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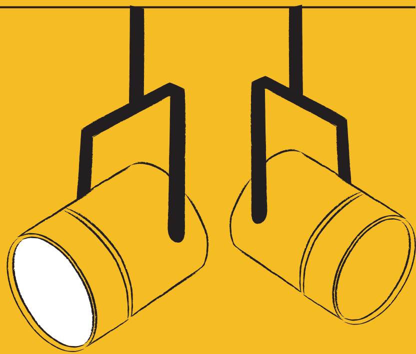
LEGAL SERVICES

Spotlight



Jersey for Private Equity Buyout structures

As well as being home to many private equity funds, Jersey continues to be a popular domicile for acquisition structures used in private equity-backed buyouts of target businesses in the UK and elsewhere.

Jersey private equity acquisition structures often mirror those in the UK and use a stack of companies, such as: Topco (equity holders), Midco (subordinated or shareholder debt) and Bidco (acquisition vehicle and senior debt borrower).

The exact structure used depends primarily on financing and tax objectives in each case. Topco, Midco and Bidco will often be Jersey companies but may be UK tax resident.

Jersey structures are popular with international investors because of the jurisdiction's stability, its well-established and experienced finance industry and because of the flexibility of Jersey's corporate and finance laws.

WHY CHOOSE JERSEY FOR PE STRUCTURES?

- Jersey's versatile company law facilitates changes in equity, new finance injections and bolt-on acquisitions without complexity
- Jersey does not charge capital gains or (for holding structures) corporate taxes
- Jersey has a simplified maintenance of capital regime, allowing solvent companies to return capital to investors from almost any source
- Proceeds can be returned to investors via distributions, redemptions and share buybacks
- Jersey law allows for bespoke shareholder rights and documents, and the terminology and form of these generally follow the English equivalents so will be familiar to onshore clients and advisers
- No Jersey stamp duty or other transfer tax is charged on the sale of shares in a Jersey company
- An element of the shareholder debt used to fund the acquisition structure is often listed on The International Stock Exchange which enables the debt to qualify as Quoted Eurobonds, allowing interest to be paid without UK withholding tax
- Management or employee shareholdings can be held via an employee benefit trust or nominee arrangement which can be set up in Jersey
- Jersey companies can be quickly and efficiently wound up by shareholder resolution, and, where structural simplification is required, two or more Jersey companies can be merged using a statutory process
- If an exit from the business is by way of an IPO, Jersey companies can be listed on most major exchanges including the LSE Main Market, AIM, NYSE and NASDAQ

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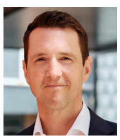

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