received by STSA on its shareholdings in Skype Limited will be exempt since the conditions of the participation exemption are met (article 166 of the Income Tax Law and the related Grand-Ducal Decree dated December 21, 2001);
  - The license fees paid by SCSA (operating company of Skype Group) to STSA correspond to 60% of the net revenue realized by SCSA through the exploitation of the license obtained from STSA. These license fees are considered as an arm's length remuneration;
  - The margin realized by SSSA on the re-invoicing to SCSA of its expenses incurred in connection with the free licenses is considered as an arm's length remuneration.
- In addition, in case Skype Lux HoldCo merges with STSA, activities performed by STSA should be performed by Skype Lux HoldCo which is the absorbing company. Therefore, the tax treatment applicable to STSA (absorbed company) regarding the royalties income should be applicable to Skype Lux HoldCo (absorbing company).
- The Loss incurred by Skype Lux HoldCo upon merger should be fully deductible from its taxable result for tax purposes.
- Given that the accounting and tax losses incurred by STSA and SCSA are mainly due to the fact that Skype group only began to generate (initially small amount of) profit as from 2004 these tax losses should be considered as acceptable in respect of the operating activity development.

# Project Springboard

**Skype Luxembourg Holdings S.à r.l.** 2005 2433 437  
**Skype Technologies S.A.** 2003 2223 525  
**Skype Communications S.à r.l.** 2005 2435 138  
**Skype Software S.à r.l.** 2005 2431 779

*Arm's length remuneration, CPECs, Debt-to-Equity ratio, Hidden dividend distribution, Partial liquidation, Participation exemption, Tax consolidation, Tax transparency of partnerships*

Chart of the structure



### 3. Acquisition Steps

- The Investors will subscribe for Alphabet shares and (YF)CPECS issued by Lux HoldCo for a total consideration of c. USD 1,600 millions. Lux HoldCo will use the proceeds in order to subscribe for shares in Lux MidCo and in US BidCo.
- The share capital of Lux BidCo will be split into 2 classes of shares: A and B. Class B shares give right to a return equal to 0.1% of the nominal amount of the B shares and Class A shares give right to the remainder of any profit distribution. Lux MidCo will use the proceeds in order to subscribe for A shares in Lux BidCo through 2 US LLCs;
- Lux BidCo will use part of the proceeds (c. USD 400 m) to subscribe for Alphabet shares and (YF)CPECS in Lux HoldCo. Lux HoldCo will use the proceeds to subscribe for shares in Lux MidCo which in turn will subscribe for A shares in Lux BidCo through two US LLCs;
- US LLC 2 will be granted a senior debt from third party lenders for an amount of c. USD 500 millions which will be used to subscribe for B shares in Lux BidCo;
- Lux BidCo will use the funds to subscribe to seller notes issued by US LLC 1;
- These funds will be contributed down to Lux BidCo;
- With the fund received, Lux BidCo will acquire Skype Lux HoldCo. The consideration will be paid to the vendor in cash, in seller notes and in Lux HoldCo shares as well as Lux HoldCo (YF)CPECS subscribed by Lux BidCo;
- In the event that the CPECS issued by Skype Lux HoldCo are to be acquired by Lux BidCo, these would immediately be converted into PPCPECS.

### 4. Tax Treatment

*Lux HoldCo*

#### Debt-to-equity ratio

- Lux HoldCo should finance its shareholding in Lux MidCo with share capital (1% which maybe capped at € 1m) and (YF)CPECS or interest bearing at a discounted rate. Therefore, it should not be in breach of its debt-to-equity ratio in respect of its shareholding activity performed.

# Project Springboard

**Skype Luxembourg Holdings S.à r.l.** 2005 2433 437  
**Skype Technologies S.A.** 2003 2223 525  
**Skype Communications S.à r.l.** 2005 2435 138  
**Skype Software S.à r.l.** 2005 2431 779

*Arm's length remuneration, CPECs, Debt-to-Equity ratio, Hidden dividend distribution, Partial liquidation, Participation exemption, Tax consolidation, Tax transparency of partnerships*

## **(YF)CPECs**

- Based on their characteristics, (YF)CPECs should be treated as a debt instrument for Luxembourg tax purposes. As a consequence, the potential loss on the repurchase of the (YF)CPECs at fair market value should not be treated as a deemed distribution or any other kind of dividend distribution. Furthermore, it will not be considered as a remuneration depending on the profit of Lux HoldCo. Therefore, the repurchase of the (YF)CPECs at fair market value should not be subject to Withholding tax. In case of interest bearing CPECs, yield paid or accrued by Lux HoldCo on the CPECs as well as the potential loss on repurchase at Fair Market Value should not be tax deductible from the taxable basis of Lux HoldCo should be subject to recapture since its in direct economic connection with tax exempt assets. Such yield should not be subject to Withholding tax.

## **Partial liquidation**

- Lux HoldCo's share capital should be split into several (max 10) classes of shares. In case Lux HoldCo redeems one entire class of shares and reduces its share capital for the corresponding proportion, the operation should be treated as a partial liquidation of Lux HoldCo's share capital. As a consequence, the potential boni of liquidation should not be subject to withholding tax (art 101(2), 146 and 97(3)).

## *Lux MidCo*

### **Debt-to-equity ratio**

- Lux MidCo should finance its shareholding in Lux MidCo (through the US LLCs) with share capital and bank debt. Therefore, it should not be in breach of its debt-to-equity ratio in respect of its shareholding activity performed.

### **Tax transparency of the US LLCs**

- Based on their characteristics, the US LLCs should be considered as tax transparent for Luxembourg tax purposes. Therefore, Lux MidCo should be considered as having a direct shareholding in Lux BidCo.
- Consequently, provided that the conditions of article 166 LITL and of its grand ducal Decree of December 21st, 2001 are met, any dividend, or liquidation proceeds as well as capital gain realized upon disposal of its shareholding in Lux BidCo should be exempt in Luxembourg.
- The interest charge on the bank debt (financing the B shares) will be non deductible or deductible but subject to recapture upon dividends/capital gains derived from B shares.

### **Margin on back-to-back activity**

- Lux MidCo should realise a gross commercial margin on its Back-to-Back financing activity of 25 bps of c. USD 10m. This margin should be considered as an arm's length remuneration.

## *Lux Bidco*

### **Debt-to-equity ratio**

- Lux BidCo should finance its shareholding in Lux HoldCo and Skype Lux HoldCo with share capital. Therefore, it should not be in breach of its debt-to-equity ratio in respect of its shareholding activity performed.

### **Participation exemption**

- Provided that the conditions of article 166 LITL and of its grand ducal Decree of December 21st, 2001 are met, any dividend, or liquidation proceeds as well as capital gain realised upon disposal of its shareholding in Skype Lux HoldCo should be exempt in Luxembourg.
- Provided that the conditions of art 147 LITL are met, any dividend distributed by Lux BidCo (respectively Skype Lux HoldCo) to Lux MidCo (through the tax transparent US LLCs) (respectively Lux BidCo) should be free of withholding tax.
- Given that Lux BidCo should dispose of its shares in Lux HoldCo in a short period of time (in principle same day), no capital gain should be realised by Lux BidCo on such disposal.

## *Fiscal unity*

### **Fiscal unity**

- To be concluded between Lux MidCo and SCSA considering that the conditions are fulfilled:
  - Lux MidCo holds indirectly more than 95% of the capital of Lux BidCo;
  - More than 95% indirect shareholding is satisfied from the beginning of the first accounting period for which tax consolidation is required;
  - fiscal unity will be kept for 5 years;

# Project Springboard

**Skype Luxembourg Holdings S.à r.l.** 2005 2433 437  
**Skype Technologies S.A.** 2003 2223 525  
**Skype Communications S.à r.l.** 2005 2435 138  
**Skype Software S.à r.l.** 2005 2431 779

---

*Arm's length remuneration, CPECs, Debt-to-Equity ratio, Hidden dividend distribution, Partial liquidation, Participation exemption, Tax consolidation, Tax transparency of partnerships*

## *Skype Holding*

- In case Lux BidCo acquires the CPECs issued by Skype Lux HoldCo, the latter should be amended to become PPCPECs which should have the following characteristics:
  - Maturity of 50 years;
  - Participation to the profit;
  - Participation to liquidation proceeds;
  - Rank pari passu with the subordinated securities and junior to all present and future obligation of Skype;
  - Stapling cause;
  - Convertible in share;
- Based on their characteristics, the PPCPECs should be treated as an equity investment for Luxembourg direct tax purposes. Therefore, the PPCPECs should be assimilated to a participation in Skype Holding in the tax balance sheet of Lux BidCo and to quasi-equity in the tax balance sheet of Skype Lux HoldCo;
- Proceeds received under the PPCPECs should be considered as dividend and should be exempt under the participation exemption for CIT and MBT purposes;
- The principal amount of the PPCPECs as well as the yield accrued thereon should be exempt from NWT purposes.



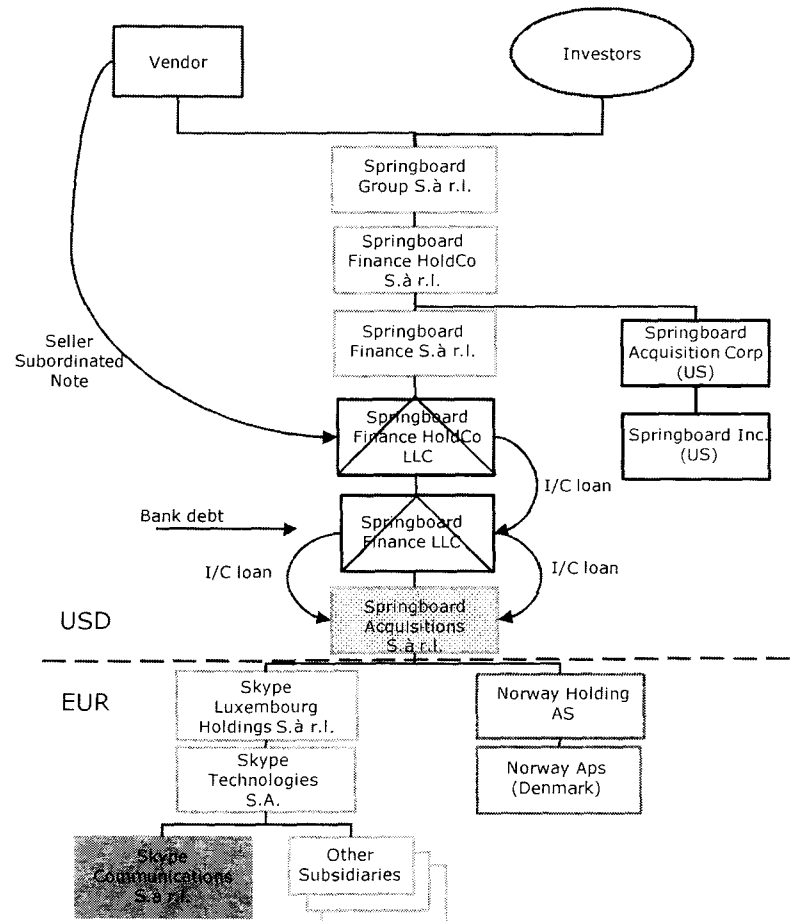
# Project Springboard

Skype Luxembourg Holdings S.à r.l. 2005 2433 437  
 Skype Technologies S.A. 2003 2223 525  
 Skype Communications S.à r.l. 2005 2435 138

Springboard Group S.à r.l.  
 Springboard Finance HoldCo S.à r.l.  
 Springboard Finance S.à r.l.  
 Springboard Acquisitions S.à r.l.

**Key words:** Tax consolidation –  
 Functional currency

## Chart of the structure at completion



## Background

- As discussed on 27 August 2009, the Investors including Silver Lake Partners intend to acquire Skype group (the "Acquisition") which main product consists of software application that allows users to make voice calls over the Internet for free between users and at cost for call to other landlines and mobile phones. The Acquisition would be made by Springboard Acquisitions S.à r.l. i.e. the Luxembourg company at the bottom of the acquisition structure put in place;
- The acquisition price was set in USD. In addition, the Seller Subordinated Note and the bank debt partially funding the acquisition are denominated in USD;
- Prior to closing, the share capital of the Luxembourg companies of the acquisition chain which were initially set with minimum EUR denominated capital will be converted into USD;
- Further to the closing, Springboard Acquisitions S.à r.l. and Springboard Communications S.à r.l. (the "Companies") will apply for the Luxembourg tax consolidation regime. Please note that the below was discussed with Mr Limpach on October 21<sup>st</sup>, 2009.

## Luxembourg tax treatment

### Functional currency

- Given that the acquisition price is set in USD and that the debt funding instruments as well as the share capital of the entities will be USD denominated, the currency governing most of the transaction in which the Luxembourg companies of the acquisition structure will be involved will be USD. Therefore, for sake of consistency with the other entities involved in the acquisition structure and for sake of simplicity, annual accounts of the Luxembourg companies of the acquisition structure will be USD denominated;
- Consequently for practical reasons, in order to simplify the filing of the corporate income tax and municipal business tax returns, the Luxembourg companies of the acquisition structure will be allowed to determine their respective taxable basis based on the result of the year in USD converted into EUR using the USD/EUR exchange rate prevailing at year-end notwithstanding the fact that the annual accounts of the Luxembourg companies of the acquired group are EUR denominated. The EUR amount of exempt income related to the shareholding activity of Springboard Acquisitions S.à r.l. reported in the 500 form will also be determined based on the USD/EUR exchange rate prevailing at year-end;
- Similarly, for the purpose of the computation of the net worth tax basis, the unitary value of the Luxembourg companies of the acquisition structure will be determined in USD and converted in EUR using the USD/EUR exchange rate prevailing at year-end.
- The Luxembourg companies of the acquisition structure will commit themselves to keep their accounts in USD for the following five years and prepare their corporate income tax and municipal business tax returns based on the method described in the previous paragraphs for the corresponding years.

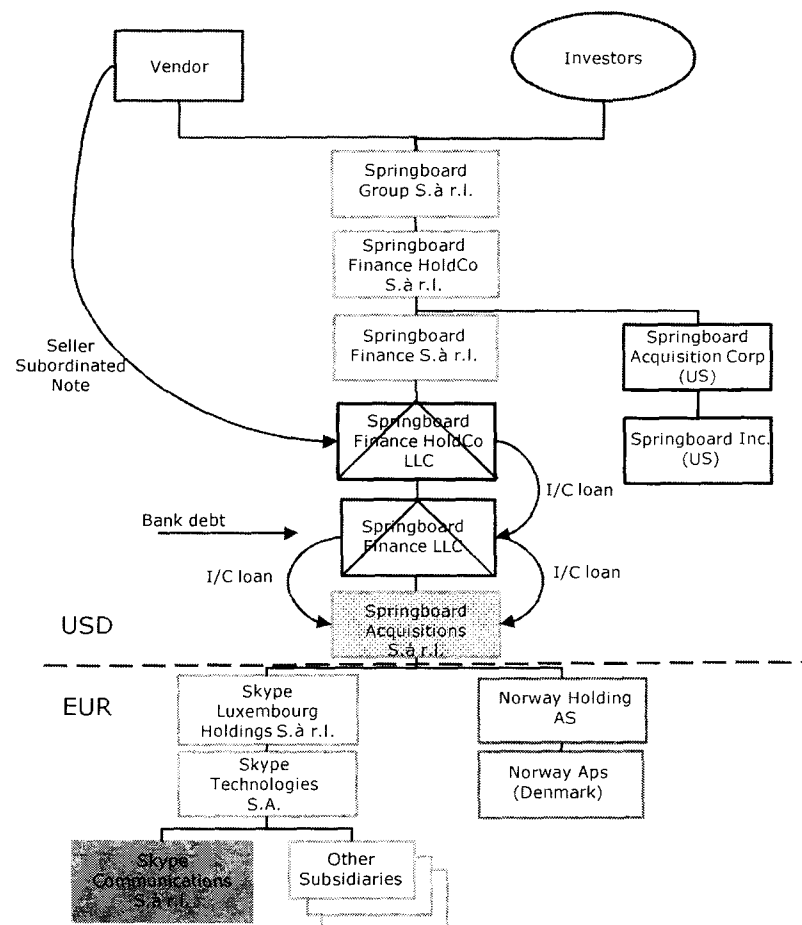
# Project Springboard

Skype Luxembourg Holdings S.à r.l. 2005 2433 437  
 Skype Technologies S.A. 2003 2223 525  
 Skype Communications S.à r.l. 2005 2435 138

Springboard Group S.à r.l.  
 Springboard Finance HoldCo S.à r.l.  
 Springboard Finance S.à r.l.  
 Springboard Acquisitions S.à r.l.

**Key words:** Tax consolidation –  
 Functional currency

## Chart of the structure at completion



### • Tax consolidation regime

- ✓ The Companies should not have any direct relationship, i.e. neither a direct shareholding relationship nor a debtor/creditor relationship;
- ✓ Notwithstanding the fact that the annual accounts of the Companies will be denominated in different currencies, the Companies will still be entitled to apply for the Luxembourg tax consolidation regime since the conditions stated in Article 164bis of the Luxembourg Income Tax Law are met;
- ✓ Indeed, Springboard Acquisitions S.à r.l. will hold indirectly more than 95% of the share capital of Springboard Communications S.à r.l. for the whole tax consolidation period, the fiscal year of the Companies will start on the same date and end on the same date and the Companies will keep the tax consolidation regime for at least 5 years.
- ✓ In the light of the above the Companies will be entitled to the benefit of the Luxembourg tax consolidation regime.

## Appendix 3: Acquisition steps

### Formation of acquisition structure

1. On September 8<sup>th</sup>, 2008, SLP III Cayman DS IV Topco Ltd incorporated SLP III Cayman DS IV Holdings S.à r.l., a fully taxable Luxembourg resident company with minimum share capital<sup>25</sup>.
2. On September 8<sup>th</sup>, 2008, SLP III Cayman DS IV Holdings S.à r.l. incorporated SLP III Cayman DS IV S.à r.l., a fully taxable Luxembourg resident company with minimum share capital<sup>26</sup> which was funded by another investor, Silver Lake Technologies Management LLC (“SLTM”).

SLTM agreed to discharge the notary fees for EUR 1,315 to be paid by SLP III Cayman DS IV S.à r.l. The debt of SLP III Cayman DS IV S.à r.l. towards SLP III Cayman DS IV Holdings S.à r.l. has recently been repaid.

3. On September 9<sup>th</sup>, 2009, Silver Lake Partners III Cayman LP (“SLP III”) acquired SLP III Cayman DS IV Holdings S.à r.l. and changed its name into Springboard Group S.à r.l. (“LuxGroup”).

The notary fees of an amount of EUR 1,315 have been paid on behalf of LuxGroup by SLTM.

4. SLP III incorporated Springboard Acquisitions Corp. (“US Corp.”), a taxable US resident company. SLP III formed two US Limited Liability Companies (“LLC”), the first being, Springboard Finance HoldCo LLC (“US LLC 1”) which holds all the membership interests of the second one, Springboard Finance LLC (“US LLC 2”)<sup>27</sup>.
5. LuxGroup acquired US Corp for an amount of USD 10 and US LLC 1 for an amount of USD 10 from SLP III, considerations of which were left outstanding on an intercompany account.
6. On September 9<sup>th</sup>, 2009, US LLC 2 acquired SLP III Cayman DS IV S.à r.l. from LuxGroup for EUR 12,500, the consideration of which was left outstanding on an intercompany account. On the same day, US LLC 2 changed its name to Springboard Acquisitions S.à r.l. (“LuxAcquisitions”).
7. On September 14<sup>th</sup>, 2009, LuxGroup incorporated Springboard Finance S.à r.l. (“LuxFinance”), a fully taxable Luxembourg resident company with minimum share capital<sup>28</sup> which was funded by SLP III.
8. On October 21<sup>st</sup>, 2009, LuxGroup incorporated Springboard Finance HoldCo S.à r.l. (“LuxHoldCo”) a fully taxable Luxembourg resident company with minimum share capital<sup>29</sup> which was funded by SLP III.
9. LuxGroup contributed its receivable of EUR 12,500 against US LLC 2 to US LLC 1, which in turn contributed the said receivable to US LLC 2 which consequently ceased to exist.

---

<sup>25</sup> For your convenience please find attached in *Enclosure I*, the Articles of Association of LuxGroup.

<sup>26</sup> For your convenience please find attached in *Enclosure II*, the Articles of Association of LuxAcquisitions.

<sup>27</sup> For your convenience please find attached in *Enclosure III* the LLC Agreements of US LLC 1 and US LLC 2.

<sup>28</sup> For your convenience please find attached in *Enclosure IV*, the Articles of Association of LuxFinance.

<sup>29</sup> For your convenience please find attached in *Enclosure V*, the Articles of Association of LuxHoldCo.

10. LuxGroup contributed to LuxHoldCo (i) its shares in US Corp. valued at EUR 6.97, (ii) its shares in LuxFinance valued at EUR 5,026.57 and (iii) its membership interests in US LLC 1 valued at EUR 3,515.86 in exchange for the issue of EUR 8,549 of shares by LuxHoldCo, the remaining EUR 0.40 being allocated to the share premium account of LuxHoldCo.
11. LuxHoldCo contributed its membership interests in US LLC 1 to LuxFinance for EUR 3,515.86 in exchange for the issuance of EUR 3,515 of shares by LuxFinance, the remaining EUR 0.86 being allocated to the share premium account of LuxFinance.
12. SLP III agreed to discharge the intercompany payable of LuxGroup towards SLTM.

Consequently, LuxGroup has a payable of EUR 40,130 and USD 20 towards SLP III.

### **Funding of the acquisition structure**

Step 13 to 18 occurred on November 19<sup>th</sup>, 2009

13. Pursuant to an extraordinary general meeting of their respective shareholders held on November 19<sup>th</sup>, 2009<sup>30</sup>, the share capital of LuxGroup, LuxHoldCo, LuxFinance and LuxAcquisitions has been converted in US dollars using the euros/US dollars exchange rate prevailing at the date of the conversion. The annual accounts of LuxGroup, LuxHoldCo, LuxFinance and LuxAcquisitions will be held in US dollars.
14. US LLC 1 issued a USD 125 Mios loan note (“VLN”) to LuxGroup in exchange for an intercompany interest bearing loan (“IBL A”) of the same amount<sup>31</sup>.
15. LuxAcquisitions incorporated Springboard Investments S.à r.l. (“LuxInvestments”) a fully taxable Luxembourg resident company with a share capital of USD 20,000<sup>32</sup> which was funded by SLP III. As a result, LuxAcquisitions has a payable of USD 20,000 towards SLP III.
16. SLP III and a consortium of investors injected USD 1,333 Mios of cash in LuxGroup in exchange for an issue of 10 classes of shares<sup>33</sup>. In turn, with part of the proceeds, LuxGroup subscribed for additional shares in LuxHoldCo for USD 139.9 Mios. LuxHoldCo used the proceeds to subscribe for additional shares for an amount of USD 19.3 Mios in US Corp. and for an amount of USD 107.5 Mios in LuxFinance. In turn, LuxFinance subscribed for additional membership interests in US LLC 1, which subscribed for additional membership interests in US LLC 2. US LLC 2 used the proceeds to subscribe for additional shares in LuxAcquisitions.
17. LuxAcquisitions settled its USD 20,000 payable towards SLP III.
18. US LLC 2 was granted by third party lenders a Senior Debt<sup>34</sup> for a total amount of USD 700 Mios. After deduction of the banking fees, US LLC 2 on-lent USD 659.9 Mios to LuxGroup.

---

<sup>30</sup> Please find attached in *Enclosure VI*, the minutes of the extraordinary general meeting of the shareholders of LuxGroup, LuxHoldCo, LuxFinance and LuxAcquisitions.

<sup>31</sup> Please find attached in *Enclosure VII*, the VLN Terms & Conditions.

<sup>32</sup> Please find attached in *Enclosure VIII*, the Article of Associations of LuxInvestments.

<sup>33</sup> Please find attached in *Enclosure VI*, the minutes of the extraordinary general meeting of the shareholders of LuxGroup

<sup>34</sup> Please find attached in *Enclosure IX*, the Senior Debt Terms & Conditions.

### **Acquisition of the target group**

Step 19 to step 26 occurred on November 19<sup>th</sup>, 2009.

19. LuxGroup acquired 100% of the shares of Skype Luxembourg Holdings S.à r.l. (“Skype Holdings”), a fully taxable Luxembourg resident company head of Skype group, for USD 2,645.1 Mios in consideration for cash for an amount of USD 1,811.3 Mios (“Cash Shares”), the VLN for an amount of USD 125 Mios (“VLN shares”) and an issue of additional shares for an amount of USD 708.8 Mios (“Equity Shares”) to eBay International AG (“Vendor”).
20. LuxAcquisitions acquired 100% of the shares of Sonorit Holding, AS (“Sonorit”), an existing Norwegian company of the Target Group for a total consideration of USD 1.
21. LuxGroup used USD 659.9 Mios of the Cash Shares to settle the payable towards US LLC 2 and used the VLN Shares to settle its payable towards US LLC 1, i.e. IBL A.
22. LuxGroup contributed the remaining portion of the Cash Shares and the total amount of the Equity Shares through the chain down to US LLC 2.
23. US LLC 1 transferred the VLN Shares to US LLC 2 in consideration of an intercompany loan for the same amount, i.e. IBL B<sup>35</sup>.
24. US LLC 2 contributed the Equity Shares and USD 1,151.4 Mios of the Cash Shares to LuxAcquisitions.
25. US LLC 2 transferred the VLN Shares to LuxAcquisitions in consideration for an interest bearing loan having the same terms and conditions than the VLN, i.e. IBL C<sup>36</sup>.
26. US LLC 2 transferred the remaining Cash Shares to LuxAcquisitions in consideration for an interest bearing loan having the same terms and conditions than the Senior Debt, i.e. IBL D<sup>37</sup>.

### **Settlement payments**

27. Joltid Limited, an additional investor (“Joltid”), subscribed for USD 9,867.80 of alphabet shares issued by LuxGroup.
28. Skype Technologies S.A. (“Skype Technologies”), a fully taxable Luxembourg resident company and operational subsidiary of the Skype group, paid to Euroskoon LLC, USD 2.5 Mios as a royalty under the Streamcast License and USD 14 Mios for the acquisition of the Altnet License and the Sharman Termination. The USD 16.5 Mios has been paid by LuxAcquisitions of behalf of Skype Technologies resulting in a receivable of LuxAcquisitions against Skype Technologies of USD 16.5 Mios.
29. Skype Technologies acquired the GI Code IP from Joltid for USD 85 Mios. The USD 85 Mios were paid by LuxAcquisitions thus increasing the receivable of LuxAcquisitions towards Skype Technologies up to USD 101.5 Mios.

---

<sup>35</sup> For your convenience please find attached in *Enclosure X*, the IBL B Terms & Conditions.

<sup>36</sup> For your convenience please find attached in *Enclosure XI*, the IBL C Terms & Conditions.

<sup>37</sup> For your convenience please find attached in *Enclosure XII*, the IBL D Terms & Conditions.

The GI Code IP, the Streamcast licenses, the Altnet licenses and the Sharman Termination are together referred as the “Acquired IP”.

30. With the proceeds, Joltid subscribed for USD 80 Mios of additional alphabet shares issued by LuxGroup.
31. Charleston Investment Holdings Limited subscribed for USD 15 Mios of alphabet shares issued by LuxGroup.
32. With the proceeds from *Step 30*, LuxGroup subscribed for additional shares in LuxHoldCo. In turn, with the proceeds, LuxHoldCo settled transaction fees for an amount of USD 60 Mios and M&A fees for USD 13.1 Mios.
33. LuxAcquisitions contributed the receivable of USD 101.5 Mios against Skype Technologies to Skype Holdings which contributed the receivable to Skype Technologies. Therefore, the USD 101.5 Mios ceased to exist.
34. LuxInvestments acquired the Rdio convertible promissory note<sup>38</sup> (“Rdio Note”) issued by Rdio Inc., a fully taxable US resident company, for USD 6 Mios. The USD 6 Mios has been paid by LuxAcquisitions on behalf of LuxInvestments. LuxAcquisitions recognized a receivable of USD 6 Mios on LuxInvestments. LuxAcquisitions contributed the said receivable of USD 6 Mios to LuxInvestments. Therefore, such receivable ceased to exist.
35. Skype Technologies acquired certain IP (the Boxless cable IP) for USD 5 Mios.

#### **Transaction costs**

36. SLP III paid transaction costs for USD 13.5 Mios and reimbursed USD 20 Mios of legal fees to Joltid, in the context of the litigation settlement. SLP III recharged such costs to LuxHoldCo in consideration for two intercompany loans.
37. SLP III contributed the two intercompany loans to LuxGroup in exchange for an issuance of LuxGroup’s shares. In turn, LuxGroup contributed the two intercompany loans to LuxHoldCo in exchange for an issuance of LuxHoldCo’s shares. As a result, the two intercompany loans ceased to exist.

For your convenience, please find in *Appendix IV*, the pro forma balance sheet of LuxGroup, LuxHoldCo, LuxFinance, LuxAcquisitions and LuxInvestments at completion.

#### **Post closing**

38. LuxGroup will reimburse the Vendor up to USD 3 Mios in respect of Swiss Stamp taxes suffered by the latter further to the sale of 70% of its shareholding in Skype Holdings.
39. LuxGroup will subscribe for additional equity in LuxHoldCo which will use the proceeds to pay the Index Litigation expenses.
40. Shortly after the acquisition of the Acquired IP, Skype Technologies will transfer it to Skype Ltd, its Irish subsidiary in exchange for the settlement of an upstream loan of EUR 60 Mios and

---

<sup>38</sup> For your convenience please find attached in *Enclosure XIII*, the Rdio Note Terms & Conditions.

by capital contribution for the difference between the amount of the receivable and the fair market value of the Acquired IP.

41. LuxAcquisitions, LuxInvestments and Skype Communications S.à r.l., an existing fully taxable Luxembourg resident company of Skype group (“LuxCommunications”) will apply for the Luxembourg tax consolidation regime.

#### Appendix 4: pro forma tax balance sheet

LuxGroup (in USD - Mios)			
Shareholding in LuxHoldCo	2.093,60	Share capital	2.170,31
Cash	76,71		
<b>Total Assets</b>	<b>2.170,31</b>	<b>Total Liabilities</b>	<b>2.170,31</b>

LuxHoldCo (in USD - Mios)			
<i>Participations</i>		Share capital	2.093,60
- Shareholding in Springboard Corp	19,30		
- Shareholding in LuxFinance	1.967,70		
<i>Fees</i>			
- Transaction fee	60,00		
- M&A fee	13,10		
- Joltid Fee	20,00		
- Transaction cost	13,50		
<b>Total Assets</b>	<b>2.093,60</b>	<b>Total Liabilities</b>	<b>2.093,60</b>

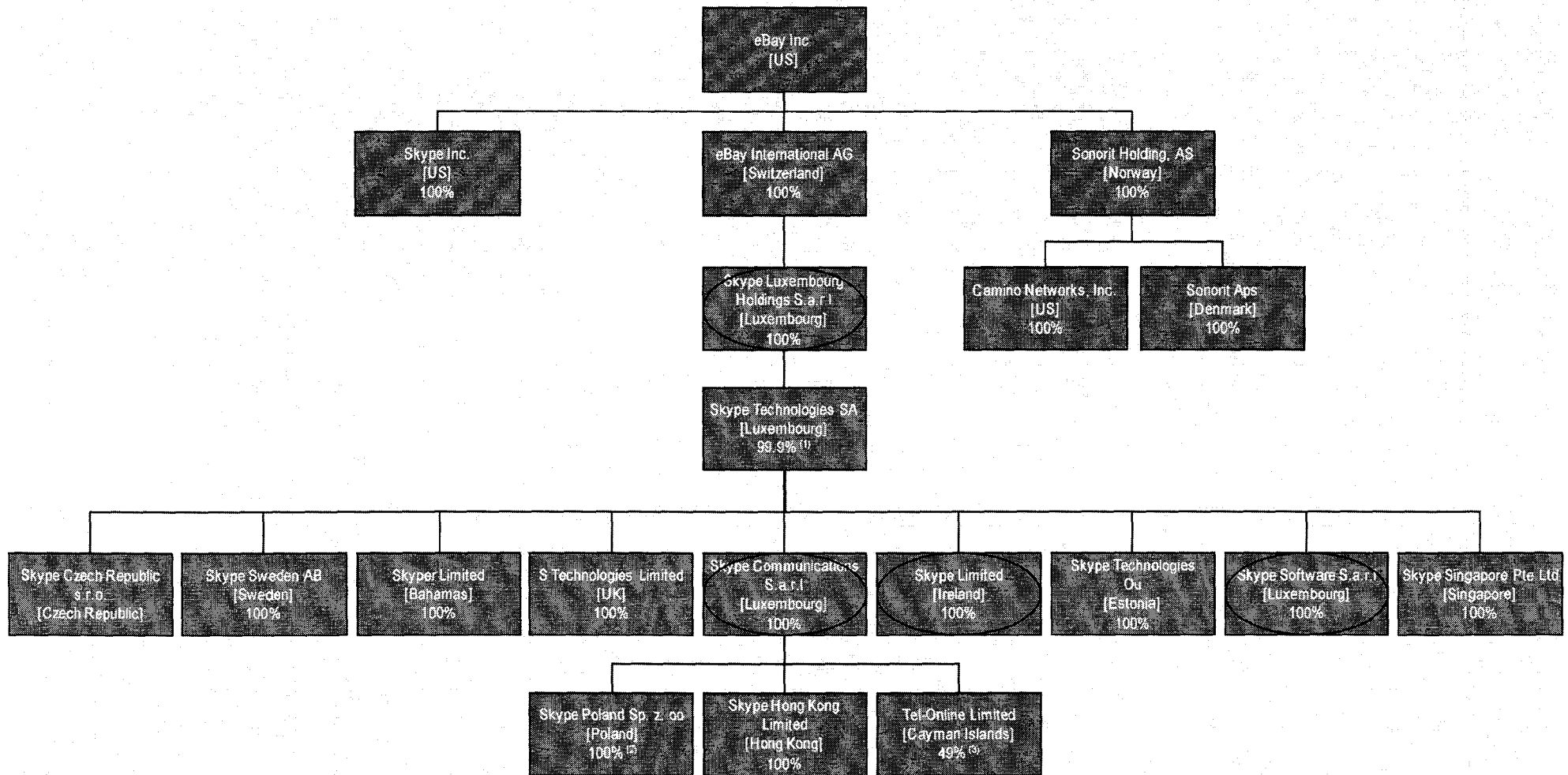
LuxFinance through US LLC 1 and US LLC 2 (in USD - Mios)			
Shareholding in LuxAcquisitions	1.927,60	Share capital	1.967,70
IBL D	700,00	Senior debt	700,00
IBL C	125,00		
Banking fees	40,10	VLN	125,00
<b>Total Assets</b>	<b>2.792,70</b>	<b>Total Liabilities</b>	<b>2.792,70</b>

LuxAcquisitions			
Shareholding in Skype Holdings	2.746,60	Share capital	1.927,60
Shareholding in LuxInvestments	6,00	IBL C	125,00
Shareholding in Sonorit	-	IBL D	700,00
<b>Total Assets</b>	<b>2.752,60</b>	<b>Total Liabilities</b>	<b>2.752,60</b>

LuxInvestments			
Rdio Note	6,00	Share capital	6,02
Cash	0,02		
<b>Total Assets</b>	<b>6,02</b>	<b>Total Liabilities</b>	<b>6,02</b>



**Appendix 5: Overview of the pre-acquisition structure**

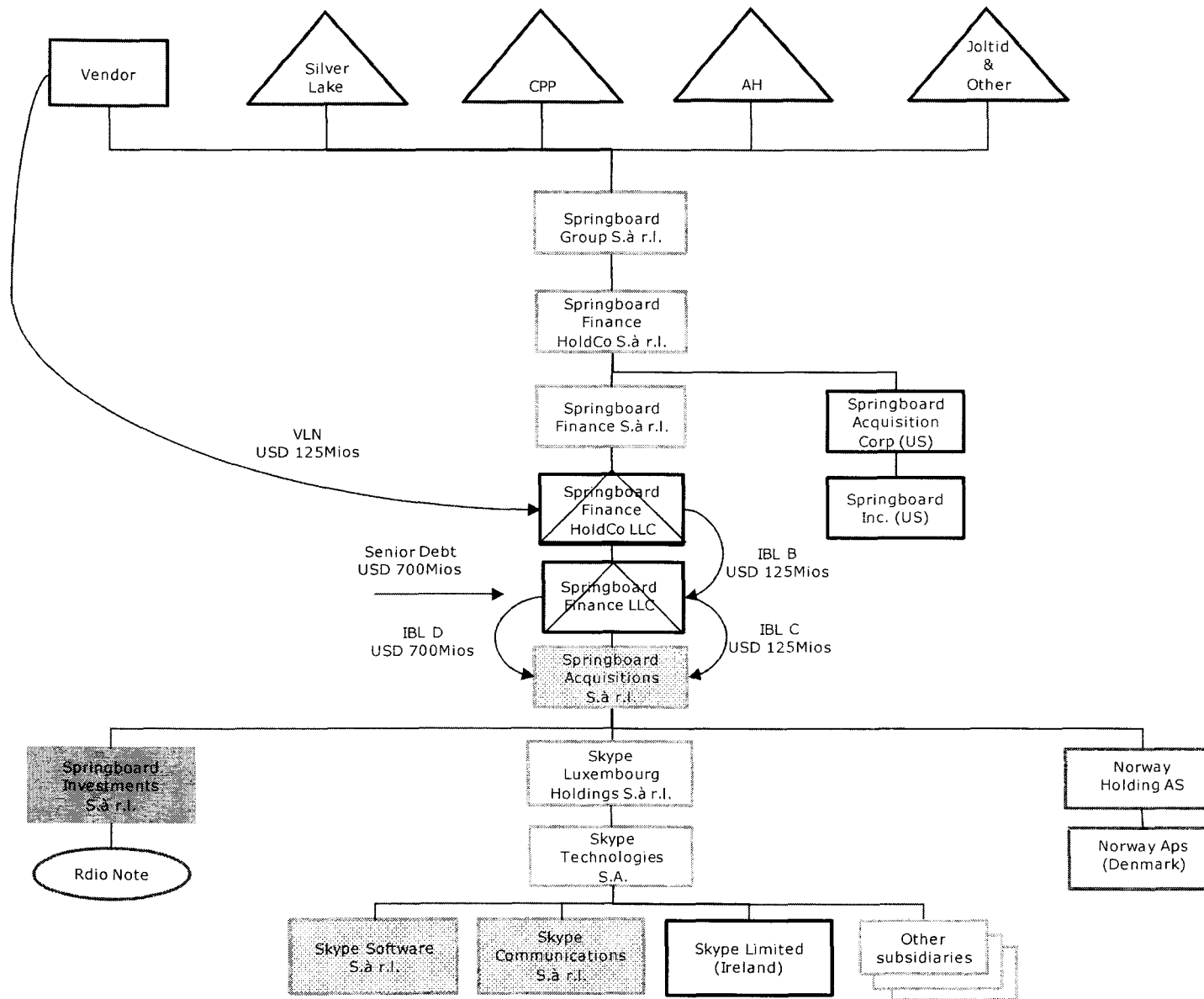


(1) 1 share held by eBay Inc.

(2) In liquidation

(3) 51% held by Tom Online (BVI) Limited, a Cayman Islands Company

Appendix 6: Overview of the post-acquisition structure



LOYENS  LOEFF

AVOCATS A LA COUR

OFFICE ADDRESS 18-20, rue Edward Steichen  
L-2540 LUXEMBOURG  
Luxembourg - Kirchberg  
TELEPHONE +352 46 62 30  
FAX +352 46 62 34  
INTERNET [www.loyensloeff.lu](http://www.loyensloeff.lu)

To: **Silver Lake**  
For the attention of the General Counsel  
2775 Sand Hill Road  
Suite 100  
Menlo Park, CA 94025  
United States

Cc: **Deloitte S.A.**  
Raymon Krawczykowski  
560, rue de Neudorf  
L-2220 Luxembourg

Luxembourg, November 11, 2009

Dear Sirs,

## 1. Introduction

We have been requested as your Luxembourg legal counsel to render an opinion on the legal criteria that a foreign entity should meet to qualify as transparent for Luxembourg purposes.

This legal opinion (the **Opinion**) may not be disclosed to any third party. However, Deloitte Luxembourg may rely on the Opinion for the purpose of the characterization of Springboard Finance Holdco, L.L.C. and Springboard Finance L.L.C (the **US LLCs**) for Luxembourg tax purposes, two limited liability companies formed on August 28, 2009, pursuant to the provisions of the Delaware Limited Company Act, 6 Del.C. §§ 18-101, et seq. In addition, Deloitte Luxembourg may disclose the Opinion to the Luxembourg tax authorities for the purpose of securing the characterization of the US LLCs for Luxembourg tax purposes.

## 2. Scope of Inquiry

For the purpose of this Opinion, we have examined an executed version of the Limited Liability Company Agreements of Springboard Finance Holdco, L.L.C. and Springboard Finance L.L.C dated August 28, 2009 (the **US LLC Agreements**).

Law partnership.

AMSTERDAM • ANTWERP • ARNHEM • BRUSSELS • EINDHOVEN • LUXEMBOURG • ROTTERDAM • ARUBA  
CURAÇAO • DUBAI • FRANKFURT • GENEVA • LONDON • NEW YORK • PARIS • SINGAPORE • TOKYO • ZÜRICH

**3. Assumptions**

We have assumed the following:

- 3.1. the genuineness of all signatures, stamps and seals of the persons purported to have signed the relevant documents;
- 3.2. the authenticity of all documents submitted to us as originals and the conformity to the originals of all documents submitted to us as copies;
- 3.3. all factual matters and statements relied upon or assumed in this Opinion are and were true and complete on the date of execution of the US LLC Agreements (and any documents in connection therewith); and
- 3.4. there are no facts which have not been disclosed to us which, if disclosed, could affect the conclusions in this Opinion.

**4. Legal analysis**

4.1. Luxembourg law does not have specific rules to determine whether a foreign entity qualifies as a transparent entity for Luxembourg tax purposes. However, it is generally held that a foreign entity qualifies as transparent by Luxembourg standards if it has features similar to a Luxembourg transparent entity ("société de personnes"). This is confirmed in i.a. the Parliamentary Documents No. 571, page 135 as well as in Luxembourg case law. See for example the Malux case (Cour Administrative 20 July 2005, Nr. 19280) which concerned the question of whether a French *société civile immobilière* qualifies as transparent or not by Luxembourg standards. This question was answered on the basis of a comparison with the *société civile immobilière* as it exists under Luxembourg law. German case law<sup>1</sup> also confirms that the question of transparency of a foreign entity should be decided on the basis of a legal comparison with comparable entities under domestic law and has indicated several factors which can be relevant in making said comparison. These factors have been listed in a Circular by the German revenue in the context of qualification of a US LLC (BMF circular of March 19, 2004 reference IV B - S 1301 USA-22/04) and they may be summarised as follows:

- Centralized management and representation: a partnership is generally managed and represented by its partners. A capital company in general is managed and represented

---

<sup>1</sup> Luxembourg tax law is in part based on German tax law, which is why in some cases German case law can give guidance in interpreting Luxembourg tax law.

by a separate organ (for example, a board of directors) which do not have to be composed of members;

- Limited liability is a capital company characteristic when none of the members is liable for the debts of the company;
- Restricted transferability of shares vs. free transferability of the shares;
- Direct profit entitlement versus the need for a decision to distribute the profits;
- No minimum capital vs. obligation for the members to contribute capital;
- Definite term of the entity vs. an indefinite term of the entity, which is not influenced by the death or insolvency etc. of its members;
- A profit entitlement pro rata to the number of members as opposed to pro rata to the capital paid-in;
- Effectiveness of the creation of the entity as from the date of the formation agreement vs. the validity of the deed pursuant to which the entity is formed depends on approval by or registration with a local authority, such as e.g. a company register; and
- Other factors: the existence of legal personality is as such not decisive in that an entity which has legal personality can nevertheless qualify as transparent (BFH 03.02.1988, I R 134/84). On the other hand, however, the absence of legal personality may be an element in favour of transparency.

The question of transparency should be decided on the basis of these factors taken into account on a cumulative basis. None of the above elements is by itself decisive.

4.2. We understand from the US LLC Agreements that:

- The members have power to manage and represent the US LLCs (article 6 of the US LLC Agreements);
- There is no minimum capital requirement (article 9 of the US LLC Agreements);
- The capital contributions can be made either in cash, in kind or in the form of services rendered to the US LLCs (article 9 of the US LLC Agreements);
- The members may not transfer their interest without the prior written consent of the members (article 11 of the US LLC Agreements);
- The members of the US LLCs have a direct profit entitlement, irrespective of the contributions (article 13 of the US LLC Agreements); and
- The US LLCs were formed by private deed immediately effective.

Other features can also be noted for the assimilation of the US LLCs to Luxembourg transparent entities:

- The US LLCs exist only for a limited period (articles 8 and 15 of the US LLC Agreements); and
- The US LLCs are dissolved in case of bankruptcy of any member (article 15 of the US LLC Agreement).

The following criteria present in the US LLC Agreements are typical of a corporation as opposed to a partnership:

- The members have a limited liability for the debts of and the claims against the US LLCs (article 15 of the US LLC Agreement);
- The members may delegate the management and representation of the US LLCs (article 6 of the US LLC Agreements); and
- The US LLCs have a legal personality separate from its members.

## 5. Opinion

Based upon, and subject to, the assumptions made above, the legal analysis above, the qualifications set out below, and any matters not disclosed to us, we are of the opinion that, under the laws of Luxembourg in effect, and as published, construed and applied by the Luxembourg courts, on the date hereof, the US LLCs show a strong resemblance to the legal characteristics of a Luxembourg *société en commandite simple* (SCS).

## 6. Qualifications

- 6.1. From a pure legal point of view, administrative instructions are of limited value in the tax area (legality of tax principles). This is especially the case for German (*i.e.*, foreign) instructions.
- 6.2. The Opinion expressed herein may be affected or limited by the provisions of any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, suspension of payments and other similar laws of jurisdiction and of general application now or hereafter in effect, relating to or affecting the enforcement or protection of creditors' rights.

## 7. Miscellaneous

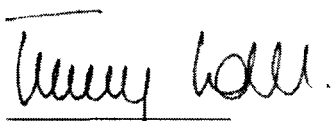
- 7.1. This Opinion is as of this date and is given on the basis of the laws of Luxembourg in effect and as published, construed and applied by the Luxembourg courts, as of such date. We undertake no obligation to update it or to advise of any changes in such laws or their

construction or application. We express no opinion, nor do we imply any opinion, as to any laws other than the laws of Luxembourg.

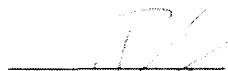
- 7.2. This Opinion is strictly limited to the US LLC Agreements and the matters expressly set forth therein. No other opinion is, or may be, implied or inferred therefrom.
- 7.3. Luxembourg legal concepts are expressed in English terms, which may not correspond to the original French or German terms relating thereto. We accept no liability for omissions or inaccuracies attributable to the use of English terms.
- 7.4. This Opinion is given on the express condition, accepted by each person entitled to rely on it, that this Opinion and all rights, obligations, issues of interpretation and liabilities in relation to it are governed by, and shall be construed in accordance with, Luxembourg law and any actions or claims in relation to it can be brought exclusively before the Luxembourg courts.
- 7.5. This Opinion is given to you solely for your benefit in connection with the US LLC Agreements. It may be disclosed to your legal advisers but on a confidential basis and for information purposes only. This Opinion may not be circulated to, or relied upon by, anyone else and it may not be quoted or referred to in any public document, or filed with any authority or other person without our written consent except as provided under Section 1 (Introduction).

Yours faithfully,

Loyens & Loeff

By: 

Thierry Lohest  
Avocat

By: 

Jean-Pierre Winandy  
Avocat à la Cour

## **Appendix 8: Key characteristics of the IBL B, the IBL C, the IBL D, the Senior Debt, the VLN and the Rdio Note**

### **1. Key characteristics of the IBL B granted by US LLC 1 to US LLC 2:**

- Nominal Amount: USD 125,000,000;
- Currency : USD denominated;
- Bearing an interest rate of 12% per year. Interest shall be added to the principal amount of the IBL B on each interest payment date and amounts so added shall thereafter be deemed to be a part of the principal amount of the IBL B and bear interest;
- Maturity : November 19<sup>th</sup>, 2015 ;
- At any time when a prepayment is required under the VLN agreement, when the VLN becomes due and payable including when the payment is required in result of an event of default pursuant to the VLN agreement, reimbursement at par value plus accrued and unpaid yield, if any, on the prepaid amount of IBL B;
- Rank pari passu with all present and future debt instruments and obligations of US LLC 2.

### **2. Key characteristics of the IBL C granted by US LLC 2 to LuxAcquisitions:**

- Nominal Amount: USD 125,000,000;
- Currency : USD denominated;
- Bearing an interest rate of 12% per year. Interest shall be added to the principal amount of the IBL C on each interest payment date and amounts so added shall thereafter be deemed to be a part of the principal amount of the IBL C and bear interest
- Maturity : November 19<sup>th</sup>, 2015;
- At any time when a prepayment is required under the VLN agreement or when the VLN becomes due and payable including when the payment is required in result of an event of default pursuant to the VLN agreement, reimbursement at par value plus accrued and unpaid yield, if any, on the prepaid amount of IBL C;
- Rank pari passu with all present and future debt instruments and obligations of LuxAcquisitions.

### **3. Key characteristics of the IBL D granted by US LLC 2 to LuxAcquisitions:**

- Nominal Amount: USD 700,000,000;
- Currency : USD denominated;
- Bearing the same interest rate as the interest rate applicable under the initial drawn down of the Senior Debt;
- Maturity : November 19<sup>th</sup>, 2014;
- At any time when the Senior Debt becomes due and payable including when the payment is required in result of an event of default pursuant to the Senior Debt agreement, reimbursement at par value;
- Rank pari passu with all present and future debt instruments and obligations of LuxAcquisitions.



**4. Key characteristics of the Senior Debt granted to US LLC 2:**

- Initial Amount: USD 700,000,000;
- Possibility to have revolving drawn down;
- Currency : USD denominated for term loan and USD, EUR or GBP denominated in case of revolving loan;
- Bearing an interest rate equal to the sum of (i) the applicable interest rate i.e. (a) 6.5% or 7.5% for term loan depending on the reference rate (i.e. Alternate Base Rate or Adjusted Libor Rate) and (b) a percentage ranging between 4.50 and 3 for revolving loan and (ii) the reference rate;
- Maturity : November 19<sup>th</sup>, 2014 for term loan and November 19<sup>th</sup>, 2013 for revolving loan;
- At any time and at the election of US LLC 2, reimbursement at par value;
- Rank prior to the VLN issued by US LLC 1.

**5. Key characteristics of the VLN issued by US LLC 1 to eBay International AG:**

- Nominal Amount: USD 125,000,000;
- Currency : USD denominated;
- Bearing an interest rate of 12% per year. Interest shall be added to the principal amount of the VLN on each interest payment date and amounts so added shall thereafter be deemed to be a part of the principal amount of the VLN and bear interest.
- Maturity : November 19<sup>th</sup>, 2015;
- At any time and at the election of US LLC 1, reimbursement of all or any part of the VLN at par value plus accrued and unpaid yield, if any, on such prepaid amount;
- Rank prior to all subordinated securities but subordinated to all Senior Debt, as defined in the agreement.

**6. Key characteristics of the Convertible promissory Note issued by Rdio Inc. to LuxInvestments:**

- Nominal Amount: USD 6,000,000;
- Currency : USD denominated;
- Interest free;
- Maturity date: upon a Change of Control as defined in the agreement, e.g. substantial disposal/transfer of Rdio Inc. shares, merger or consolidation in which Rdio Inc or one of its subsidiaries is a constituent party;
- Upon maturity and upon liquidation, reimbursement of the principal;
- At any time, prepayment of the principal without penalty;
- Automatic conversion upon a Next Financing event, i.e. upon next equity financing involving the receipt by Rdio Inc. of at least USD 10 Mios;
- Conversion of the Rdio Note into Rdio Inc. shares at a price per share equal to the price per share issued in the Next Financing.