

Foreword

We are pleased to share the August edition of our *PE Connect* newsletter in an effort to keep our clients and contacts connected with the latest developments and activities in private equity across the globe and industry sectors as we navigate a continually changing world.

With decades of experience serving as pragmatic legal and business advisors to our clients, we understand the private equity industry from all perspectives. Our global private equity team of more than 150 lawyers is fluent in market trends and the interests and priorities of the actors in the sector, including sponsors, management teams, lenders, co-investors and limited partners. When it comes to fundraising, acquiring, divesting or restructuring funds and investments, our deep understanding of the space allows us to be on the cutting-edge of the private equity sector.

This month's edition compiles our recent publications, news and events; includes a spotlight on our health care and life sciences practice; and focuses on our German team.

We invite you to reach out directly to us, and if you are interested in being added to the mailing list for this distribution, please [click here](#) to let us know!

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In this issue:

- Our recent firm publications
- Spotlight on health care and life sciences
- Our team in the news
- Spotlight on Germany
- Recent events

Our recent firm publications

The Singapore Variable Capital Company: A new tool in the box for asset managers

The Singapore Variable Capital Company (commonly referred to as VCC) is a new type of investment fund vehicle that aims to further strengthen and consolidate Singapore's position as a hub for fund management activities. In a short space of time, more than 70 VCCs have been registered and numerous further VCCs are being set up, confirming a swift rate of adoption in the investment community. Given the increasing international interest in the VCC regime, we set out below an overview of its key features and use cases, as well as examples of how Reed Smith is assisting clients in this fast-evolving area. [Read more here.](#)

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MNPI compliance considerations for investment advisors managing private funds

Since the COVID-19 pandemic caused market turmoil in mid-March 2020, we have seen increased trading volumes in liquid credits and public equities and an increasing number of debt deals featuring equity sweeteners and board seats. The Securities and Exchange Commission (SEC) is increasingly prioritizing the risks associated with the interplay between debt and equity in the investment held by our asset manager clients and their peers. A risk alert issued by the SEC's Office of Compliance Inspections and Examinations (OCIE) on June 23, 2020, provides particularly timely and relevant insights into recent audits of private fund advisors with multiple investments and relationships with the same portfolio companies. The alert focuses on

three areas: (i) conflicts of interests, (ii) fees and expenses, and (iii) material non-public information (MNPI). It was issued on the heels of the SEC's settlement with Ares Management LLC (Ares) relating to Ares' handling of MNPI in connection with a public company in which Ares held equity and debt. While the SEC has not officially endorsed the OCIE alert, we view the two publications as an indication that the SEC is focusing on asset managers' and private funds' treatment of MNPI. [Read more here.](#)

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IRS proposes regulations on the taxation of carried interests

On July 31, 2020, the Internal Revenue Service (IRS) and the U.S. Treasury Department issued proposed regulations on the taxation of carried interests under Section 1061 of the Internal Revenue Code of 1986. The proposed rules address various unresolved issues regarding the application of Section 1061, and include detailed computational rules and reporting requirements. The proposed rules generally apply to taxable years beginning on or after the date final regulations are published in the *Federal Register*, although taxpayers generally may rely on the proposed rules for taxable years beginning before such date. [Read more here.](#)

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Spotlight on health care & life sciences

Reed's Smith's unrivalled industry knowledge and relationships in industry sectors such as **health care & life sciences**, **energy & natural resources**, **entertainment & media**, **financial services**, **transportation**, **technology** and **real estate** allows us to help clients navigate complex problems and identify, source and unlock value in their investments.

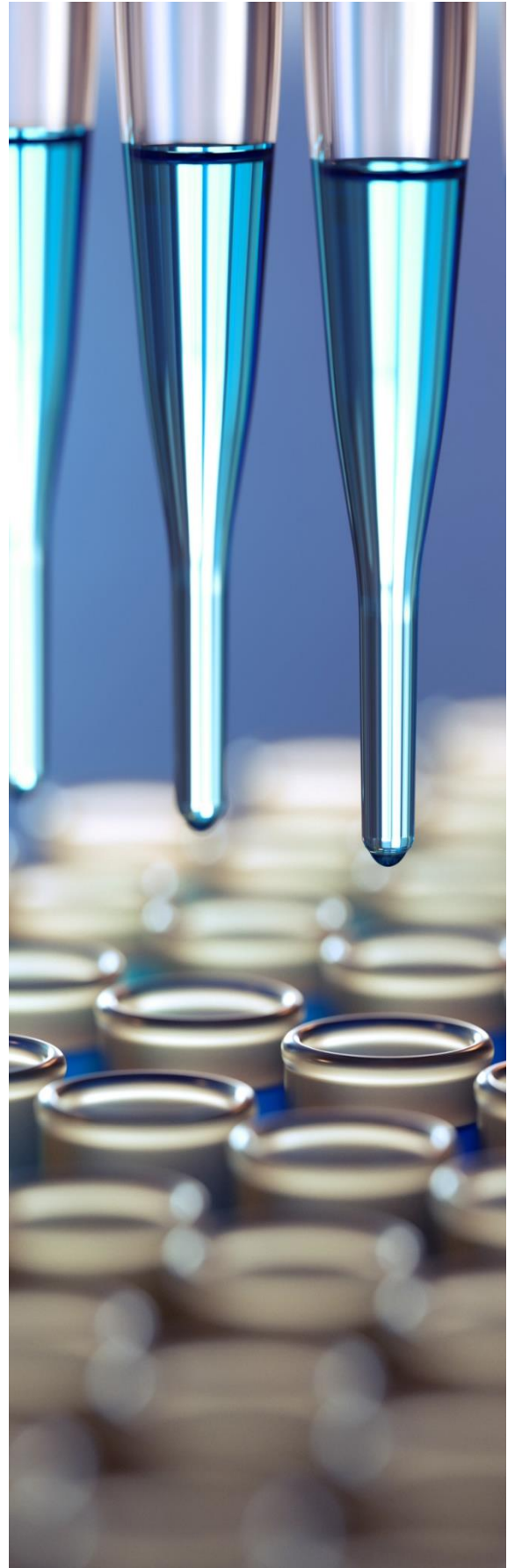
We have one of the largest health care & life sciences practices in the world, representing many industry-leading private equity funds. With experienced life sciences and health care lawyers globally, Reed Smith is able to handle virtually any related transaction, fund, joint venture, or strategic alliance anywhere in the world. We are able to offer solutions regarding all aspects of a transaction. This health care experience, coupled with our private equity qualifications, gives us a depth of knowledge that few firms can match.

Deal highlights for 2020

We recently advised EW Healthcare Partners on its \$90 million private investment into the public equity of MiMedx Group, Inc. (MDXG: OTC US), an industry leader in advanced wound care and an emerging therapeutic biologics company. EW purchased convertible preferred stock from the company. The investment included a global refinancing of the company that included a new credit facility. The Reed Smith team included New York-based partners Mark Pedretti, Jared Kelly, and Tadashi Okamoto; and Dallas-based associates Katherine Geddes and Brooke Dorris. [Learn more here.](#)

We advised Global Healthcare Opportunities (GHO Capital) a European specialist investor in health care, on its investment in FairJourney Biologics (FairJourney). The significant transaction will support both organizations in their shared goal of becoming a global leader in the outsourced discovery and development of biologics. The team was led by London partner Iqbal Hussain, supported by Global Corporate Group partners Mark Pedretti and Wayne Uffleman; tax partner Gareth Amdor; associates James Hatchard and Alia Khalil; and counsel Carl De Cicco. [Learn more here.](#)

We more recently advised GHO Capital and FairJourney on all aspects of the combination of FairJourney's business operations with UK-based antibody discovery company, Iontas Ltd. The Reed Smith team was led by partner Iqbal Hussain, supported by PE partner Mark Pedretti; tax partner Gareth Amdor; IP partner Jonathan Radcliffe; and associates James Hatchard, Alia Khalil, Yexi Tran and Lily Wu. [Learn more here.](#)



Our team in the news

Recent announcements

Legal 500 USA ranks Global Corporate Group in 9 categories with 36 lawyer mentions

We are recognized in Private Equity Buyouts, **Life Science Transactions**, PE Funds, M&A, VC/Emerging Companies, FinTech, International Tax and Entertainment Transactions teams in this year's Legal 500 rankings.

Corporate lawyers recognized in Best Lawyers™ in France 2021

Congratulations to the corporate team, including Florence Bilger, Jean-Pierre Collet, Marc Lévy, Natasha Tardif for being selected to the Best Lawyers in France 2021 list.

Our team featured in external publications

PE Deals Should Consider Government Contractors Small Biz Status

In *this Law360* article, Elizabeth Leavy and Robert McCann identify several red flags and the potential workarounds private equity firms should consider when investing in government contractors. Read the full article on *Law360*.

Private equity flips its economic defibrillator

Laura Brunnen and Mark Sanders share their thoughts on the reactions and response they are seeing to COVID-19, particularly in the private equity sector in the *Citywealth* article "Private equity flips its economic defibrillator".

Distressed assets – opportunity for a bargain but pitfalls abound

Singapore Law Watch has published our recent client alert on distressed assets and the complexities and considerations around these transactions.

Texas Lawyer Q&A with Bobby Majumder

In honor of Asian Pacific American Heritage Month 2020, *Texas Lawyer* published a Q&A with Dallas co-office managing partner Bobby Majumder, which discussed his upbringing in West Virginia, the inspirations that led to his legal career, his work co-leading the firm's India practice and the firm's growth in Dallas.

Tips on attracting investors to the struggling cannabis industry

Marc Hauser spoke with *Law360* on recruiting investors to the cannabis industry, saying that the current climate presents a unique opportunity for investors accustomed to risk.

Lower valuations, success of bolt-on acquisitions, COVID-19 has changed the private equity playbook

Zawya has published an article written by our Dubai partners Adela Mues and Sachin Kerur, where they discuss the effect of the COVID-19 pandemic on the private equity industry, taking a closer look at the Middle East market.

On Aug. 4, the Covenants by Reorg podcast included Elizabeth Tabas in their **Serta Simmons Takeaways & Other Possible Loopholes** episode. Listen here.

Spotlight on Germany

Reed Smith's private equity team has local depth and global reach, with deep sector knowledge across 30 offices in the **United States, Europe, the Middle East and Asia**.

With offices in Frankfurt and Munich, our corporate team in Germany represents private equity firms, hedge funds, venture capital funds, special situation funds, financial institutions, banks, portfolio managers and equity fund investors on issues including fund formation, investment transactions, portfolio company purchase and sale transactions, regulatory compliance, angel financing and acquisition financing.

Recent industry recognition of our German team includes:

Corporate lawyers recognized in Best Lawyers™ in Germany 2021

Congratulations to the corporate team, including Justus Binder, Martin Bünning, Dr. Octavio de Sousa, Rolf Hünemann, Stephan Rippert, Tilman Siebert and Dr. Michaela Westrup for being recognized as leading lawyers in the 2021 edition of *The Best Lawyers in Germany!*

Reed Smith's German M&A practice awarded 'Top Law Firm 2020' by Wirtschaftswoche

Huge congratulations to partners Rolf Hünemann and Dr. Octavio de Sousa for being recognized as Top Lawyers 2020 for their M&A work by leading German business magazine *WirtschaftsWoche*. Our German M&A team has also been awarded 'Top Law Firm 2020'.

Our German team is also:

- Ranked for "Private Equity: Transactions (Mid-Cap)", "Private Equity/Venture Capital", "M&A" *JUVE Handbook of Commercial Law Firms 2019/2020*
- Ranked for "Private Equity: Venture Capital" and "Corporate / M&A: Mid-Market" *Chambers Europe 2019*

Recent events

Liquidity and Capital Solutions for Private Equity Fund Managers

On July 23 Julia Boyd, Parik Dasgupta and Elizabeth Tabas held an interactive discussion on GP led strategic solutions in light of the COVID-19 crisis. Topics included GP stake sales, fund restructurings, GP-led secondaries, NAV based loans and preferred equity solutions.

We were particularly pleased to welcome Anthony Maniscalco of Investcorp, Upacala Mapatuna of Centre Lane Partners, Matthew Shafer of Northleaf Capital, and Darren Foreman of the Pennsylvania Public School Employees' Retirement System, who joined the Reed Smith partners.

Life Sciences Virtual Roundtable: Deal - making in a post-COVID-19 world

On July 16, Iqbal Hussain hosted a discussion with a panel of strategic, private equity and venture capital leading deal makers that shared their reflections on the impact COVID-19 has had on deal making in the life sciences sector and lessons learned and their perspectives on deal making and deal trends in the sector in a post-COVID-19 world. External speakers included Maria Dahl (AstraZeneca), Edward de Nor (GHO Capital), Johan Verbeeck (Janssen/Johnson & Johnson), Laurence Barker (SV Health Investors), and James West (Results International).

Structuring NAV and hybrid funds finance facilities to PE funds

On July 7, Leon Stephenson, Bronwen Jones, Colin Baker, Kevin-Paul Deveau and Nick Stainthorpe hosted a discussion on structuring NAV and hybrid funds finance facilities to PE funds in a way that protects the lenders but at the same time provides flexibility to the fund, avoiding pitfall issues like change of control. Our panel was joined by representatives from Silicon Valley Bank, 17Capital and Helios Investment Partners.

Structured Equity: Opportunities through flexible financing

On July 1, Julia Boyd, Elizabeth Tabas, Tadashi Okamoto, and Joy Zhang hosted a live discussion on structured capital solutions and opportunities in the private and public markets. Topics included governance matters, upside opportunities, exit options and downside protection features, tax and structuring considerations and Securities Act matters. Our panel included David Markus of Turning Rock Partners, Gretchen Perkins of Huron Capital, Lavanya Srinivasan of Partners Group, and Lewis Chia of Stifel Financial.

Private Equity Investing in 2020 – current themes

On June 30, Mark Sanders, Laura Brunnen, Elle Todd, Nick Williams, Ross Mackenzie and Howard Womersley Smith hosted a webinar to discuss some of the key themes we are currently seeing in private equity transactions. Themes discussed during the webinar included:

- Issues in opportunistic bolt-on acquisitions
- Finance market conditions
- Technology and data risks
- Recent developments in UK competition law and practice.

Challenges and key considerations in medical device M&A deals in Europe

On June 24, Iqbal Hussain and Wim Vandenberghe hosted a webinar exploring the challenges and certain key considerations in M&A deals involving medical devices in Europe. Areas that were discussed include:

- Legal and business challenges
- Deal structuring considerations
- Scoping out due diligence
- EU Medical Device Regulation (MDR) impact
- Deal protections, indemnities and warranties
- Common issues, deal-stoppers and pitfalls
- Preparing for post-acquisition integration, harmonization, and remediation



Reed Smith is a dynamic international law firm, dedicated to helping clients move their businesses forward.

Our long-standing relationships, international outlook, and collaborative structure make us the go-to partner for speedy resolution of complex disputes, transactions, and regulatory matters.



This document is not intended to provide legal advice to be used in a specific fact situation; the contents are for informational purposes only.
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