



EY Transaction Advisory Services

**Liquidation services
for Luxembourg
investment funds**

Luxembourg

Introduction

EY Restructuring provides leadership in difficult and complex situations to rapidly solve, execute and transform outcomes.

Our teams help clients achieve their strategic goals - whether buying or selling a distressed asset, restructuring a business, addressing underperformance or preserving value through bankruptcy.

We provide the following services in Luxembourg:

- ▶ Voluntary fund liquidations - we act as independent liquidators for investment funds to ensure that the winding-down is conducted in a orderly manner and in compliance with Luxembourg law.
- ▶ Formal insolvency - we can be appointed as liquidators for entities placed into bankruptcy court proceedings or act in an advisory role to recover value for stakeholders.
- ▶ Restructuring - we can advise on restructuring options available in Luxembourg to distressed entities and stakeholders seeking to preserve value.

Learn more at https://www.ey.com/en_lu/transactions/reshaping-results



EY Luxembourg find the answers to your questions and focus on your needs

What is the optimal process to put a fund into liquidation given the circumstances?

How to streamline the formal liquidation process in the pre-liquidation period?

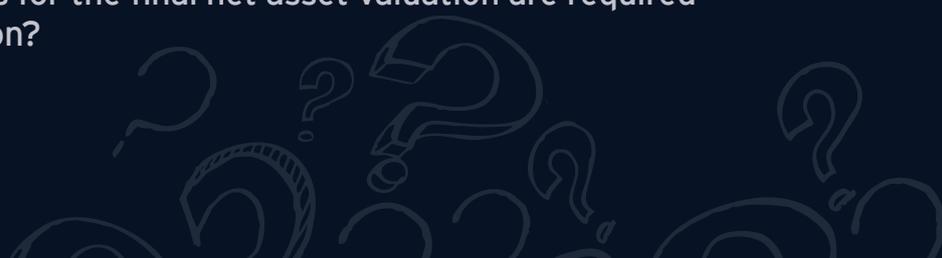
How to efficiently coordinate liquidations in multiple jurisdictions?

How to ensure that all work streams and advisors of liquidation are working in a coherent and coordinated manner?

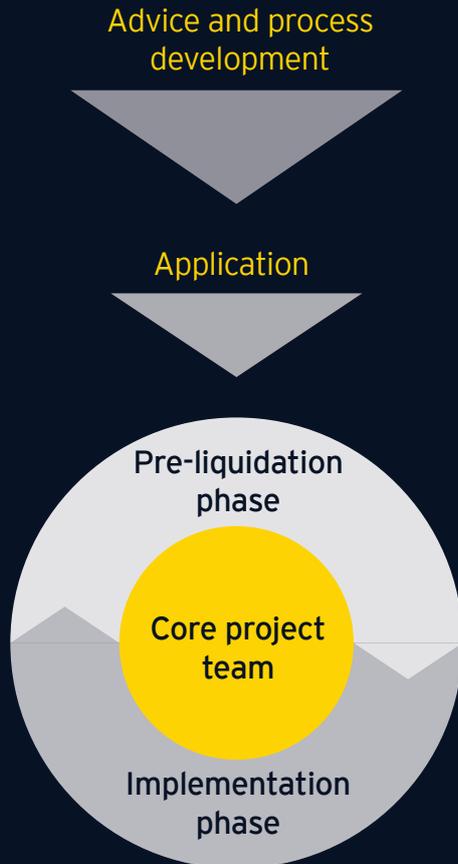
How to deal with illiquid assets, unclaimed distributions, residual liabilities and complicating factors?

How to resolve regulatory, accounting, tax and other issues identified during the liquidation process?

What accruals and provisions for the final net asset valuation are required to ensure a solvent liquidation?



How EY can help?



Phase 1 - Immediate action

- ▶ EY can help develop a comprehensive liquidation program and a detailed step-plan that meets your needs
- ▶ We bring proven methodology and a wealth of experience to help you with developing an optimal pre-liquidation, liquidation and post liquidation process

Phase 2 - Ongoing advice and support

- ▶ The cycle of ongoing support and advice continues throughout the project and includes:
 - ▶ Liaising with various service providers
 - ▶ Providing solutions based approach to resolve issues quickly and ensure a smooth, efficient liquidation
 - ▶ Creating an environment of clear and consistent communication and monitoring

Phase 3 - Implementation and liquidation

- ▶ Implementation and liquidation involves the appointment of EY as a Liquidator or as an administrative assistant to the Liquidator
- ▶ A dedicated liquidation team coordinating the process to minimize liquidation-related costs and ensure an efficient liquidation proceeding

Voluntary fund liquidations

Acting as Liquidator

- ▶ EY would be appointed as Liquidator of the investment by resolution of the Shareholders.
- ▶ When all assets have been realized and all liabilities have been identified, provisioned and settled as appropriate, the Liquidator convenes the Shareholders to the closing Extraordinary General Meeting with a view to deliberate upon the closure of the liquidation process.

Providing administrative assistance to Liquidator

- ▶ EY may also provide administrative assistance to outgoing management acting as Liquidator.
- ▶ EY would coordinate the whole liquidation process, but the powers of signatures remain in hands of the Liquidator.

Out of scope services

- ▶ Domiciliary services
- ▶ Archiving (shareholder register, contracts, books and records)



Overview of a standard solvent liquidation process in Luxembourg

The chart below sets out the indicative and non-exhaustive steps for a voluntary (solvent) liquidation procedure for a regulated investment fund as stipulated by Luxembourg law:

	Phase I Pre-liquidation preparation	Phase II 1 st shareholder meeting	Phase III Liquidation phase	Phase IV Final shareholder meeting	Phase V Post closure formalities
Process overview	<ul style="list-style-type: none">▶ Approval by the supervising authority (e.g. CSSF) of the Liquidator▶ Resolution of the Board of Directors to submit the dissolution and liquidation to the vote of the shareholders	<ul style="list-style-type: none">▶ Vote of the dissolution and liquidation of the investment fund▶ Appointment of Liquidator▶ Appointment of a statutory auditor (<i>Réviseur d'Entreprises Agréé</i>) to the liquidation	<ul style="list-style-type: none">▶ Realization of assets▶ Identification and settlement of liabilities and commitments▶ Termination of contracts▶ Advances on liquidation proceeds instructed at the discretion of the Liquidator	<ul style="list-style-type: none">▶ Vote of the closure of the liquidation proceedings▶ Approval of the report of the statutory auditor to the liquidation▶ Approval of the Liquidator's report and closing liquidation accounts▶ Discharge of the Liquidator's duties	<ul style="list-style-type: none">▶ Payment of final liquidation proceeds▶ Legal and tax deregistration▶ Final reporting to the supervising authority

EY support throughout the whole pre-liquidation and liquidation process

An independent service provider

The context

For regulated entities, the CSSF, Luxembourg's supervisory authority, pre-approves the liquidation scheme and the prospective Liquidator. The appointment of an external Liquidator is then submitted to the vote of the shareholders. The responsibilities and determination of powers of the Liquidator are defined by the amended Law of 10 August 1915 on commercial companies law.

The mission

The Liquidator must realize all the assets and liabilities of the fund and distribute the net assets to the shareholders. The Liquidator may be relieved from inventory and refer to the accounts of the fund. The Liquidator may, under his responsibility, for special or specific operations, delegate to one or more proxies such part of his powers he determines and for the period he will fix. During the liquidation process, control of operations is in the hands of professionals who may have extensive powers, hence the need of an independent Liquidator.

EY Global independence policies and processes are designed to enable our professionals to comply with the independence standards of the *International Ethics Standards Board for Accountants* (IESBA), with more stringent requirements where prescribed by applicable regulators. In addition, our mandates are subject to satisfactions of local *anti money laundering* (AML) requirements.

The Liquidator's remuneration

The Liquidator's remuneration is typically fixed on the basis of:

- ▶ Time spent by the Liquidator and its staff members in attending to matters arising in the liquidation
- ▶ Their individual fee rates, which are based on their qualifications and experience

Measures to support the process

An integrated service tailored to your needs in the hands of a dedicated team coordinating the liquidation process

- ▶ Preparation of corporate documents and termination of contractual arrangements
- ▶ Tax and compliance due diligences
- ▶ Transaction due diligences
- ▶ Local prudential reporting

We consider the following matters are key to the successful delivery of the project

- ▶ Pilot the liquidation plan and periodical status report to the relevant service providers
- ▶ Periodical communication to investors

Your potential benefits

- ▶ A dedicated liquidation team coordinating the process to minimize liquidation-related costs and ensure an efficient liquidation proceeding
- ▶ Outsourcing the liquidation process to EY's dedicated team allows you to focus on your core business and strategy

A dedicated liquidation team

EY's dedicated liquidation team has an extensive experience in dealing with

- ▶ Terminating contractual arrangements
- ▶ Bringing and defending litigation claims
- ▶ Communicating periodical information and valuation estimates to the shareholders
- ▶ Responding to regulatory investigations
- ▶ Resolving disputes or litigations
- ▶ Advances on liquidation bonus distributed in cash/in kind
- ▶ Solving tax or legal compliance issues
- ▶ Regulatory de-registrations
- ▶ Unclaimed redemption proceeds

Expertise in liquidation of investment companies

- ▶ Recover debts and deal with illiquid or complex assets
- ▶ Value different asset classes
- ▶ Hedging activities

Expertise in liquidation of Private Equity/Real Estate companies

- ▶ Monitoring tax implications of a proposed transaction
- ▶ Collecting, review offers and due diligence on potential buyers

Frequently asked questions

Why should I engage EY Luxembourg to liquidate my investment fund?

For a regulated investment fund, the nominated liquidator must be approved by the regulator (e.g. the CSSF). In order to assume an appointment, the nominated liquidator must provide guarantees of good repute and professional skill (see article 145(1) of the Law of 17 December 2010 relating to undertakings for collective investment, as amended) (UCI Law) and the appointment is not a matter to be taken lightly as it carries certain responsibilities and duties to stakeholders and that of the fund itself (see article 143 (8) of the UCI Law, as amended). Ramifications from the conduct of the liquidators may arise as legal actions can be brought against them for up to a maximum of five years from the publication of the liquidation's closure (see article 143 (10) of the UCI Law, as amended). The conclusion is that acting as liquidator is not a simple matter to be taken lightly, even in the context of a solvent voluntary liquidation.

EY Luxembourg has extensive experience dealing with the liquidation of various regulated investment funds, and obtaining approval from CSSF to act as liquidator. EY Luxembourg has a dedicated restructuring and liquidation team to ensure that the liquidation of the fund is handled efficiently by an independent third party and in compliance with applicable law.

What is the average timeline to complete the voluntary liquidation process for an investment fund?

Assuming there are minimal liquid assets and distributions to be made, we would say approximately six to nine months from commencement of liquidation to dissolution. During this period, the liquidator oversees the finalisation of the opening liquidation accounts (i.e. covering the financial period up to the date of commencement of liquidation), realise any residual assets and make interim distributions to shareholders and draft the liquidators' final report to shareholders. The accounts contained in the liquidator's final report itself will be audited by a statutory auditor (*Réviseur d'Enterprises Agréé*) who is appointed during the liquidation period. The timeline for completion may be extended if there are further extraordinary matters arising to be dealt with by the liquidators and is usually subjected to regulatory approval.

Are there any key principles I should be aware of during a liquidation?

The pari-passu principle applies, which means that all shareholders in the same class are to receive equal distributions in proportion to their shareholdings in the fund, calculated based on the audited NAV as at the date of commencement of liquidation. Once the fund commences liquidation, all redemptions and subscription requests should no longer be processed.

How much does it cost to engage EY Luxembourg as liquidator over a solvent, voluntary liquidation of an investment fund?

Our fees are based on time costs incurred, and therefore the liquidation costs will depend on the complexity of matters to be dealt with by the liquidator. Assuming however that there are minimal assets of a liquid nature and minimal distributions to be made, and there are no extraordinary issues arising in the liquidation, the cost of a liquidator for a liquidation lasting approximately six months is usually less than for a full time experienced employee during that same period.

The benefit of an experienced liquidator resides essentially in his know-how to deal efficiently with matters that are usually not in the ordinary course of business for most professionals. In addition, EY Luxembourg can draw upon a vast internal network of experts, enabling to handle efficiently matters that require specific expertise. The combination of experienced fund liquidation professionals and the internal expert network, enables an efficient and timely liquidation process, which ordinary is challenging for non-initiated professionals without such network, which may be at the detriment of investor interests. Appointing an external experienced liquidator also enables your own professionals to focus on their core business and free up valuable management time.

Other Transaction Advisory Services

Restructuring and liquidation services are part of a wider Transaction Advisory Services (TAS) practice through which EY offers a broad range of services around the capital agenda of its clients:

Preserving capital

- ▶ Assessment of risks around liquidity positions
- ▶ Advisory on distressed situations
- ▶ Refinancing debt, equity and other obligations

Investing capital

- ▶ Planning and structuring acquisitions
- ▶ Integrated due diligence and valuation
- ▶ Support in deal negotiations

Optimizing capital

- ▶ Business review
- ▶ Improving working capital and releasing cash
- ▶ Legal entity rationalization

Raising capital

- ▶ Sell-side due diligence
- ▶ Capital raising advice
- ▶ Debt/equity offering support
- ▶ Developing cost and tax efficient structures

Transaction Support

- ▶ Buy-side due diligence
- ▶ Sell-side services (exit readiness, vendor due diligence, vendor assistance)
- ▶ Post-closing assistance (completion accounts, confirmatory due diligence)
- ▶ Support in deal negotiation/SPA drafting

Valuation and Business Modeling

- ▶ Valuation of the business, shares and intangible assets
- ▶ Valuation of capital equipment
- ▶ Business modeling
- ▶ Valuation of employee stock options
- ▶ Value dispute resolution
- ▶ Valuation expert testimony

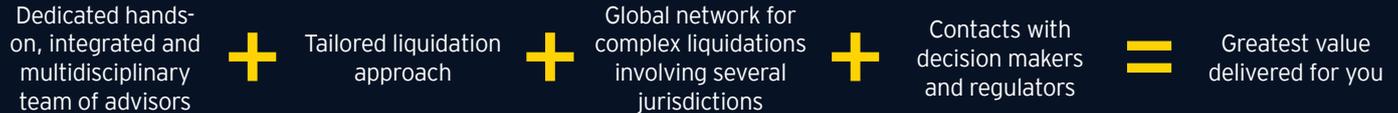
Mergers and Acquisitions

- ▶ Lead advisory services for acquisition, divestments, mergers
- ▶ Assistance in structuring, valuation, negotiations and closing of M&A deals
- ▶ Capital raising advice
- ▶ Debt/equity offering support

Transaction Tax

- ▶ Buy-side and sell-side tax due diligence/review
- ▶ Development of tax efficient acquisition or disposal structures
- ▶ Review of tax assumptions in the financial models

Why EY?



One-shop approach

- ▶ Full-service adviser for end-to-end service solutions.
- ▶ The dedicated team have expertise to address the whole range of issues arising in the course of liquidations: regulatory, tax, accounting, HR etc. to ensure a smooth liquidation process.

Global network for multi-jurisdictional liquidations

- ▶ EY's global network of professionals delivers an integrated approach for complex liquidations across more than 96 countries
- ▶ The global-yet-local perspective is complemented by a deep knowledge of local market conditions and the regulatory nuances.

Proven expertise

- ▶ Extensive liquidation experience with proven track record
- ▶ First-class project teams and integrated solutions
- ▶ Client centric work style and truly partnership based approach

Sector know-how

- ▶ Detailed understanding of the liquidation procedures and the steps leading to liquidation
- ▶ Good working relationship with regulators and authorities
- ▶ Dedicated financial services professionals

An integrated service offering

Restructuring and Liquidation



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About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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About EY's Transaction Advisory Services

How you manage your capital agenda today will define your competitive position tomorrow. We work with clients to create social and economic value by helping them make better, more informed decisions about strategically managing capital and transactions in fast changing-markets. Whether you're preserving, optimizing, raising or investing capital, EY's Transaction Advisory Services combine a unique set of skills, insight and experience to deliver focused advice. We help you drive competitive advantage and increased returns through improved decisions across all aspects of your capital agenda.

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