



Private Equity Sound Bite

Reed Smith LLP Key PE Contacts

Perry Yam – London
+44 (0)20 3116 2626
pyam@reedsmith.com

Mark Pedretti – New York
+1 212 549 0408
mpedretti@reedsmith.com

Jeremy Glover – London
+44 (0)20 3116 3629
jglover@reedsmith.com

Thomas Gommès – London
+44 (0)20 3116 3577
tgommès@reedsmith.com

Tahira Bano – London
+44 (0)20 3116 2666
tbano@reedsmith.com

Dr. Justus Binder – Munich
+49 (0)89 20304 127
jbinder@reedsmith.com

Marc Fredj – Paris
+33 (0)1 44 34 80 63
mfredj@reedsmith.com

Lucas d'Orgeval – Paris
+33 (0)1 44 34 80 65
ldorgeval@reedsmith.com

Emmanuel Vergnaud – Paris
+33 (0)1 44 34 80 65
evergnaud@reedsmith.com

The United Kingdom Budget Special

Although the list of measures set out in last week's Budget is long, there are few changes which the Chancellor had not announced previously (e.g. in last year's Autumn Statement). That said, the further reduction of corporation tax to 20% from April 2015 is obviously very welcome, as are the abolition of stamp duty on shares quoted on junior markets and the changes to the Seed Enterprise Investment Scheme (SEIS) to allow partial relief from CGT for gains realised in 2013-4 if they are reinvested in shares qualifying for relief under SEIS. More particularly, business owners/managers considering an MBO in the next year or two will be interested in the new CGT relief to be introduced that will apply on the transfer of a controlling interest of a business into employee ownership. The Budget announcement suggests that from 2014, it might be more advantageous for an exiting owner to transfer to employees. Other measures that SME's will find encouraging include the introduction of the £2,000 allowance to be offset against employer NIC's liability, thereby reducing the cost of taking on employees, which is particularly helpful for start up and early stage businesses. The new employee-shareholder status announced last October has also been changed to make it more attractive; there will potentially be no income tax or NIC's charge on the first £2,000 of share value received and there should be no liability to CGT on gains made up to £50,000, although the date of implementation has been pushed back from April to September 2013. Also, as previously announced, legislation will be introduced that removes, for shares acquired through the exercise of a qualifying EMI, the requirement for a person to hold 5 per cent or more of the ordinary share capital of the company in order to qualify for entrepreneur's relief. In addition, the period during which the option has been held will count towards the 12 months qualifying period (which remains). EMI options are exceptionally tax effective and continue to be essential for smaller companies. Certain other technical changes are also to be introduced to assist employee ownership by simplifying the legislation relating to share buy-backs.

A couple of possible changes to the law relating to partnerships are also worthy of mention. Anti-avoidance legislation is to be introduced to counter perceived "misuse of the partnership rules" and, for that purpose, there will be consultation on removing the automatic self-employed treatment of LLP members as well as a review of structures using partnerships to secure tax advantages. This may lead to a period of uncertainty for organisations that are structured as LLPs, or use LLPs within their structures, particularly those with junior or "fixed share" members/partners. There is, however, also to be a consultation on allowing limited partnerships to elect to have separate legal personality, a change which should facilitate their use for private equity and venture capital investments (including potentially replacing Scottish LPs as the form of choice for carry vehicles).

The over-riding message in the Budget though is that things are tough and going to get tougher; borrowing revised up and growth down—looks like the cold weather will be with us for a while! If you would like to discuss further any of the matters raised, please contact Jeremy Glover or Perry Yam.

Transaction Highlights

Recent Deals Across Our Global Platform



Our Munich team advised longstanding client **WHEB Partners** on the acquisition of shares of Hoffmeister Leuchten GmbH, a leading low-energy lighting solutions business based in Germany. Furthermore the team advised on the growth financing of Hoffmeister Leuchten GmbH. This deal was lead by Dr. Justus Binder, Dr. Alexander R. Klett, Jan Weißgerber, as well as associates Daja Apetz-Dreier, Claudia Röthlingshöfer, Frank Mizera, and Felix Wunderlin.



Advised **Cosfibel**, international supplier of packaging and merchandising solutions for the cosmetics, gourmet foods and luxury industries, on another build-up transaction. Cosfibel acquired two companies from the same group, France-based GiftID France and Singapore-based Asian Luxury Limited, both working in the design and production of promotional merchandises. This transaction confirms our team's position alongside recurring client Cosfibel in their rapid development strategy. This deal was led by our Paris Corporate Private Equity partner Emmanuel Vergnaud and Tax Counsel Stéphane Letranchant.

Global Capabilities

Expanding the Team



Thomas Gommes joined Reed Smith in early March 2013 with a investment management and private equity focus. Prior to joining Reed Smith, Thomas practiced corporate law in the New York and London offices of Cravath, Swaine & Moore and subsequently practiced in London at Kirkland and Ellis in their private equity and hedge funds group. In addition to his experience as a lawyer, Thomas founded and operated an online news site and has also worked in a small private investments business.

Thomas is qualified as an attorney in the United States and as a solicitor in England and Wales. He graduated from Columbia University and then from Columbia Law School. Thomas speaks fluent French and Spanish, as well as conversational Greek. Tom is located in our London office and can be contacted at tgommes@reedsmith.com or +44 (0)20 3116 3577.

Paris Private Equity Legal Publications



French publication *Le Magazine des Affaires* just released its ranking of the top 50 “Rising Stars” in business law. Reed Smith partner Emmanuel Vergnaud is amongst them. He is recognised for the development of his core practice in mid-cap Private Equity. Emmanuel, along with Lucas d’Orgeval and Marc Fredj, also mentioned represent a generation of young partners who “work on the most important deals on the market” and “should make the difference in the years to come”.