

Private Equity in Luxembourg*

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01 Introduction

Welcome to the PricewaterhouseCoopers guide to Private Equity in Luxembourg

The purpose of this guide is, not only to provide practical, high level information regarding Private Equity (PE) vehicles in Luxembourg, but also to demonstrate the ways in which PricewaterhouseCoopers (PwC) Luxembourg specifically can help to create value on your PE deals and transactions.

Recent years have been very dynamic for the PE industry in general, and for PE in Luxembourg in particular. As the appetite for PE has increased, so has Luxembourg established its role as a leading alternative funds centre, particularly when it comes to property and PE funds.

It is true that Luxembourg is one of Europe's smallest countries in terms of land mass, but it is important not to judge by its physical dimensions. One of the advantages of its size is that law makers, decision makers and regulators are all at close quarters and have traditionally enjoyed a relationship of mutual understanding with business. The end result of this is a rapid decision making process as well as a stable and friendly business environment.

“A prime location for doing business”

This stable environment is just one of the reasons that the Grand Duchy is considered “A prime location for doing business”, as the PwC Luxembourg publication of the same name states. It cites ten key factors that make Luxembourg stand out: its strategic position in the heart of Europe, neutrality, welcoming and safe environment, financial well being, skilled multilingual workforce, excellent infrastructure, excellent logistics network, host to top level multinational financial and IT clusters, flexible and open minded authorities and an attractive lifestyle.

Nowhere has this close relationship between decision makers and business been better illustrated than in the setting-up and phenomenal evolution of the Luxembourg financial centre. Indeed, at this point in time, the financial centre is ranked as one of the top in the world and accounts for around 30% of the country's GDP and Luxembourg UCITS account for about 27% of the European market.

Private Equity in Luxembourg

Thanks to its efficient and flexible tax and legal environment, Luxembourg has become the preeminent jurisdiction for structuring PE funds and deals. In fact in a recent survey conducted by EVCA (the European Venture Capital Association), Luxembourg was ranked among the top most favourable jurisdictions.

Historically Luxembourg's PE expertise related to Soparfis ("Société de participation financière") as acquisition vehicles in PE deals, allowing tax structuring, legal implementation, domiciliation and administration. However, it was the adoption in 2004 of the law on SICARs ("Société d'Investissement en Capital à Risque") that really spurred the development of Luxembourg into a major centre for PE. According to the "Commission de Surveillance du Secteur Financier" (CSSF) (the Luxembourg financial sector regulator), the number of SICARs registered at the end of December 2008 was 210 and by the end of the first quarter of 2009

this figure reached 217, with PwC Luxembourg the clear market leader in terms of number of funds audited.

The launch of the Specialised Investment Funds (SIFs) in 2007 was a further step along the way to putting Luxembourg firmly on the map as “the” European jurisdiction for PE funds and structuring. CSSF figures for the end of December 2008 (i.e. less than a year after its launch) counted 807 SIFs.

The introduction of both these vehicles, coupled with the fact that it has one of the most extensive double tax treaties network, demonstrates Luxembourg's (public and private) strong commitment to this activity. At PwC Luxembourg we believe that this type coherence is vital as the expertise of all players and service providers is needed to support the Grand Duchy as a PE cluster.

According to the PwC Global Private Equity Report 2008, “The world has changed for PE. Out is the virtuous circle of low interest rates, steady economic growth, easy leverage and rising portfolio company valuations.

Instead, tough economic times are beginning and capital markets are having a crisis of confidence.”

Yet even during the current crisis situation PE in Luxembourg has shown surprising levels of growth, with PE houses using the Grand Duchy heavily – some going as far as to establish new, or enlarge existing offices in the country. Although the unprecedented financial events of the last year or so have certainly resulted in fewer material transactions, thanks to the flexibility the PE industry is known for, it has adapted.

There has been a move towards distressed assets, with some companies even buying back their own debt, and many companies and investors have taken the opportunity to conduct a house cleaning. As a result there has been a lot of reorganisation, recapitalisation and refinancing. So even in the throes of a major crisis, PE activity continues and can also assist in being part of the solution by providing an alternative source of financing.

The PwC Global Private Equity report goes on to highlight the main challenges PE firms are now facing – how to create sustainable value, IFRS and fair valuation, provision of consolidated account and often the poor image PE has in certain jurisdictions, among others.

Private Equity at PwC Luxembourg

As global PE leader, PwC Luxembourg can assist clients with all of these issues and quickly accompany them in establishing their funds and operations through each phase of the PE investment lifecycle. These clients include some of the most prestigious and forward-thinking PE houses – large and small – whose executives have come to trust PwC to support their business needs and goals.

PwC Luxembourg houses a specialised department of over 100 experienced personnel dedicated to the provision of cross-competency PE and M&A services to clients; be they first-time funds or established players. Our team is able to assist in all aspects within the

industry: from transaction support, tax structuring, accounting and disclosure best practice to investment portfolio valuation and product audits.

PwC Luxembourg has grown and evolved since its implantation in the country in 1975 (at that time as Coopers and Lybrand, later merging with Price Waterhouse to become PricewaterhouseCoopers in 1998) to the extent that it is now a multidisciplinary audit, tax and advisory firm, which has held the leadership position in Luxembourg for many years. As such it has established itself as an important member of the Grand Duchy’s business community, employing more than 1.800 people, and priding itself in being an innovator and driver of economic growth.

We trust you will enjoy this brochure and look forward working with you as your partner in the near future.



Vincent Lebrun

A stylized handwritten signature in blue ink, consisting of a large 'V' and 'L' connected together, with a horizontal line underneath.

Tax Partner
Private Equity Leader,
PwC Luxembourg.

02 Regulation and supervision of Private Equity vehicles

Type of vehicle	Need that the vehicle may fulfill:
<p>Undertaking for Collective Investment subject to Part II of the Law of December 20, 2002 (“Part II Fund”)</p>	<ul style="list-style-type: none"> • An “onshore” regulated investment fund supervised by a recognised financial authority (the CSSF). • An investment fund which is opened to “non sophisticated” investors (i.e. no competency or minimum investment requirement). • An investment fund allowing investment in any type of asset. • A vehicle that is not subject to corporate income tax.
<p>Specialized Investment Fund (“SIF”) subject to the Law of February 13, 2007</p>	<ul style="list-style-type: none"> • An “onshore” regulated investment fund supervised by a recognised financial authority (the CSSF). • An investment fund which, because it is dedicated to institutional, professional and other well-informed investors, benefits from less stringent legal and regulatory requirements. • An investment fund allowing investment in any type of asset. • A vehicle that is not subject to corporate income tax.
<p>Investment Company in Risk Capital (“SICAR” - Société d’Investissement en Capital à Risque) subject to the Law of June 15, 2004</p>	<ul style="list-style-type: none"> • An “onshore” regulated investment company (NOT an investment fund as a SICAR is not subject to the principle of investment risk diversification) supervised by a recognised financial authority (the CSSF). • An investment company which, because it is dedicated to institutional, professional and other well-informed investors, benefits from less stringent and regulatory requirements. • An investment company allowing investment in any type of PE asset and not subject to investment risk diversification requirements. • An investment company which has features close to a fund as (a) although it is subject to corporate income tax (and thus, in principle, benefits from EU Directives and tax treaties), the revenues of PE investments are excluded from the taxable basis and (b) it can be set up with a variable capital, implying that subscriptions and redemptions of shares in the SICAR are not subject to the formalities, quorum and majority requirements applicable to amendments of the articles of association.
<p>Regular holding company (“Soparfi” – Société de Participation Financière) subject to the general legal framework applicable to Luxembourg companies: the Law of August 10, 1915</p>	<ul style="list-style-type: none"> • A Luxembourg company carrying on holding and financing activities which is not subject to the prudential supervision of a financial authority (a “non-regulated” company). • A company which, because it is fully subject to corporate income tax, benefits from a wide access to Double Taxation Treaties (“DTT”) that Luxembourg has signed with other countries and from application of the EU Directives (e.g. Parent Subsidiary Directive). • A company which may, subject to certain conditions (i.e. applicability of the Luxembourg participation exemption regime) and proper structuring, be subject to an efficient tax regime. • A company which, for the above reasons, is frequently used as an acquisition and financing vehicle for foreign offshore investment funds investing in European PE. • Subject to common Company Law (Law of August 10, 1915 on Commercial Companies).

The specificities of each of these vehicles are laid down below.

	PART II FUND	SIF	SICAR	Soparfi
Legal framework	Subject to Part II of the law of December 20, 2002 on Undertakings for Collective Investment (the "2002 Law").	Subject to the Law of February 13, 2007 on Specialised Investment Funds (the "SIF Law").	Subject to the Law of June 15, 2004 on investment company in risk capital, as amended (the "SICAR Law").	Subject to the Law of August 10, 1915 on Commercial Companies, as amended (the "Company Law").
Legal forms	<ul style="list-style-type: none"> • Corporate form <ul style="list-style-type: none"> - Investment company with variable capital (SICAV): <ul style="list-style-type: none"> ▪ SA¹ - Investment company with fixed capital (SICAF): <ul style="list-style-type: none"> ▪ SA¹ ▪ SCA² ▪ Sàrl³ • Contractual form <ul style="list-style-type: none"> - Contractual fund (FCP) with a Luxembourg management company 	<ul style="list-style-type: none"> • Corporate form <ul style="list-style-type: none"> - Investment company with variable capital (SICAV): <ul style="list-style-type: none"> ▪ SA¹ ▪ SCA² ▪ Sàrl³ ▪ SCoSA⁴ - Investment company with fixed capital (SICAF): <ul style="list-style-type: none"> ▪ SA¹ ▪ SCA² ▪ Sàrl³ ▪ SCS⁵ ▪ SNC⁶ ▪ Société civile⁷ ▪ SCoSA⁴ • Contractual form <ul style="list-style-type: none"> - Contractual fund (FCP) with a Luxembourg management company 	<ul style="list-style-type: none"> • Corporate form <ul style="list-style-type: none"> ▪ SA¹ ▪ SCA² ▪ Sàrl³ ▪ SCS⁵ ▪ SCoSA⁴ • No contractual form available 	<ul style="list-style-type: none"> • Corporate form <ul style="list-style-type: none"> ▪ SA¹ ▪ SCA² ▪ Sàrl³ ▪ SCS⁵ ▪ SCoSA⁴ ▪ Société civile⁷ • No contractual form available
Notes	¹ SA: public limited company ² SCA: corporate partnership limited by shares ³ Sàrl: private limited company ⁴ SCoSA: cooperative company organised as a public limited company ⁵ SCS: limited corporate partnership ⁶ SNC: unlimited company ⁷ Société civile: civil company			

Basics on corporate forms

The choice of the corporate form of an investment company relies on the combination of several factors such as: the tax transparency of the company, the liability of shareholders, the limited or unlimited number of shareholders, the possibility of being listed (as discussed on chapter four) or issuing securities to the public, the conditions to transfer shares, the ability to separate shareholders between those who manage the company from those who only hold capital but do not intervene in the management, or the corporate governance rules. The SA is thus particularly convenient way of clearly organising the roles, powers and liabilities of managers, directors and shareholders. This is of importance in the context of joint-ventures where all stakeholders may have different interests. As for the SCA, this corporate form is particularly interesting for

founding shareholders who want to keep total control of the management. Their liability is unlimited, but they can not be dismissed from the management without their own consent, except if it is provided for otherwise by the articles of association. As regards the Sàrl, the objective is to preserve a significant personal link between shareholders by limiting the transfer of shares to people who were not already shareholders of the company. The last example is the one of the SCS. This corporate form is particularly suitable for founding shareholders who look for tax transparency at the level of the company itself and who want to keep total control of the management.



	PART II FUND	SIF	SICAR	Soparfi
Investors	All types of investors.	<p>Well-informed investors as defined below.</p> <p>A well-informed investor shall be an institutional investor, a professional investor or any other investor who meets the following conditions:</p> <ol style="list-style-type: none"> 1. He has confirmed in writing that he adheres to the status of well-informed investor, and 2. He invests a minimum of EUR 125,000 in the SIF, or 3. He has been subject to an assessment made by a credit institution within the scope of Directive 2006/48/EC, by an investment firm within the scope of Directive 2004/39/EC or by a management company within the scope of Directive 2001/107/EC certifying his expertise, his experience and his knowledge in adequately appraising an investment in the SIF. <p>These conditions are not applicable to the directors and other persons who intervene in the management of the SIF.</p>	<p>Well-informed investors as defined below.</p> <p>A well-informed investor shall be an institutional investor, a professional investor or any other investor who meets the following conditions:</p> <ol style="list-style-type: none"> 1. He has confirmed in writing that he adheres to the status of well-informed investor, and 2. He invests a minimum of EUR 125,000 in the company, or 3. He has been subject to an assessment made by a credit institution within the scope of Directive 2006/48/EC, by an investment firm within the scope of Directive 2004/39/EC or by a management company within the scope of Directive 2001/107/EC certifying his expertise, his experience and his knowledge in adequately appraising an investment in risk capital. <p>These conditions are not applicable to the directors and other persons who intervene in the management of the SICAR.</p>	All types of investors.
Type of securities that may be issued to investors	<ul style="list-style-type: none"> • Shares/Units. 	<ul style="list-style-type: none"> • Shares/Units. • Beneficiary units. • Debt. 	<ul style="list-style-type: none"> • Shares/Units. • Beneficiary units. • Debt. 	<ul style="list-style-type: none"> • Shares/Units. • Beneficiary units. • Debt.

	PART II FUND	SIF	SICAR	Soparfi
Ongoing subscription and redemption of shares possible	Yes, at applicable net asset value plus subscription/redemption fees (principle of “variable capital”).	Yes, at a price determined according to the offering documents (principle of “variable capital”).	Yes, at a price determined according to the offering documents (principle of “variable capital”).	Yes, although variations of share capital would potentially not be an easy process to handle (principle of “fixed capital”). Nevertheless, additional flexibility would be possible through the use of share premium.
Structuring of capital calls	<ul style="list-style-type: none"> • SICAV: capital calls must be organised by way of capital commitments (i.e. contractual undertaking of an investor to subscribe shares of the company upon request and to fully pay them up). • SICAF: capital calls in an SA/SCA may be organised either by way of capital commitments or through the issue of partly paid shares (to be paid up to 25% at least). A Sàrl cannot issue partly paid shares. • FCP: capital calls may be organised either by way of capital commitments or through the issue of partly paid units. 	Capital calls may be organised either by way of capital commitments or through the issue of partly paid shares (to be paid up to 5% at least) or units.	Capital calls may be organised either by way of capital commitments or through the issue of partly paid shares (to be paid up to 5% at least).	<p>Capital calls may be organised either by way of capital commitments or through the issue of partly paid shares (to be paid up to 25%). Sàrl and SCoSA cannot issue partly paid shares.</p> <p>Shares in a SA issued in exchange for contributions other than in cash (generally referred to as “contributions in kind”) must be paid-up within a period of five years from the date of issue. However, the Company Law does not lay down any maximum period for paying up cash contributions.</p>
Minimum capital requirement, compartments and classes	<ul style="list-style-type: none"> • Minimum capital of EUR 1.25 Mio to be reached within six months following approval. • Multiple compartments authorised. • Classes of shares authorised. 	<ul style="list-style-type: none"> • Minimum capital of EUR 1.25 Mio to be reached within twelve months following approval. • Multiple compartments authorised. • Classes of shares authorised. 	<ul style="list-style-type: none"> • Minimum capital of EUR 1 Mio to be reached within twelve months following approval. • Multiple compartments authorised (since the law of October 15, 2008). • Classes of shares authorised. 	<ul style="list-style-type: none"> • Minimum capital EUR 31,000 for a SA/SCA, EUR 12,500 for a Sàrl. No requirement for a SCoSA. • Multiple compartments not authorised, but a deemed compartmentalisation may be achieved through proper structuring. • Classes of shares authorised.

	PART II FUND	SIF	SICAR	Soparfi
Distribution of dividends	Distributions to investors are not subject to restrictions other than compliance with the minimum capital requirements and the provisions of the articles of association (SICAV or SICAF) or management regulations (FCP).	Distributions to investors are not subject to restrictions other than compliance with the minimum capital requirements and the provisions of the articles of association (SICAV or SICAF) or management regulations (FCP).	Distributions to investors are not subject to restrictions other than compliance with the minimum capital requirements and the provisions of the articles of association.	Distributions from SA, SCA and Sàrl can be made in accordance with Company Law subject to the existence of distributable reserves (more restrictive than for Part II Funds, SIFs and SICARs). Payment of interim dividends is also possible for SA (and in practice also performed by Sàrl), subject to the fulfillment of some requirements.
Supervision by the CSSF	Yes.	Yes (less stringent supervision). The promoters and the asset managers do not need to require the prior approval of the CSSF.	Yes (less stringent supervision). The promoters and the asset managers do not need to require the prior approval of the CSSF.	No.

	PART II FUND	SIF	SICAR	Soparfi
Licensing requirement	<ul style="list-style-type: none"> Part II Funds must receive the CSSF's prior authorisation before they can start their activities. The CSSF will pay particular attention to: <ul style="list-style-type: none"> fund's draft constitutional documents, notably the prospectus; identity of the promoter of the fund (must show good reputation, be a professional in the financial sector, be supervised in its country of residence and have sufficient financial resources); identity of the persons in charge of conducting the business of the fund and of managing the fund (must show adequate experience for acting in such capacities); identity of the Luxembourg domiciled central administration and custodian which must have the relevant licenses/authorisations for acting in such capacities; independent auditors; marketing strategy. 	<ul style="list-style-type: none"> SIFs may start operations without CSSF's prior approval but must file an application for approval within one month following the SIF's creation⁸. The CSSF will pay particular attention to: <ul style="list-style-type: none"> fund's draft constitutional documents, notably the prospectus; identity of the persons in charge of conducting the business of the fund (must show adequate experience for acting in such capacities); identity of the Luxembourg domiciled central administration and custodian which must have the relevant licenses/authorisations for acting in such capacities; independent auditors; marketing strategy. 	<ul style="list-style-type: none"> SICARs must receive the CSSF's prior authorisation before they can start their activities⁹. The CSSF will pay particular attention to: <ul style="list-style-type: none"> fund's draft constitutional documents, notably the prospectus; identity of the persons in charge of conducting the business of the fund (must show adequate experience for acting in such capacities); identity of the Luxembourg domiciled custodian which must have the relevant licenses/authorisations for acting in such capacities; identity of the Luxembourg domiciled central administration which must have relevant resources and means for performing its duties (but no need of a license); independent auditors; marketing strategy. 	<ul style="list-style-type: none"> No license required.
Notes	<p>⁸ If structured as a FCP, the management company of the SIF must be authorised by the CSSF before the SIF starts its activities.</p> <p>⁹ A SICAR may not start its activities until it is authorised by the CSSF. However, a Soparfi may be initially set up in order to seize investment opportunities, thus avoiding time constraints related to the authorisation process. In a second stage, the Soparfi can be converted into a SICAR.</p>			

	PART II FUND	SIF	SICAR	Soparfi
Compulsory service providers in Luxembourg	<ul style="list-style-type: none"> • Custodian – responsible for safekeeping of the fund’s assets and certain other supervisory duties – must be a Luxembourg bank or a Luxembourg branch of a foreign bank. • Central administration – responsible for accounting, NAV calculation, keeping of the register of the shareholders/unitholders, handling subscriptions and redemptions, communication with investors and preparation of financial statements – must be a Luxembourg bank or a branch of a foreign bank or a professional of the financial sector with a proper license. • A management company subject to the chapter 14 of the 2002 Law if the Part II fund is set up as an FCP (minimum capital requirements of EUR 125,000; no substance requirement). • Independent auditors 	<ul style="list-style-type: none"> • Custodian – responsible for safekeeping of the fund’s assets – must be a Luxembourg bank or a Luxembourg branch of an EU bank. • Central administration – responsible for accounting, NAV calculation, keeping of the register of the shareholders/unitholders, handling with subscriptions and redemptions, communication with investors and preparation of financial statements – must be a Luxembourg bank or a branch of a EU bank or a professional of the financial sector with a proper license. • A management company subject to the chapter 14 of the 2002 Law if the SIF is set up as an FCP (min. capital requirements of EUR 125,000; no substance requirement). • Independent auditors 	<ul style="list-style-type: none"> • Custodian – responsible for safekeeping SICAR assets – must be a Luxembourg bank or the Luxembourg branch of a foreign bank. • Central administration – responsible for accounting, NAV calculation, keeping of the register of the shareholders/unitholders, handling with subscriptions and redemptions, communication with investors and preparation of financial statements – the central administrator must be located in Luxembourg, it does not need to be a regulated entity but shall in any case establish that it has the necessary human and technical resources to properly fulfill its mission (outsourcing abroad is possible under certain conditions and on a case-by-case basis). • Independent auditors 	<ul style="list-style-type: none"> • Statutory auditor(s) (“commissaire aux comptes”, who is an organ of the company) required for regular holding companies set up as SA, SCA and Sàrl with more than 25 partners, which do not equal or exceed two of the three following criteria listed in the paragraph below. • Independent qualified auditors (“réviseur d’entreprises”) required for regular holding companies set up as SA, SCA, Sàrl, which equal or exceed two of the three following criteria for two consecutive financial years: <ul style="list-style-type: none"> - Average full time employees during the financial year of 50; - Total balance sheet of EUR 3,125,000; - Net annual turnover of EUR 6,250,000 (turnover does not include interest income nor dividend income). • Thus, a Sàrl with less than 25 partners, which does not equal or exceed two of the three criteria mentioned in the paragraph above, is not subject to the legal control of its accounts by statutory or independent auditors.
Supervisory reporting requirements	<ul style="list-style-type: none"> • Monthly reporting to the CSSF (due on the 10th of following month; Circular CSSF 08/348). • Annual audited report (due four months after year end). • Long form report to be issued in accordance with Circular CSSF 02/81. Derogations may be obtained if investors consist exclusively of institutional investors. 	<ul style="list-style-type: none"> • Monthly reporting to the CSSF (due on the 10th of following month; Circular CSSF 08/348). • Annual audited report (due six months after year end). • No long form report required. 	<ul style="list-style-type: none"> • Semi-annual reporting to the CSSF (due 45 calendar days after the reference date; Circular CSSF 08/376). • Annual audited report (due six months after year end). • No long form report required. 	<ul style="list-style-type: none"> • Not applicable.

	PART II FUND	SIF	SICAR	Soparfi
Eligible investments and investment restrictions	<p>Eligible investments unrestricted. Risk diversification requirements in Circular CSSF 91/75. Prior approval of the investment objective and strategy by the CSSF.</p> <p>20% of fund/compartment's net assets in one issuer. It is however possible to set up and entirely hold a special purpose vehicle. The compliance with investment restrictions will be appreciated on the basis of the underlying assets by transparency.</p>	<p>Eligible investments unrestricted. Risk diversification requirements in Circular CSSF 07/309.</p> <p>30% of the fund/compartment's gross assets. It is however possible to set up and entirely hold a special purpose vehicle. The compliance with investment restrictions will be appreciated on the basis of the underlying assets by transparency.</p>	<p>Investments must represent "risk capital" as defined in Circular CSSF 06/241. SICARs are not subject to risk spreading requirements.</p>	<p>Eligible investments unrestricted. Regular holding companies are not subject to risk spreading requirements.</p>
Frequency of NAV calculation	<p>At least once a month (the CSSF may however grant derogations upon a duly justified application).</p>	<p>At least once a year.</p>	<p>At least once a year.</p>	<p>Not applicable.</p>
Valuation principles	<p>Probable realisation value, estimated in good faith.</p>	<p>Fair value determined in accordance with the rules set forth in the fund's constitutive documents.</p>	<p>Fair value determined in accordance with the rules set forth in the articles of association.</p>	<p>There are three accounting methods applicable in Luxembourg for financial assets classified as long term assets: (a) financial assets recorded at lower of cost or market; (b) net equity method (rarely used) and (c) cost less depreciation in case of durable impairment (the most commonly used for holding companies).</p>
Distribution of shares to investors	<p>Public distribution may be possible in certain countries subject to compliance with local rules. Otherwise distribution will have to be limited to private placement.</p>	<p>Distribution limited to well-informed investors. Compliance with marketing rules in distribution countries must be ensured.</p>	<p>Distribution limited to well-informed investors. Compliance with marketing rules in distribution countries must be ensured.</p>	<p>Public distribution possible subject to compliance with the Prospectus Directive and other applicable rules. Public offering of securities may be possible for SA (but not for Sàrl) subject to compliance of applicable rules in the Company Law.</p>

	PART II FUND	SIF	SICAR	Soparfi
Documents to establish according to laws and regulations	<ul style="list-style-type: none"> • Prospectus; • Articles of association (in case of a SICAV or SICAF) or Management regulations (in case of an FCP); • Agreements with the service providers; • Annual audited financial statements (annually within four months of period end); • Semi-annual non audited financial statements (annually within two months of period end); • Long Form Report (annually within four months of period end). 	<ul style="list-style-type: none"> • Offering document; • Articles of association (in case of a SICAV or SICAF) or Management regulations (in case of an FCP); • Agreements with the service providers; • Annual audited financial statements (annually within six months of year end). 	<ul style="list-style-type: none"> • Offering document; • Articles of association; • Agreements with the service providers; • Annual audited financial statements (annually within six months of period end). 	<ul style="list-style-type: none"> • Articles of association; • Annual accounts (audited if applicable) should be approved by the shareholders within six months of the year end, and filed with the Trade and Companies Register within the following month (together with some additional documentation). A filling notice should be published in the Memorial; • Consolidated annual accounts (if applicable).

Possibility for Part II Funds, SIFs and SICARs to create multiple compartments with segregated portfolios of assets and liabilities

Part II Funds, SIFs and SICARs may be constituted with multiple compartments, each compartment corresponding to a distinct part of the assets and liabilities of the investment vehicle. The constitutional documents of the investment vehicle must expressly provide for that possibility and the applicable operational rules. The offering document or prospectus must describe the specific investment policy of each compartment.

The securities of a Part II Fund, a SIF or a SICAR with multiple compartments may be of different value with or without indication of a par value depending on the legal form which has been chosen.

The rights and obligations of investors and of creditors concerning a compartment or which have arisen in connection with the creation, operation or liquidation of a compartment are limited to the assets of that compartment, unless a clause included in the constitutional documents provides otherwise.

For the purpose of the relations between investors, each compartment will be deemed to be a separate entity, unless a clause included in the constitutional documents provides differently.

Each compartment of a Part II Fund, a SIF or a SICAR may be separately liquidated without such separate liquidation resulting in the liquidation of another compartment. Only the liquidation of the last remaining compartment of the investment vehicle will result in the liquidation of the vehicle.

Whilst in principle it is not possible to create multiple compartments in regular holding companies, it would nonetheless be possible to have a deemed compartmentalisation through adequate structuring.

Accounting consolidation for regular holding companies

Under Company Law, Luxembourg companies and their subsidiaries may be required to prepare consolidated accounts on an annual basis¹⁰.

Nevertheless, the Company Law provides for a certain number of exemptions from the requirement to draw up consolidated accounts, which are based on the following factors:

• Size criteria

Where the Luxembourg company is the parent of a group, none of whose subsidiaries are quoted on any stock exchange in any Member State of the European Union, and, where all the group companies taken together and on the basis of their last annual accounts, no two of the following three criteria are exceeded over two consecutive financial years, the holding company is exempted from the requirement to draw up consolidated accounts:

- Balance sheet total:	EUR 12,500,000
- Net turnover:	EUR 25,000,000
- Average number of employees ¹¹ :	250

This exemption is not applicable if one of the consolidated companies is financed by transferable securities.

• Interference with the subsidiaries

The exemption may also be granted where a holding company is not directly or indirectly involved in the management, administration and supervision of its subsidiaries. In practice, this exemption is rarely granted, due to the restrictive legal requirements governing eligibility for the exemption.

• Upstream consolidation

Where a holding company is integrated into the consolidated structure of another company of a Member State of the European Union, it may be exempted from preparing consolidated accounts, as long as it meets certain requirements. Such an exemption is also available for companies preparing their consolidated accounts based on provisions comparable to those of the 7th directive. In practice, US GAAP and IFRS may qualify for the exemption.

• Other special situations

For holding companies purely and exclusively dedicated to PE investors, as well as holding companies holding different PE investments through dedicated Luxembourg special purposes vehicles (the so called “SuperLuxCo” structures) it could be possible to submit a request to the Luxembourg Accounting Commission (on a case-by-case basis) for an exemption from the requirement to prepare consolidated accounts, subject to the fulfillment of certain conditions.

¹⁰ Part II Funds, SIFs and SICARs are exempted by law from the requirement of preparing consolidated accounts.

¹¹ Calculation is effected based on the average number of the employees during the financial year, and expressed in the full time equivalent.

03 Taxation of Private Equity vehicles

The below table is a summary of some generic differences on the tax treatment applicable to the different options for holding portfolio investments through a Luxembourg structure. In practice, however, the choice of the vehicle is not only driven by fiscal reasons, but would result from the combined analyses with several other aspects, as regulatory, business and other non-tax aspects.

	PART II FUND	SIF	SICAR	Soparfi
Subscription tax	In principle 0.05% per annum computed on the NAV, payable and computed quarterly. It may be reduced to 0.01% or even exempt in some specific situations.	In principle 0.01% per annum, computed on its NAV, payable and computed quarterly. Some exemptions are available.	Not applicable.	Not applicable.
Income tax¹²	Luxembourg investment funds are not subject to income taxes in Luxembourg.	Luxembourg investment funds are not subject to income taxes in Luxembourg.	Subject to corporate income tax at the standard rate ¹³ . However, income resulting from securities or transfer/liquidation of securities qualifying as risk capital, as well as income arising from investments in liquid assets pending their investment in risk capital for maximum twelve months, do not constitute taxable income.	Subject to corporate income tax at the standard rate ¹³ . An exemption would normally be available to dividend income, liquidation proceeds and capital gains derived from a qualifying participation under the Luxembourg participation exemption regime ¹⁴ .
Notes:	<p>¹² SICARs and regular holding companies established as limited partnerships (e.g. "Société en Commandite Simple") are exempt from Luxembourg corporate income tax as they would be transparent for Luxembourg tax purposes. SICARs established as a limited partnership will not be considered as a permanent establishment in Luxembourg of non-resident partners and it will therefore be exempt of Municipal Business tax. A Soparfi established as a limited partnership would be subject to Municipal Business tax only in case it is deemed to perform a commercial activity in Luxembourg via a permanent establishment. However, the document will generally refer to Soparfi in the context of the regular holding company subject to the general tax law provisions.</p> <p>¹³ The aggregate corporate income tax rate (i.e. including Corporate Income tax and Municipal Business tax) for companies established in Luxembourg City is 28.59% (as from January 1, 2009). The combined rate is expected to be gradually decreased in the next years to reach 25.5%.</p> <p>¹⁴ Investments held by a Luxembourg Soparfi would qualify for the Luxembourg participation exemption regime in case the subsidiary would either be (a) a resident capital company fully liable to Luxembourg income tax, or (b) a non-resident capital company fully liable to a tax corresponding to Luxembourg corporate tax (i.e. based on administrative practice, corporate tax must be assessed at the minimum rate of 10.5% in similar terms as in Luxembourg), or (c) a company resident of an EU member State mentioned in Article 2 of the EU Parent-Subsidiary Directive. The participation in a qualifying company needs to represent at least 10% of its total capital or have an acquisition value of least EUR 1.2 Mio. (EUR 6 Mio. for capital gains) and be held (or committed to be held) for a minimum uninterrupted period of at least twelve months. In case the holding requirements are not met, only 50% of the dividend income would be tax exempt.</p>			

	PART II FUND	SIF	SICAR	Soparfi
Withholding tax on distributions	No withholding tax should apply on any distributions whether paid to resident or non-resident investors. However, if constituted as a FCP, some payments may be subject to withholding tax under the EU Savings Directive ¹⁵ .		Interest and dividends allocated to investors (residents and non-residents) are not subject to any withholding tax in Luxembourg.	No withholding tax applies to liquidation proceeds or to interest payments (with some specific exceptions). In principle, 15% withholding tax applies to dividend payments. However, an exemption would be available subject to the fulfillment of some conditions ¹⁶ .
Non-residents capital gains taxation	Non-resident investors are not subject to tax in Luxembourg, except in case of speculative capital gains taxation ¹⁷ .		Non-resident investors are not subject to tax in Luxembourg.	Non-resident investors are not subject to tax in Luxembourg, except in case of speculative capital gains taxation ¹⁷ .
Notes:	<p>¹⁵ The Directive 2003/48/EC (i.e. Savings Directive) provides for a transitional period when Luxembourg is entitled to apply a withholding tax instead of a reporting procedure. The applicable rate is of 20%, being increased to 35% as from July 1, 2011. However, the beneficial owner may avoid the withholding tax by either authorising an exchange of information or providing a tax certificate. The withholding tax applies exclusively to interest, so dividends and capital gains are, in principle, excluded. Nevertheless, dividends and capital gains from certain investment funds could potentially be in the scope of the Savings Directive depending upon the regulatory classification and the composition of the portfolio. Therefore, in order to ascertain whether the distributions are under the scope of the Directive or not, attention must be paid in relation to several specific aspects (e.g. the entity's portfolio, residency of paying agent and investors). It should be stressed that it is likely that the Directive will be modified in the future to include in its scope all dividends and capital gains deriving from investment funds whatever their regulatory classification provided their portfolio exceed certain thresholds in terms of debt claims.</p> <p>¹⁶ Namely, that the participation in the distributing Luxembourg company is held by (a) another Luxembourg fully taxable capital company, or (b) a company listed in Article 2 of the EU Parent-Subsidiary Directive (or a Luxembourg permanent establishment of such a company) or (c) a company resident in a country with which Luxembourg has concluded a double tax treaty and is fully liable to a tax corresponding to Luxembourg corporate tax (or a Luxembourg permanent establishment of such a company), or (d) a Swiss resident joint-stock company that is subject to Swiss corporate income tax without benefiting from any exemption, or (e) a joint-stock company or a cooperative society which is resident in a EEA Member State (other than a EU Member State) and is fully liable to a tax corresponding to the Luxembourg corporate income tax (or a permanent establishment of such a company). Additionally, the distributing Luxembourg company should be held (or committed to be held) for at least twelve months and acquired for an amount of at least EUR 1.2 Mio. (or the participation is of at least 10%).</p> <p>¹⁷ If a non-resident (non-treaty protected) corporate investor derives income from the disposal over an important participation (i.e. at least 10%) of shares in a Luxembourg investment fund/company, or it is put into liquidation, within six months of its acquisition/incorporation and a capital gain is realised, that capital gain would be subject to tax in Luxembourg at the rate of (currently) 21.84%. Where a non-resident (non-treaty protected) individual investor derives capital gain from the disposal over an important participation (i.e. at least 10%) of shares/units in a Luxembourg investment fund/company, within six months of its acquisition/incorporation and a capital gain is realised, that capital gain would be subject to tax in Luxembourg at a maximum rate of (currently) 38.95%. If the non-resident (non-treaty protected) individual investor is a former Luxembourg tax resident (and who have been non-resident for less than five years prior to the realisation of the income, and who were Luxembourg residents for at least 15 years) derives capital gain from the disposal over an important participation (i.e. at least 10%) of shares/units in a Luxembourg investment fund/company, that capital gain would be subject to the to tax in Luxembourg at a maximum rate of (currently) 38.95%.</p>			



	PART II FUND	SIF	SICAR	Soparfi
Net wealth tax	Exempt.	Exempt.	Exempt.	0.5% assessed on January 1 of each year on the basis of the net operating assets and computed on the basis of the balance sheet as of December 31 of the preceding year. The date of assessment of the net wealth tax may however be adjusted in case the company has a financial year different from the calendar year. It would be possible to create a special reserve ¹⁸ and qualifying participations may be exempted under certain conditions ¹⁹ .
Capital duty²⁰	Not applicable.	Not applicable.	Not applicable.	Not applicable.
VAT²¹	Services rendered to Part II Funds that qualify as “management services” are exempt ²² .	Services rendered to SIF that qualify as “management services” are exempt ²² .	Services rendered to SICAR that qualify as “management services” are exempt ²² .	Services rendered to a holding company are generally subject to VAT. Whether the holding company is entitled to recover this VAT in full or in part or not at all depends on the activities performed. Generally, VAT incurred on costs attributable to a taxable activity is recoverable. No VAT would be recoverable if the activity is limited to the passive holding of shares, bonds or other securities.
Notes:	<p>¹⁸ A reduction of the net wealth tax payable is available if the taxpayer transfers retained earnings or profits in a special reserve for an amount equal to five times the amount of the net wealth tax to be reduced and commits to block this special reserve for five years (the limit being the corporate tax liability for that same year before tax credits).</p> <p>¹⁹ Participations may be exempt from net wealth tax if such participations have been acquired for at least EUR 1.2 Mio. or represent at least 10% of the subsidiary’s share capital and such subsidiary is either (a) a Luxembourg resident fully taxable capital company, (b) a non-resident capital company fully liable to a tax corresponding to Luxembourg’s corporate income tax or (c) a company residing in an EU Member State and covered by Article 2 of the Parent Subsidiary Directive.</p> <p>²⁰ Capital duty has been abolished as from January 1, 2009. A fixed registration duty of EUR 75 would apply on transactions involving Luxembourg entities (i.e. incorporation, amendments to the articles of association and transfer of seat to Luxembourg). In addition, proportional registration duties may also apply in certain cases.</p> <p>²¹ The standard VAT rate in Luxembourg is 15%. There are reduced rates for specific goods/services; in particular a 12% reduced rate applies to “control and supervision” services.</p> <p>²² The concept of “management services” may include a wide range of services (e.g. accounting services, computation of the NAV, investment advice services, etc.). According to the decision of the European Court of Justice in the Abbey National case, services of a depositary should not be considered as “management services”, but as “services of control and supervision” that are subject to VAT. Sub-contracted services may also be exempt from VAT if they qualify as management services of investment funds and as “final product”.</p>			

	PART II FUND	SIF	SICAR	Soparfi
Tax compliance requirements	Submission of quarterly tax returns in relation to subscription tax, and payment of the subscription tax due within the 20 days after the end of the quarter (i.e. April 20, July 20, October 20 and January 20 for the 1 st , 2 nd , 3 rd and 4 th quarter).		<ul style="list-style-type: none"> The tax returns should involve three taxes: corporate income tax, municipal business tax on profit and net wealth tax (no NWT returns need to be done in relation to SICAR). The declaration obligations related to these three taxes follow the same calendar deadlines. Namely, companies with financial years following the calendar year must file their tax returns at the latest on May 31 of each year following the year when the income was earned. Corporate income tax, municipal business tax on profit and net wealth tax are paid through four prepayments during the year: <ul style="list-style-type: none"> for corporate income tax: before March 10, June 10, September 10 and December 10; for the two other taxes: before February 10, May 10, August 10 and November 10. <p>The taxpayer has a 30 day-period of payment after he acknowledges receipt of the notice of assessment.</p>	
Tax compliance requirements - VAT	<ul style="list-style-type: none"> Any person carrying out taxable transactions in Luxembourg has to register for VAT with the Luxembourg VAT authorities. This has to be done within 15 days of the beginning of the taxable activity. The VAT registration process encompasses the filing of an initial VAT return with the VAT administration. On such return, the applicant has to mention general information about the company (e.g. name, type, activity, shareholders, address, bank account number, annual turnover, among others). The annual turnover determines the frequency of the VAT returns the company will have to file. If the annual turnover (made in Luxembourg) exceeds EUR 620,000, the company will have to file monthly VAT returns as well as an annual summary one. If the turnover is higher than EUR 112,000 but does not exceed EUR 620,000, the company will have to file quarterly VAT returns as well as an annual summary one. Finally, if the annual turnover does not exceed EUR 112,000, the company should only have to file an annual VAT return. With regard to the reporting obligations relating to VAT, the annual return for a said calendar year should be filed before May 1 of the following year. A copy of the articles of association of the company must also be attached to the initial VAT return. This copy must either be in French or in German language. If such a translation is not yet available, an English version can be sent to the VAT administration until this translation is available. As an exception, persons carrying out VAT exempt activities only that do not entitle to recover input VAT and who are not liable to account for reverse charge VAT on services or goods received from suppliers established outside Luxembourg are not required to register for VAT purposes. 			

Choosing the optimal investment vehicle – tax aspects

Taxation of a vehicle that qualifies as a Luxembourg investment fund (i.e. Part II Fund or SIF) is based on an indirect taxation on its NAV, and is thus conceptually different from the taxation of a vehicle under the SICAR law or of a Soparfi, based on income derived. This means that an investment fund would be subject to taxation even in the case no income is derived in a given period, whereas an income based taxation would in principle only take place in case of positive returns during a given period.

However, there is no a clear advantage of one vehicle over the others, as the optimal choice would depend on the specifics of the situation and investor needs. It would, however, be possible to say that the tax features of all the described vehicles would probably allow, if properly planned, for an optimisation of the total tax leakage, not only in relation to Luxembourg taxes, but for the global investment structure.

Below are some additional tax factors to take in consideration when choosing Luxembourg as a holding location for portfolio investments.

Access to EU Directives and to double tax treaties

Luxembourg companies subject to corporate tax should be entitled to benefit from the EU Directives, namely the council Directive 90/435/EEC of July 23, 1990 (“Parent Subsidiary Directive”) and the council Directive 2003/49/EC of June 3, 2003 (“Interest and Royalties Directive”). Additionally, Luxembourg has an extensive double tax treaty (“DTT”) network with more than 50 treaties in place, and treaties with several other jurisdictions currently under negotiation.

Therefore, regular holding companies and SICARs should in principle benefit from the dispositions of the mentioned Directives, as well as from the DTTs signed by Luxembourg. However, the SICAR should also be recognised as resident by the foreign tax administration, and, in view of the uniqueness of its tax regime, this may give rise to some uncertainty in relation to whether it may benefit from the DTTs signed by Luxembourg and the EU directives, which should be carefully analysed from the relevant foreign country perspective. Additionally, Luxembourg investment funds formed as investment companies (e.g. SICAVs) may also benefit from certain DTTs signed by Luxembourg, whereas investment funds formed as investment partnerships (i.e. FCPs) will generally not benefit from them, unless the unit-holders themselves are able to claim such benefits under the applicable DTT.

Foreign withholding tax levied at source (as a reduced rate or at the normal rate) on exempt income received by a Luxembourg vehicle would normally not be refundable. Indeed, according to Luxembourg tax credit rules, the creditable amount is limited to the amount of Luxembourg tax that would have been levied on this income. Therefore, if such income is tax-exempt at the level of the Luxembourg vehicle, the foreign withholding tax would not be offset by any Luxembourg tax.

SICAR European Commission review

In February 2006, the EU Commission undertook a “request for information” procedure regarding the SICAR regime with the purpose of assessing whether the SICAR regime does or does not constitute an illegal State aid scheme. The Luxembourg government has provided the EU Commission with an answer to the preliminary questions (offering explanations on the SICAR regime), but since then the EU Commission has not reacted and has not, to the best of our knowledge, opened any formal investigation.

To date, it is difficult to foresee if and when an official position from the EU Commission will be issued as under the current procedure there is no set deadline for the EU Commission to render a final conclusion. It is important to note that the clear and unambiguous position of the Luxembourg government is that the SICAR regime does not constitute illegal State aid.

We recommend that you contact your tax and/or legal advisers should you wish further clarification on this issue. Further, a proper structuring can always be envisaged in order to mitigate the possible adverse tax consequences that could derive from a State aid qualification.

Substance in Luxembourg

A genuine and adequate substance is a key point to be checked on the list of matters to be considered when implementing international structures.

In Luxembourg, regulated investment vehicles are, by the mere need of satisfying their regulatory, reporting and compliance obligations, obliged to maintain an adequate level of local activity and substance in Luxembourg.

The question of genuine substance is particularly taken into account when it comes to unregulated companies holding cross border portfolio investments that expect to enjoy DTTs and EU Directives and not to fall into foreign CFC (Controlled Foreign Corporation) or anti-avoidance regulation.

Over the past few years we have noted an emerging trend in various jurisdictions where portfolio companies are located to try to challenge the actual substance of foreign holding companies. This has been driven by several factors, amongst which we could quote: reluctance to globalisation, press coverage about alleged destructive behaviors of PE houses to the economy (albeit the EU Commission acknowledges that PE is good for the growth and stability of economy, notably as shown in recent reports issued by EU institutions and declarations from EU officials).

Although many sizeable PE houses have had a significant and very long standing presence in Luxembourg, we see, nowadays, a general trend for concentration and, hence, much more visible holding activities in an integrated circle of holding companies.

In this respect, we stress that Luxembourg offers a wide range of possibilities and advantages to PE houses that are determined to build up international holding structures. We could mention, for instance, the availability of a multilingual workforce familiarised with the financial sector, social, political and monetary stability, among several other factors.

There is also a variety of Luxembourg corporate structures that have been developed to meet the needs of PE houses that are willing to invest into a long term commitment with substantial presence in Luxembourg.

Additionally, being able to demonstrate the substance of a Luxembourg pole of holding companies may prove another key factor from the point of view of the jurisdictions where PE funds are located, ensuring that tax authorities of said jurisdictions will not seek to attract local and taxable presence of these holding companies.

Other considerations on the applicable Luxembourg tax framework

The Luxembourg tax administration has a long history of constructive dialogue with the taxpayers, and has a business friendly attitude. The Luxembourg tax administration is also knowledgeable and familiar with more complex instruments and techniques used by the PE industry, notably with the use of dedicated financial instruments. The funding of the structures may therefore benefit from a great level of flexibility. However, the Luxembourg tax administration would normally require an 85/15 debt to equity ratio on inter-group financing of equity participations.

Finally it should be noted that Luxembourg has no formal CFC rules, and the transfer pricing administrative requirements are considerably less burdensome for the taxpayer especially when compared with other jurisdictions.

04 Listing Private Equity vehicles on the Luxembourg Stock Exchange

The Luxembourg Stock Exchange boasts vast experience in the listing of Luxembourg domiciled vehicles. Recent changes in regulation have made the Luxembourg Stock Exchange a highly attractive listing place for offshore vehicles as well as Luxembourg domiciled PE vehicles.

<p>Reasons for listing a PE vehicle in Luxembourg</p>	<p>Why list a Private Equity vehicle ?</p> <ul style="list-style-type: none"> • To get financing via the offer of shares to the public; • To increase the liquidity of its shares; • To raise its visibility around its partners (customers, providers...). 	<p>Why a listing in Luxembourg ?</p> <ul style="list-style-type: none"> • The flexibility of its investment vehicles; • The choice between two markets with different assets and drawbacks in terms of distribution of units/shares via other markets (i.e. the Luxembourg Stock Exchange and the Euro-Multilateral Trading Facility or Euro-MTF) and in terms of financial reporting; • A solid regulatory and legal framework for listing; • A high quality and secure listing process; • A fast-track and cost efficient process for listing and trading; • A large choice of eligible assets and securities cession techniques for funds.
<p>Main regulations on the two markets on which PE vehicles can be listed</p>	<p>The Luxembourg Stock Exchange Market: an EU regulated market</p> <ul style="list-style-type: none"> • Prospectus Directive 2003/71/EC; • Market Abuse Directive 2003/6/EC; • Transparency Directive 2004/109/EC; • MiFID Directive 2004/39/EC; • Rules and regulations of the Luxembourg Stock Exchange; • The ten Principles of Corporate Governance of the Luxembourg Stock Exchange. 	<p>The Euro-Multilateral Trading Facility: an exchange regulated market</p> <ul style="list-style-type: none"> • Market Abuse Directive 2003/6/EC partially applicable; • MiFID Directive 2004/39/EC; • Rules and regulations of the Luxembourg Stock Exchange.
<p>Main advantages on the two markets on which PE vehicles can be listed</p>	<p>The Luxembourg Stock Exchange Market: the gateway to other European markets & international investors thanks to NYSE-Euronext</p> <ul style="list-style-type: none"> • A single pan-European trading platform (NSC platform) <ul style="list-style-type: none"> - initially used by all NYSE-Euronext European cash markets (Amsterdam, Brussels, Lisbon, Paris); - for trading on a large range of securities (equity securities, debt securities, investment funds, derivative securities, global depositary receipts). • A cross-membership <ul style="list-style-type: none"> - Luxembourg Stock Exchange members qualifying for the European passport may access the NYSE-Euronext European cash markets; - NYSE-Euronext European cash markets members qualifying for the European passport may access the Luxembourg Stock Exchange market. 	<p>The Euro-Multilateral Trading Facility: the interest for non-EU issuers of securities looking for a listing in Europe</p> <ul style="list-style-type: none"> • No financial reporting under IAS/IFRS <ul style="list-style-type: none"> - because the Euro-MTF is out of the scope of the Transparency Directive; - financial reporting remains mandatory; - but can be done via other accounting standards than IAS/IFRS. • No requirement for an European passport <ul style="list-style-type: none"> - because the Euro-MTF is out of the scope of the Prospectus Directive; - the listed PE vehicle can not be distributed in other EU cash markets than Luxembourg; - but EU investors can buy/sell shares/units of the PE vehicle via the Luxembourg Stock Exchange.

PE vehicles eligible to listing	All types of PE vehicles (Part II Funds, SIFs, SICARs, regular holding companies) can be listed on the Luxembourg Stock Exchange Market or the Euro-MTF under certain conditions (e.g. the PE vehicles, which have a corporate legal form, shall be organised either as a SA or a SCA).
Listing process	<p>Step 1: Pre-application & file submission by the issuer either to the CSSF or the Luxembourg Stock Exchange, for admission to public offering</p> <ul style="list-style-type: none"> - if the aim is to list the investment vehicle on the Luxembourg Stock Exchange market, the CSSF is competent for approving the prospectus; - if the aim is to list the investment vehicle on the Euro-MTF, the Luxembourg Stock Exchange is competent to give its visa on the sale document. <p>Step 2: Application to the Luxembourg Stock Exchange for the admission to trading/listing.</p> <p>Step 3: Approval by the Listing Committee.</p> <p>Step 4: Continuing disclosure obligations of listed issuers on a periodic and ad-hoc basis.</p>
Timeframe	<ul style="list-style-type: none"> • Decision for admission of the public offering/the approval of the prospectus: within ten days if no refusal & no further information asked. • Decision for admission to trading/listing: within a maximum period of one month.
Costs	<ul style="list-style-type: none"> • No tax is withheld from transactions carried out on the Luxembourg Stock Exchange. • The prospectus approval/visa, listing and maintenance fees are marginal comparably to other European Union countries.
Eligible assets and securities cession techniques	<ul style="list-style-type: none"> • The eligible assets depend on the legal form of the investment vehicle. • The securities cession techniques are usually used to raise short-term capital and get liquidities without having recourse to a classic bank loan (e.g.: securities lending and borrowing, sale and repurchase agreement “Repo”...).
Technical aspects of listing	<ul style="list-style-type: none"> • The continued development of the technical infrastructure of the Luxembourg Stock Exchange <ul style="list-style-type: none"> - The Luxembourg Stock Exchange provides data products and services for listed securities. - CCLux, provides data products and services for investment funds. - The existence of a web portal providing Fund Processing Passport data on investment funds in line with the industry requirements. • The extension of the e-file communication platform <ul style="list-style-type: none"> - Used for secure communication of procedures and documents for registering an investment fund or listing a security, to a wider range of uses. • After the migration of all securities to a single trading platform to trade securities with NYSE-Euronext, the Luxembourg Stock Exchange has implemented a central counterparty system in providing to its trading members a full integrated solution from trading settlement <ul style="list-style-type: none"> - LCH.Clearnet S.A. acts as the central counterparty for clearing. - Choice of settlement venues at Euroclear Bank or Clearstream Banking Luxembourg, for settlement - Reduction of costs of transactions, higher trading volumes and greater liquidity.

05 PricewaterhouseCoopers Luxembourg services

We provide a full range of services to assist our PE clients, be they "first-time funds" or established players, in establishing their funds and operations through any phase of the PE investment lifecycle:

Fund structuring and financing

- Providing assistance regarding the choice of an appropriate domicile and organisational structure (company form, governance style);
- Tax advisory on the fund setting-up and choice of most adequate structure;
- Review, consultations on regulatory requirements and liaison with the local regulatory authorities, where and if appropriate;
- Advice and consultation regarding financial, regulatory and tax compliance requirements;
- Working with legal counsel on the documents necessary for the establishment and offering of the PE structure;
- Carried interest structuring.

Investment strategy

- Deals origination and M&A financial advisory (acquisition mandates);
- Financial, tax (corporate and VAT) and market due diligences;
- Valuation of investee companies;
- Contributions in kind or other contractual or regulatory reviews;
- Deals tax structuring and implementation;
- Warranties and indemnities for VAT specific clause in sale and purchase agreements;
- Recovery of VAT on deal fees;
- Implementation of VAT efficient deal structure;
- Tax optimisation of management investment.

Holding period

- Audit services for funds and intermediate structures, specific attest reports (reorganisations, refinancing);
- Assistance in record-keeping and in the reporting process to respond to your specific needs and objectives and to meet the needs of your investors;
- Valuation of indirect tax risks;
- IFRS compliance review;
- Providing corporate secretarial services (covering the implementation of complex international structures as part of restructuring plans, mergers and acquisitions, the preparation of articles of association and registrations formalities, the preparation of minutes of boards and shareholders meetings, the setting-up of data room in the context of due diligences);
- Providing accounting services (covering the setting-up of charts of accounts, accounting procedure and policies, the preparation of group consolidation instructions for subsidiaries and headquarters, conversion from foreign GAAP and local to foreign, preparation or compilation of statutory financial statements and consolidated financial statements in accordance with Luxembourg GAAP, US GAAP, IFRS and other GAAP, the IFRS transition coordination);
- Providing corporate income tax compliance services (covering the preparation and review of Luxembourg income tax returns, the review of tax assessments, the assistance in the context of tax audit by the tax authorities, the tax due diligence), and indirect tax compliance services (including VAT registration and deregistration, VAT helpline, preparation and review of annual and/or periodic Luxembourg VAT returns, VAT due diligences);
- Tax Maintenance Papers;
- Assistance for the implementation of customised and tax optimising incentive schemes for the management of PE houses.



Exit Strategy

- Valuation of investee companies;
- Vendor due diligence;
- M&A financial advisory (disposal mandates);
- Regulatory, tax and accounting advice regarding the repatriation of funds to investors;
- Exit strategy, namely from a tax (corporate and VAT) perspective.

Our solutions for Service Providers

For a number of years we have assisted the local service provider community in developing their expertise in the custody and administration of PE funds. Through PwC ACADEMY, we provide standard or tailor-made training solutions that help service providers understand the specificities of the PE industry and the challenges of servicing it. We have also helped a number of them to establish best-practices in the custody and administration of PE funds, this included drafting of operating memorandum as well as advice in the set-up of dedicated PE service desks.

06 PricewaterhouseCoopers Luxembourg contacts

Luxembourg Private Equity Industry Group Leadership Team

YOUR KEY CONTACTS IN TAX CONSULTING



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Vincent Lebrun
Tax Partner – Private Equity Leader

Vincent is a leading Luxembourg tax specialist for PE Houses on Fund structuring, M&A transactions and debt financing structures (i.e. distressed debt/debt buy back). As of July 1, 2008, Vincent took over the leadership of the PE Industry within PwC Luxembourg.



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Laurent de La Mettrie
Tax Partner – Regulated Private Equity Structures and Hedge Funds Structures

Laurent advises Management Companies and several PE and Hedge Fund Managers with regards to tax structuring for Investment Funds, Hedge Funds and PE structures. He also advises clients on securitisation transactions in Luxembourg. In addition, Laurent is a savings taxation expert and advises clients on matters relating to the implementation of the European Savings Directive. Laurent is also PwC Luxembourg's IMRE tax leader.



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Fiona Monsen
Tax Partner - Private Equity Tax Structuring and Repatriation Planning

Fiona moved to PwC Luxembourg during 2009 after having worked with PwC in London. Fiona is a specialist tax advisor in the global Alternative Investment Industry with over 14 years of transaction experience including: investment holding structures, repatriation and remuneration planning, Initial Public Offerings, secondary market transactions, management buy outs and fund structuring including carry and co-investment.



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Laurent Grençon
Tax Partner - VAT services for Private Equity and Real Estate Structures

Laurent specialises in VAT and advises international clients, such as investment funds, asset managers and private equity structures. He also works in close cooperation with key players of the real estate industry and develops structured solutions for the management of the VAT situation of Pan-European real estate funds.

YOUR KEY CONTACTS IN GLOBAL COMPLIANCE SERVICES



Anne-Sophie Preud'homme
Tax Partner – Private Equity
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Anne-Sophie is a partner in the PE accounting and tax compliance services practice of PwC Luxembourg. She specialises in consolidation under Luxembourg GAAP and IFRS. She also leads the Luxembourg Technical Accounting Group.

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Luc heads the PE Accounting and Tax Compliance Services practice of PwC Luxembourg, which provides corporate secretarial services, accounting, coordination, consolidation and tax compliance services to various types of group companies.

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Jean-François Kroonen **Corporate Finance Partner – Private Equity Funds**

Jean-François heads a team of experts who provide financial advisory services to PE Funds in their investment/divestment phase. The team also provides auditors and administrators involved in PE structures and Funds with valuation support. He also delivers advisory services to local custodians and administrators in the area of best practice operations and procedures for PE clients servicing funds or special purpose vehicles.



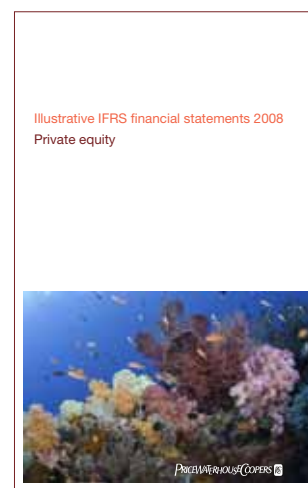
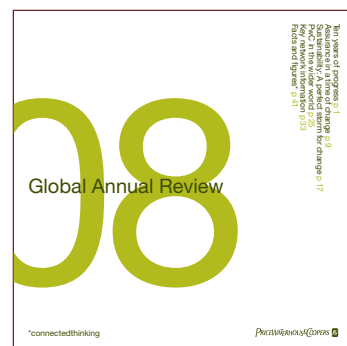
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Xavier Balthazar **RCAS Partner – Regulatory Compliance Advisory Services**

Xavier is a partner in the Regulatory Compliance Advisory Services (RCAS) Department of PwC Luxembourg. He has worked on a number of PE assignments, including assistance in setting up of funds and operating memoranda and assistance in the creation of PE desks at clients.

07 Publications

PricewaterhouseCoopers' professionals take great pride in being recognised as thought leaders and major actors in the Private Equity industry. Other recent noteworthy industry-related activities include:



Global Private Equity Report 2008

Global Annual Review 2008

Illustrative IFRS financial statements

Luxembourg: a prime location for doing business

Global 2008

Our 2008 Global Private Equity Report 2008 highlights the challenges PE firms are facing – ranging from issues that all agree are fundamental, such as how to create sustainable value, through to those that many PE houses have yet to take seriously, in particular sustainability.

Global 2008

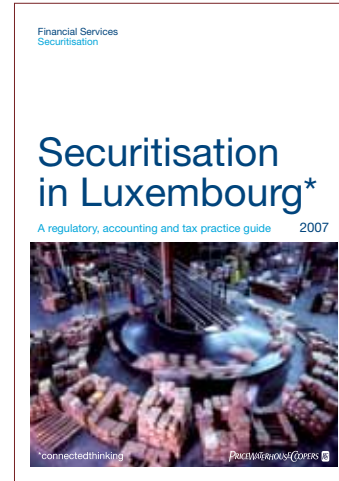
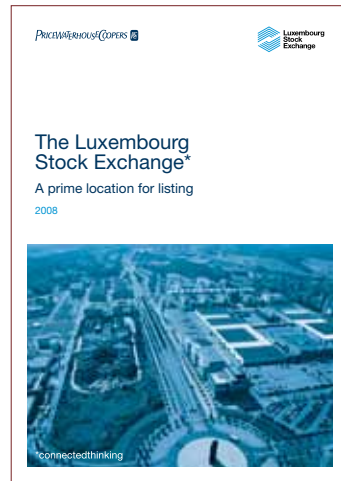
In this year's Review, PwC Global CEO Sam Di Piazza's keynote article takes a look at the ten years of progress since the formation of PricewaterhouseCoopers and analyses some of the major issues facing the accountancy profession and our clients including the role of assurance, sustainability as a business issue and corporate responsibility.

Global 2008

Model financial statements for a fictional private equity limited partnership illustrating the disclosure and presentation required by IFRSs applicable to financial years beginning on or after January 1, 2008.

Luxembourg 2006

The publication provides an overview of Luxembourg's benefits and competitiveness in the world of doing business.



Investment Management Luxembourg – the location of choice

Luxembourg 2008

End 2007, Luxembourg boasted over EUR 2.1 trillion in net assets in over 10,500 Luxembourg domiciled funds, easily placing Luxembourg as the second largest fund centre outside the United States.

We are pleased to provide this summary of the Luxembourg business and regulatory environment for your information and stand ready to provide support whatever your needs may be.

The Luxembourg Stock Exchange: A prime location for listing

Luxembourg 2008

In a context marked by in-depth legal and regulatory changes, the Luxembourg Stock Exchange offers an attractive international listing marketplace for a large range of securities. With 4,200 listed issuers coming from about 105 countries, the Luxembourg Stock Exchange meets capital market player's needs as a result of a 75 year old experience, high-quality products and services as well as fast, flexible and secure processes.

Securitisation in Luxembourg: A regulatory, accounting and tax practice guide

Luxembourg 2007

Since the publication of our first brochure “Structuring Securitisation Transactions in Luxembourg” in September 2004, the securitisation market in Europe generally, and in Luxembourg in particular, has developed tremendously. By the end of April 2007, there were at least 311 vehicles representing nearly 2,000 compartments in Luxembourg. And this growth is not likely to stop as market participants expect further growth in the coming years.

SICAR Law modernisation (Flashnews)

Luxembourg 2008

On October 15, the Luxembourg Chamber of Deputies passed a set of legal provisions which amend, among other things, the Law of June 15, 2004 on investment companies in risk capital (SICAR). After four years of success, some changes were indeed required to meet the needs of the industry and to continue promoting the Luxembourg investment vehicle dedicated to the venture capital and PE businesses.

08 Useful addresses

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09 Glossary

CSSF	Commission de Surveillance du Secteur Financier (commission for the supervision of the financial sector)
DTT	Double Taxation Treaties
Euro MTF	Multilateral Trading Facility
FCP	Fonds Commun de Placement (contractual fund)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
MiFID	Markets in Financial Instruments Directive
Mio.	Million
M&A	Mergers & Acquisitions
NAV	Net Asset Value
NYSE	New York Stock Exchange
SA	Société Anonyme (publicly limited company)
Sàrl	Société à Responsabilité Limitée (limited liability company)
SCA	Société en Commandite par Actions (partnership limited by shares)
SCS	Société en Commandite Simple (limited partnership)
SCoSA	Société Coopérative Organisée sous forme de Société Anonyme (cooperative company organised as a public limited company)
SICAF	Société d'Investissement à Capital Fixe (investment company with fixed capital)
SICAR	Société d'Investissement en Capital à Risque (investment company with risk capital)
SICAV	Société d'Investissement à Capital Variable (investment company with variable capital)
SIF	Specialised Investment Fund governed by the Law of February 13, 2007
Part II Funds	Funds governed by Part II of the Law of December 20, 2002
VAT	Value Added Tax

For any further information about our firm or our services please contact PricewaterhouseCoopers Marketing & Communications department: info@lu.pwc.com

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