

Ernst & Young Luxembourg

# Our market leading real estate team



## Table of contents

Ernst & Young Luxembourg's real estate team - our ambition	1
We are part of an integrated global real estate team	3
Luxembourg, a leading domicile for real estate funds	4
The Ernst & Young Luxembourg real estate team	6
Our client service model	8
Our expertise at your service	9
Product lifecycles - helping you succeed every step of the way	10
Services and contacts	12

# Ernst & Young Luxembourg's real estate team - our ambition

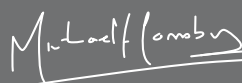
Ernst & Young Luxembourg's market leading integrated real estate practice comprises over 120 experienced professionals providing audit and assurance, tax and legal, advisory and transaction services to real estate fund managers, investors, lenders, owner occupiers and developers. With a significant market share, our team understands and provides insights into the industry issues that real estate stakeholders need to address.

We have the largest global real estate professional services team in the world. Due to the highly international nature of Luxembourg based real estate investment funds, our Luxembourg team is highly connected with real estate professionals around the world and is a key hub in our global network.

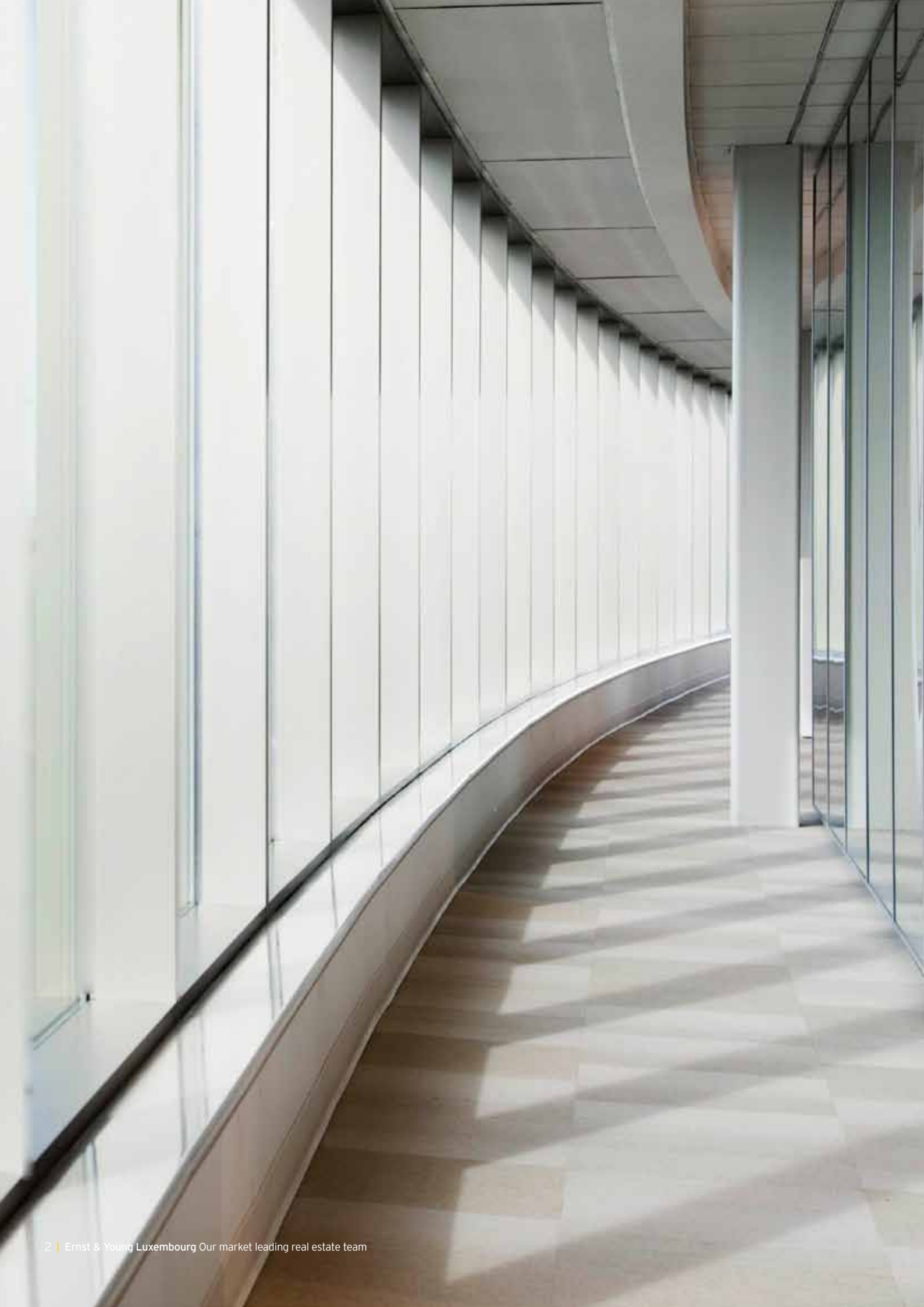
Our market leading Luxembourg team includes experts with deep industry knowledge and experience, particularly in fund and asset management, where we deploy services that match needs over the lifecycle of investment products, each step of the way. In certain fields our team members are considered industry thought leaders, identifying and creating points

of view on emerging business issues and risks, and developing practical solutions. This knowledge is proactively shared with market participants through issue-based forums such as the Ernst & Young Alternative Investment Funds (AIF) Club, which addresses industry, technical and regulatory issues. Our expertise is also shared with our clients in the way we aspire to work with each of them, in an open, objective and collaborative manner. For instance, we often organize facilitated sessions to help clients understand, prioritize and address matters critical to their success.

In short, whether performing audits, giving tax or operational advice, or engaging in transaction related services, our ambition is to **ensure our clients receive an all-round quality service executed by some of the most knowledgeable and experienced professionals in the real estate sector.** At the same time we want to play a role in shaping the future of the sector in a positive way and contribute to the development of effective market infrastructure through our involvement with industry organizations and insightful thought leadership.



Michael Hornsby  
EMEIA Real Estate Funds Leader  
Ernst & Young



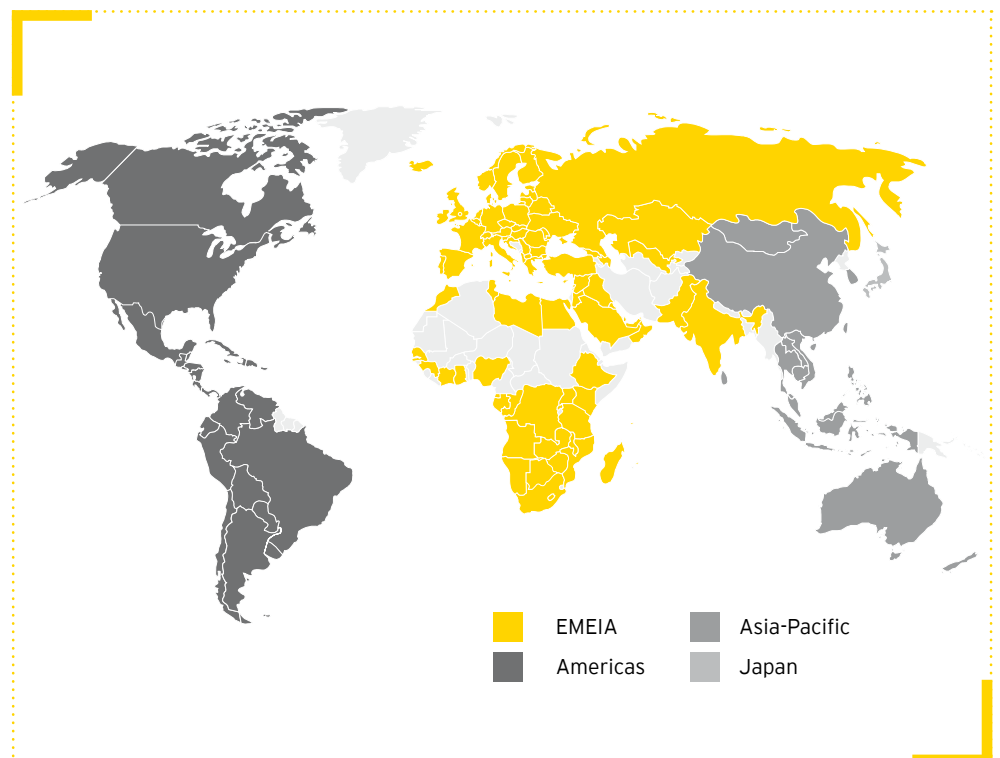
# We are part of an integrated global real estate team

Since 1 July 2008, our practices in Europe, the Middle East, India and Africa (EMEIA) have operated under a single structure as a key part of a global framework. As such we are the first major professional services organization to bring a borderless approach to the emerging markets of Russia, India, the Middle East and Africa, as well as the established markets of Europe.

This enables us to better leverage our strengths and move swiftly to bring together our teams to serve our clients, drawing on our industry experience across all our services in 87 countries. This enables Ernst & Young's EMEIA real estate group of

2,300 people to provide professional services to clients to help them meet their business needs, wherever these needs arise.

Dealing mainly with international diversified real estate funds, our Luxembourg team has significantly benefited from this strong network. We have been able to build close working relationships with our colleagues in EMEIA and across the world; this allows us to respond quickly to client needs and ensures an efficient and well coordinated international approach.



# Luxembourg, a leading domicile for real estate funds

## Luxembourg - The country

Luxembourg, one of the smallest European Union (EU) Member States, and a founding member, is located between Germany, France and Belgium with an area of 2,586 square kilometers and approximately 484,000 inhabitants. It is also a member of international bodies such as the United Nations (UN) and NATO and moreover boasts political, economical and social stability while retaining a constitutional monarchy.

Luxembourg's privileged central location in Europe offers easy cross-border access to regional, European and international markets. The country has regular air and rail links to Europe's major cities such as London, Frankfurt, Paris, Zurich and Madrid.

## Luxembourg as a financial center

Luxembourg has become one of the world's leading financial centers and often serves as a European hub for business serving clients worldwide. It stands out as an international center of excellence for private banking and investment funds, and continues to evolve rapidly in these areas. The diversity of these sectors is demonstrated by the geographical origins of banks (from over 20 countries) and the promoters of investment funds (from over 40 countries).

Luxembourg offers a full range of financial services provided, by investment firms, financial sector professionals, domiciliation agents, administrative agents, operators of IT systems and communications networks, the Luxembourg Stock Exchange, and payment and securities settlement systems. The financial center is served by highly experienced and competent locally-based service providers such as lawyers, accountants and tax advisers, with Luxembourg's tax regime being one of Europe's most favorable for both businesses and residents.

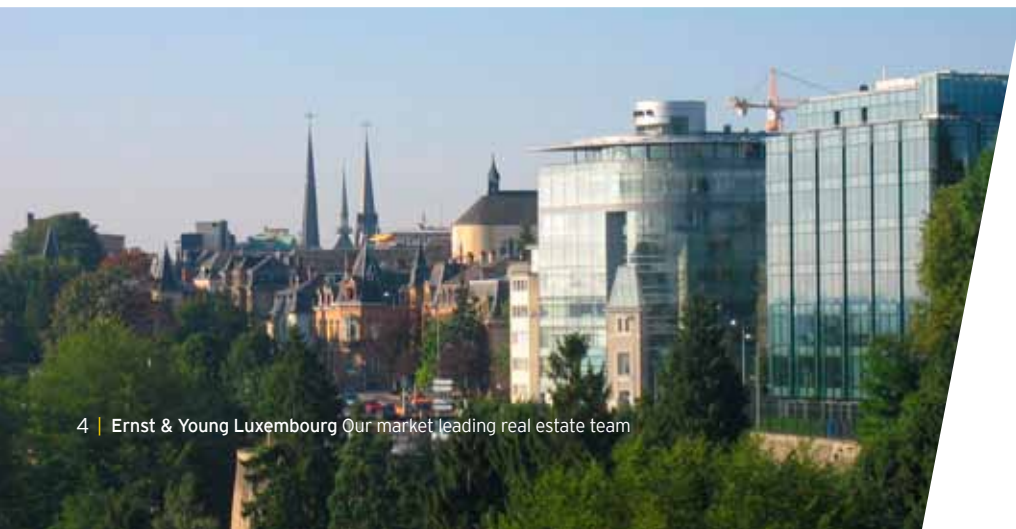
## Why Luxembourg for real estate structures?

Regulated Luxembourg investment funds are authorized and supervised by the *Commission de Surveillance du Secteur Financier* (CSSF). The Luxembourg fund industry has, since 1988, been successfully represented and promoted by the Association of the Luxembourg Fund Industry (ALFI) with a very active real estate working group comprising over 50 members representing both fund managers and service providers alike.

Based on recent survey results conducted by ALFI, Luxembourg has emerged as the international domicile of choice for real estate funds due to factors such as:

- ▶ An outstanding track record in multinational distribution for fund products
- ▶ Flexible regulatory environment which can adapt to the need of a wide range of alternative fund products
- ▶ Tax neutral environment for fund structuring and attractive fiscal environment for fund managers
- ▶ Best practice reporting and governance structures attractive to investors
- ▶ Reputation and stability of the financial center
- ▶ Accessibility to the authorities
- ▶ Expertise and cost competitiveness of locally-based service providers
- ▶ Ability to outsource both within the domicile and cross-border
- ▶ Qualifications and knowledge of workforce (including languages)

These are all areas in which Luxembourg scores highly. This has generated growth in the alternatives sector in Luxembourg over the last five years, which outpaced all other European countries. Luxembourg is already the world's leading domicile of traditional funds distributed cross-border.



**Tax neutral structures**

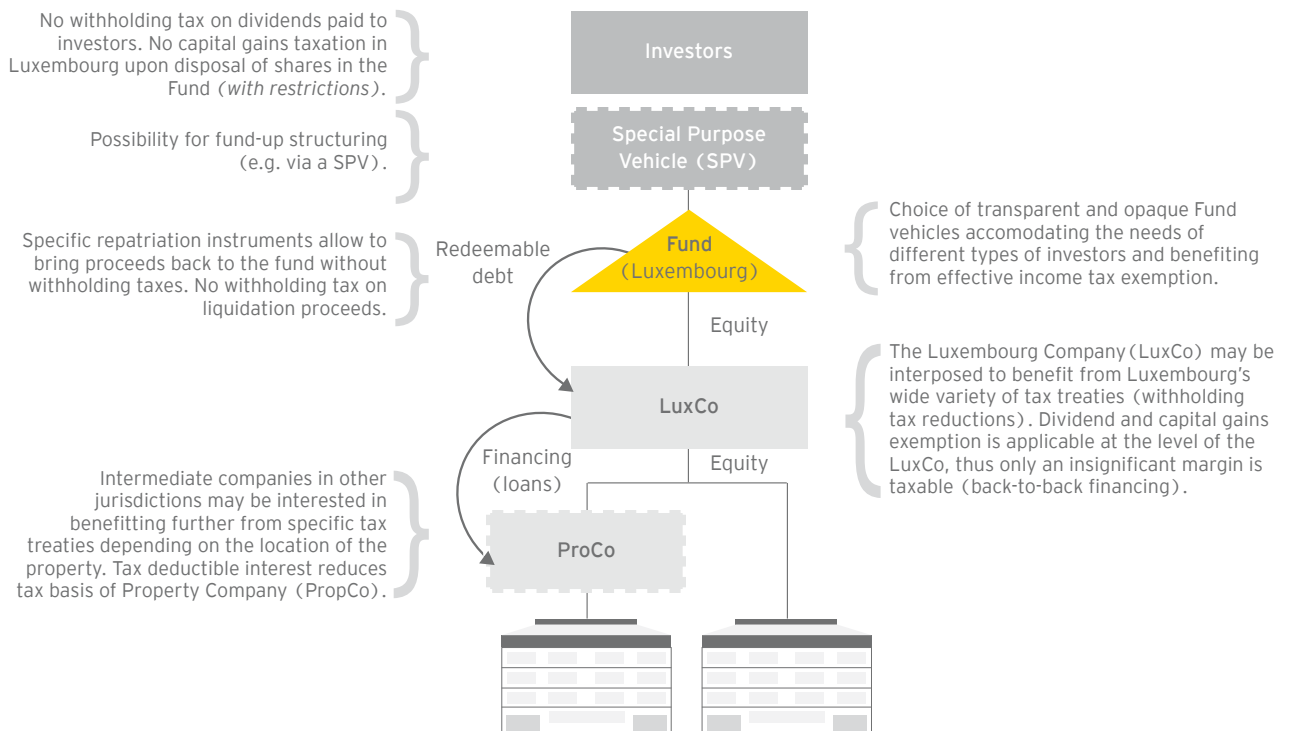
Luxembourg financial services and management companies may benefit from an attractive tax and regulatory environment when establishing their taxable basis for corporate income tax. Tax efficiency can also be achieved by implementing well-designed fund structures providing tax neutrality to international investors. Advance tax agreements may be obtained in some cases to achieve tax clarification.

Cornerstones of the Luxembourg tax environment include:

- ▶ A stable and consistent tax legislation
- ▶ A flexible tax environment (advanced tax arrangements)
- ▶ Tax authorities using an economic approach
- ▶ Access to a wide variety of over 50 double taxation treaties and EU directives; these types of agreements
- ▶ between countries tend to eliminate the taxation of the same income in two countries

- ▶ A wide choice of tax structures providing for extensive tax exemptions (withholding tax, income tax, capital gains) and tax efficient exit scenarios
- ▶ No capital duty/stamp duty

**Tax structuring example**



# The Ernst & Young Luxembourg real estate team

*Our Luxembourg real estate team is a key hub in our EMEIA industry network, where people and ideas come together to develop cutting edge thought leadership and insights for the benefit of our clients.*

*As a market leader serving a range of different clients operating across the world, we are constantly exposed*

*to market developments on both a technical and business level. Our client service objectives are an integral part of our firm's philosophy, our aim to differentiate ourselves in the market through flawless client delivery and thought leadership.*

*Some key members of our Luxembourg real estate team are:*



Michael  
Hornsby

**EMEIA Real Estate Funds  
Leader and AIF Club  
Chairman**

Michael is member of the Royal Institute of Chartered Surveyors (RICS), and as a co-chair of the ALFI real estate subcommittee and member of the INREV reporting committee, he is at the leading edge of developments in the international alternative funds arena. Michael has over 20 years experience serving a range of international clients. He is the author of a significant number of studies and publications and has developed and delivered a number academic courses covering the real estate and financial sector.



Bruno  
Di Bartolomeo

**Partner,  
Audit and Assurance Services**

Bruno is a partner in our audit and assurance practice. Bruno is an experienced partner serving a range of international clients located in, amongst others, Italy, France, and the USA. Bruno is also a member of our international capital markets team and has considerable experience in serving M&A transactions and listings in an international domain.



René  
Ensch

**Partner,  
Audit and Assurance Services**

René is a partner in our audit and assurance practice and is a founding and executive board member of LuxReal, a leading real estate industry association in Luxembourg. He has over 15 years of experience serving international clients and has extensive experience with Luxembourg real estate investment vehicles. René is a native Luxembourger and speaks fluently German, English and French. He leads our German market initiative that focuses on the needs of German fund managers and investors - key users of real estate investment structures in Luxembourg.



Renaud  
Breyer

**Senior Manager,  
Financial Accounting Advisory  
Services (FAAS)**

Renaud is a specialist in the accounting and investor reporting of real estate funds. As well as serving as our resident International Financial Reporting Standards (IFRS) expert, and as a member of the EMEIA real estate technical accounting team responsible for interpreting and giving guidance on technical pronouncements, Renaud also leads a range of projects in this field including GAAP conversions, INREV reporting disclosures and policies and procedures documentation.



Dietmar  
Klos

**Partner,  
Head of Financial  
Services Tax**

Dietmar leads our tax and legal team for financial services clients, including real estate funds, in Luxembourg. He is part of a close network of tax experts located in key hubs around the world who are constantly keeping abreast of tax and legal developments affecting investors and managers of real estate structures. Dietmar has extensive experience on both regulated and unregulated Luxembourg structures, pooling international capital to invest in a variety of targets across the globe.



Bernd  
Henninger

**Executive Director,  
Advisory Services**

Bernd helps fund managers and key service providers, such as depositary banks, to develop their back and middle office processes through reengineering and the deployment of appropriate technology enablers. Bernd works closely with our risk management and regulatory experts to ensure our advice is up-to-date with the latest legal and business requirements.



Mathieu  
Volckrick

**Executive Director,  
Legal Services**

Mathieu has an investment fund lawyer's background and specializes in regulated alternative funds. Mathieu assists clients in establishing fund legal structures in Luxembourg, including the selection of the most appropriate regulatory regime and legal structure, drafting of fund documentation, liaising with service providers in relation to their contracts with the fund, and managing the filing and approval process with the CSSF. Mathieu also assists you with fund distribution, fund transactions, and managing regulatory changes on an ongoing basis.



Alexander  
Flassak

**Senior Manager,  
Real Estate Advisory  
Services**

Alexander leads the Luxembourg Transaction Real Estate and Strategic Real Estate Advisory Services team. He specializes in transaction related real estate services (e.g., due diligence, real estate valuations, financial modeling, risk management) and brings to the team extensive knowledge and experience of advising on significant corporate real estate management and strategy consulting projects.



Bob  
Fischer

**Partner,  
Accounting and Corporate  
Secretarial Services**

With many years of experience in helping real estate clients prepare consolidated and stand-alone financial statements that meet legal requirements and are consistent with the intended tax and legal structure, Bob and his team provide you with the confidence to deal with corporate compliance matters are dealt with efficiently and on a timely basis, working closely with our tax compliance team to ensure provision of a full service.

# Our client service model

We pride ourselves on our deep commitment to the sector, and the insights and support this brings our clients. When working with you, we hope to bring:

- ▶ The benefits of our **client service model**, a combination of the right people, knowledge and skills, supported by a strong delivery model

- ▶ Access to peers and the wider sector community through our **AIF Club**
- ▶ Insight into the latest **industry developments**, including tax, accounting and regulatory changes
- ▶ Access to our world class **thought leadership**, whether at a Luxembourg, EMEA or global level

As well as being highly trained and supported by the service line in which they operate, the Luxembourg real estate team members build our community around four main pillars, with the aim of delivering outstanding service to our clients: operating within an effective network; developing real business insights; high quality project execution; quality in everything we do.

## Networks

- ▶ Panels of experts identify and create points of view on technical issues and risks
- ▶ Industry thought leaders identify and create points of view on business risks
- ▶ Peer-to-peer networks of our clients discuss and prioritize “top of mind” issues

## Insight

- ▶ Relevant and practical thought leadership is proactively shared
- ▶ Issue-based forums address industry, technical and regulatory issues
- ▶ Facilitated sessions help clients understand, prioritize and address matters critical to their success

## Execution

- ▶ Quality people with technical experience and industry knowledge are developed
- ▶ Industry risks are identified, analyzed and communicated to service teams
- ▶ Industry specific responses are created for new technical pronouncements
- ▶ Educational platforms are developed for our people and clients

## Quality

- ▶ Our assessment of service quality is routinely made and covers a broad array of key stakeholders
- ▶ Industry feedback is tracked and monitored for continual improvement
- ▶ Senior client service partner focuses on quality and staffing

By drawing on the results of the above structure, we aspire to provide our clients with the following attributes of service delivery that we hope brings them a competitive advantage:

- ▶ Transparent, objective and constructive feedback
- ▶ Tailored service and solutions for your industry sector
- ▶ Relevant and timely insights on industry sector issues and pronouncements
- ▶ A strong team of professionals providing flexible staffing
- ▶ The ability to help you better understand and manage industry risks
- ▶ The ability to anticipate regulatory and other market changes and shifts
- ▶ The highest quality of project management to avoid surprises
- ▶ Value for money

# Our expertise at your service

## Our leading market position for alternative investments

Ernst & Young Luxembourg has made the alternative investment industry its priority for many years. We are the leading advisory and audit firm for alternative investment structures in Luxembourg. More than 10 years ago, we have set up dedicated departments with professionals focusing exclusively on hedge funds, real estate or private equity structures.

### AIF Club



As a client of Ernst & Young you will have exclusive access to our AIF Club program.

In line with its priority on alternative assets, Ernst & Young Luxembourg has been proactive in offering training, workshops, breakfast seminars and other educational events for several years. With the launch of the AIF Club in February 2011, it was our mission to take this one step further: to ensure that alternative asset practitioners are not only able to cope with their day-to-day issues but also with major challenges, such as upcoming, market-changing regulation. Further to offering education and training, it has been our intention to provide our clients and business partners with a platform to meet, exchange views and network.

Since the launch of the AIF Club, through this groundbreaking program we have organized more than 20 club events with over 1,000 attendees.

## At the cutting edge of technical developments of the industry

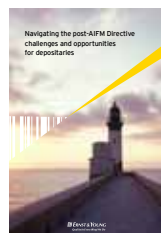
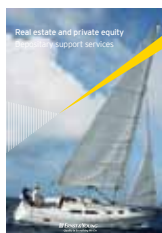
We are convinced it is important to be at the forefront of technical developments in our industry so we put significant effort and resources in actively collaborating with industry committees and associations. We are a board member of ALFI and chair its real estate and private equity committees.

As the leading private equity audit and advisory firm in Luxembourg, we are the founding member of the Luxembourg Private Equity and Venture Capital Association (LPEA), and are represented in most of the working committees. We are furthermore a member of the *Haut Comité de la Place Financière*, as well as member of the AIFM Directive working committee of the European Private Equity and Venture Capital Association (EVCA), Brussels.

In real estate, we are represented on the reporting committee of both INREV and the European Public Real Estate Association (EPRA). We are also one of the founders of the Real Estate Association of Luxembourg (LuxReal).

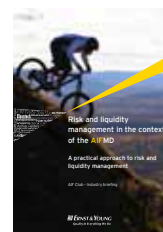
## Our thought leadership

Our commitment to the alternative investment industry is equally displayed in the number of research papers, studies, surveys, information papers that we regularly work on and share with our clients and business partners. We have conducted several surveys in the real estate and private equity arena and have published different briefings about the AIFM Directive and its impact on the industry.

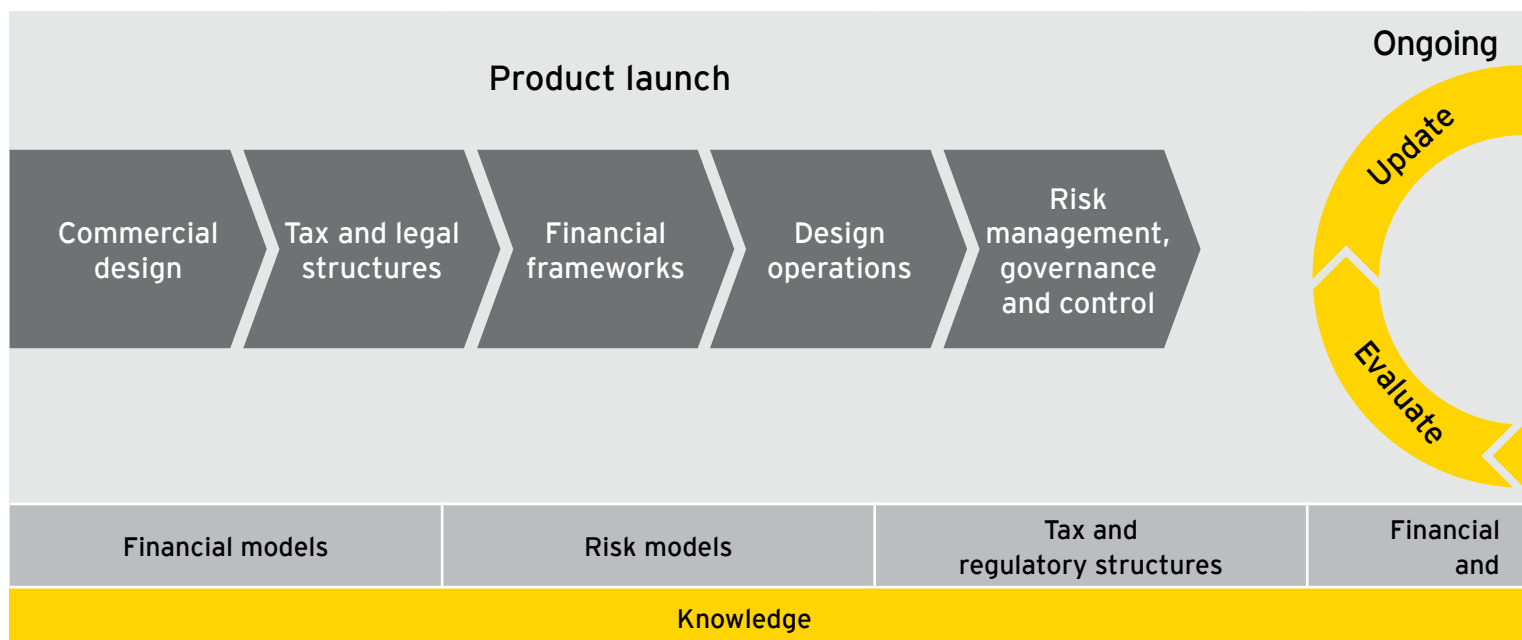


- ▶ Luxembourg real estate funds cost survey 2011: a breakthrough in cost benchmarking, December 2011
- ▶ Real estate and private equity depositary support service, November 2011
- ▶ Navigating the post-AIFM Directive challenges and opportunities for depositaries, September 2011

- ▶ Risk and liquidity management in the context of the AIFMD, March 2011
- ▶ Accounting and investor reporting for real estate, March 2011
- ▶ Marketing in Europe in the post-AIFM Directive era, March 2011



# Product lifecycles - helping you succeed every step of the way



## Product launch

### Commercial design

Talking through the commercial design of your investment product with the Ernst & Young team will give you the confidence that the specifications in your “term sheet” are integrated and complete, aligned with target investors needs and practical from an operational point of view. Critical elements include:

- ▶ Product style and risk exposures
- ▶ Fee structures
- ▶ Governance models and investor representation
- ▶ Tax and regulatory structures
- ▶ Financial and reporting framework
- ▶ Investor liquidity concepts

### Tax and legal structures

Interaction with our tax and legal experts will ensure that the appropriate regulatory framework is selected based on the commercial design of the product. We will also help you establish and build a stable and tax neutral structure that best fits investor needs over the life of the fund. We will also assist with the preparation of all

fund documents and contracts, as well as through the fund regulatory approval process and launch. Critical areas, such as maintaining appropriate substance over time, and ensuring that the technical benefits of optimally structuring a product are not outweighed by the cost of operational complexity, are always key considerations.

### Financial frameworks

Investors are increasingly demanding in terms of reporting to them and adherence to industry best practices. At the same time there is a balance to strike with the cost of complex reporting. Our team guides you through the design of an appropriate financial framework, including Net Asset Value (NAV) calculations, methods of asset valuation and other key judgments and estimates, and the disclosure of information to regulators.

### Design operations

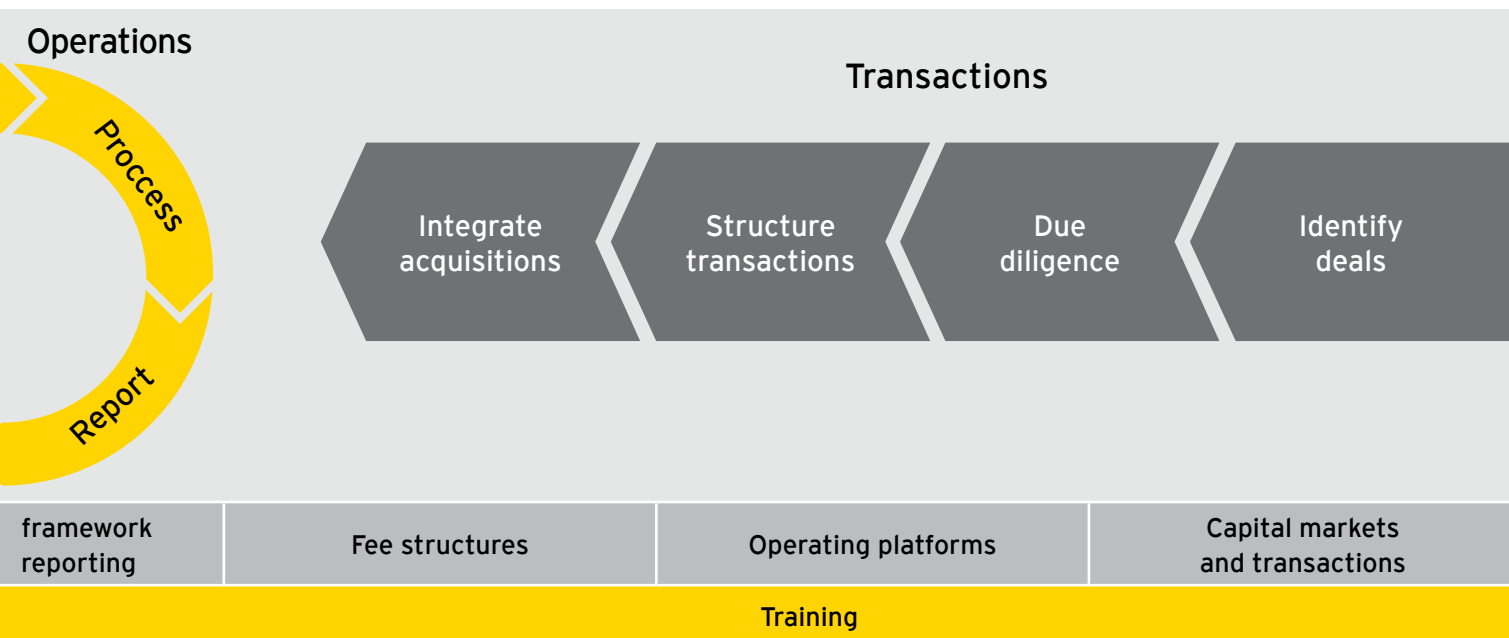
Whether using your existing operational platform or creating one from scratch, our team supports you in the smooth launch of your product. This includes:

- ▶ Selecting and training key service providers
- ▶ Designing effective business process
- ▶ Using appropriate IT infrastructure

### Risk management, governance and controls

Whether you are an investor, manager or board member, with an ever increasing focus on formalized risk, governance and control frameworks by investors and regulators, our specialist team helps you keep ahead of the game. Our support in this area covers:

- ▶ Design and roll out of AIFM Directive-compliant governance structures
- ▶ Development of technical risk models adapted for the real estate sector
- ▶ Internal controls reviews and assurance
- ▶ Adoption of industry best practice



## Ongoing operations

During the lifetime of an investment product or platform, a well balanced and efficient operating platform is essential. This is especially true in times of unstable markets as it gives you the flexibility to respond to new challenges. Through our audit relationship or as the focus of separate advisory mandates, we hope to help you:

- ▶ Prepare accurate and complete world class investor reports
- ▶ Comply at all times with tax and regulatory frameworks
- ▶ Better monitor and react to a constantly changing risk environment
- ▶ Develop world class information for decision making
- ▶ Optimize your deployment of IT infrastructure
- ▶ Improve business process efficiency
- ▶ Develop robust performance metrics and benchmark against peers

## Transactions

### Identify deals

Covering most global strategic markets and supported by strong local teams, our international transaction support team can help you conduct strategic reviews of portfolios and advise on a range of acquisitions and disposals. This can be conducted at the level of individual assets, portfolios, or investment through joint ventures or funds.

### Due diligence

High-end transaction due diligence is a key element of any successful deal. Our specialist team performs high-end tax, financial and commercial due diligence as an integrated package. Also, in order to accelerate transaction cycles and enhance your ability to raise capital, we can also assist you in establishing vendor due diligence frameworks or help you prepare a track record, set up data rooms, or prepare for investor due diligence on your operating platform.

### Structure transactions

Our tax and legal transaction structuring team helps you to apply tax strategies to individual deals in an efficient way. Our tax team combines a deep understanding of your overall tax needs and strategies with attention to detail in working thorough structuring scenarios and connecting with a like-minded network of tax experts in target jurisdictions to ensure a balanced outcome.

### Integrate acquisitions

Quickly and safely integrating and stabilizing acquisitions into existing operating platforms is critical to the efficiency of the overall model. Our support includes helping you to clarify the technical accounting for acquisitions, stabilizing acquisition balance sheets, applying appropriate purchase price accounting, and integrating the reporting processes. Our team can also support you with post deal integration projects associated with fund mergers, re-domiciliation, or the integration of operating platforms.

# Services and contacts

---

## Luxembourg and EMEIA Real Estate Funds Leader

Michael Hornsby  
+352 42 124 8310  
michael.hornsby@lu.ey.com

---

## Audit and Assurance

A highly customized approach to audit and assurance is combined with deep real estate sector knowledge around accounting, reporting and key industry issues. We emphasize robust project management to master multi-location engagements and best practice investor reporting.

Our services:

- ▶ High quality legal and contractual audits
- ▶ Specific scope assurance reports
- ▶ Capital markets transaction support
- ▶ Internal control reviews
- ▶ Compliance with key directives and regulatory frameworks

Michael Hornsby  
+352 42 124 8310  
michael.hornsby@lu.ey.com

Bruno Di Bartolomeo  
+352 42 124 8493  
bruno.dibartolomeo@lu.ey.com

René Ensch  
+352 42 124 8373  
rene.ensch@lu.ey.com

---

## Financial Accounting and Advisory Services

Our team of experts helps you to redesign and upgrade investor reporting to gain a competitive advantage.

Our services:

- ▶ Advise on complex accounting issues and critical judgment and estimates
- ▶ Application of industry best practices, including INREV and EPRA
- ▶ IFRS conversions and compliance
- ▶ Financial statement reviews
- ▶ Financial modeling
- ▶ Financial statement close process efficiency reviews
- ▶ Developing accounting manuals, reporting templates, checklists and other similar documentation
- ▶ Training on accounting and regulatory frameworks

Renaud Breyer  
+ 352 42 124 8255  
renaud.breyer@lu.ey.com

---

## Tax and Legal

Our international tax network helps you navigate through the challenges of cross-border tax planning and administration to optimize outcomes in a commercially viable and practical way.

Our team of legal experts helps you structure and implement your fund products and gain regulatory approval. They also assist with the legal implementation of fund transactions.

Our services:

- ▶ Strategic tax planning
- ▶ Product and deal structuring
- ▶ Tax and legal compliance
- ▶ Transactional due diligence
- ▶ Structural and operational and risk reviews

Dietmar Klos  
+352 42 124 7282  
dietmar.klos@lu.ey.com

Mathieu Volckrick  
+352 42 124 7014  
mathieu.volckrick@lu.ey.com

---

## Transaction Real Estate

Objective and responsive advice to support your strategic real estate decisions. We help you to develop capital market strategies for acquiring and disposing of real estate assets, including fund concepts, sale and leaseback transactions, debt restructuring and other transactions.

Our services:

- ▶ Financial and technical due diligence
- ▶ Valuation
- ▶ Mergers and acquisitions and capital markets advisory
- ▶ Strategic advisory
- ▶ Project management advisory

**Alexander Flassak**  
+352 42 124 8491  
alexander.flassak@lu.ey.com

---

## Advisory – Risk and Performance Improvement

Our advisory services aim to give you an edge through optimizing key business and risk management processes and targeted performance improvement projects.

Our services:

- ▶ Developing risk and liquidity management frameworks
- ▶ Designing and implementing governance frameworks
- ▶ Business process and operational performance improvement projects
- ▶ Cost optimization and working capital improvement projects (based on Total Expense Ratios and other performance analysis)
- ▶ Feasibility studies
- ▶ Advice on deployment of critical IT systems (property management, data rooms, workflow management, accounting and valuation systems)

**Bernd Henninger**  
+352 42 124 8272  
bernd.henninger@lu.ey.com

---

## Accounting and Corporate Secretarial Services

We provide practical but high end accounting services for unregulated real estate structures and SPVs.

Our services:

- ▶ Consolidation
- ▶ SPV accounting
- ▶ Corporate secretarial services

**Bob Fischer**  
+352 42 124 7526  
bob.fischer@lu.ey.com

---

## Business Development

**Anja Grenner**  
+352 42 124 8730  
anja.grenner@lu.ey.com

---

## The AIF Club

**Mireille Pourpognot**  
+352 42 124 8549  
mireille.pourpognot@lu.ey.com

---

## Marketing support

**Joanna Hein-Hartmann**  
+352 42 124 7116  
joanna.hein-hartmann@lu.ey.com

---

Ernst & Young

Assurance | Tax | Transactions | Advisory

#### About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services.

Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [www.ey.com](http://www.ey.com).

© 2012 EYGM Limited.  
All Rights Reserved.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

[www.ey.com/luxembourg](http://www.ey.com/luxembourg)