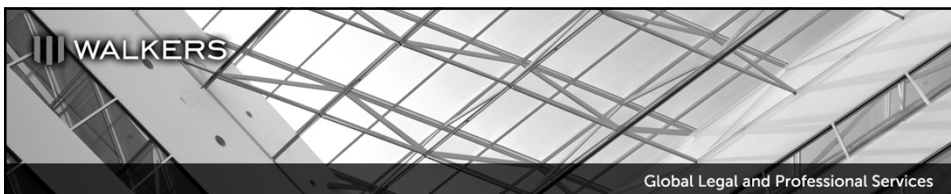


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### Agenda

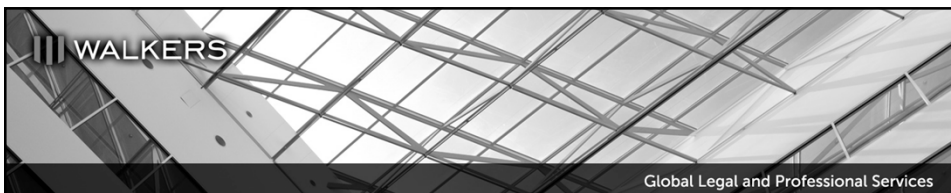
- Why did Cayman introduce an LLC vehicle?
- What are the key features of an LLC?
- What are the expected uses of LLCs in the context of funds, finance and corporate transactions?
- Do LLCs allow management by independent directors and are there fiduciary duties owed to LLCs?
- What are the steps to form an LLC?
- What are the steps to convert an exempted company into an LLC?
- What are the steps to migrate a foreign entity into Cayman as an LLC?



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## Why?


- History and process
- Demand from US financial services industry
- Familiarity with Delaware LLCs
- Broadly based on Delaware LLC regime
- Highly flexible vehicle
- Ease of administration (capital accounts vs maintenance of share capital)
- Enacted on 8 July 2016



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## Key Features

- Similar to a Delaware LLC but no statutory series, yet
- Body corporate with separate legal personality
- Requires at least one member. Member liability is limited to amount set out in the Limited Liability Company ("LLC") Agreement (unless agreed otherwise)
- Members can agree the internal workings of the LLC via the LLC Agreement
- For US purposes, may elect to be treated as a corporation or a pass-thru vehicle
- Management by managers or managing member (further detail later)




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### Key Features (continued)

- LLC must maintain (i) a register of members, (ii) a register of managers, (iii) a register of mortgages and charges, and (iv) register of security interests over LLC interests. Register of members may be maintained 'internally'
- Exempted companies (but not exempted limited partnerships or segregated portfolio companies) may convert into an LLC (further details later)
- LLC must not make any distribution when insolvent or member will be liable to repay if such member had actual knowledge of the insolvency of the LLC
- Transfer by way of continuation into and out of the Cayman Islands also permitted (further details later).
- LLC may merge or consolidate with an exempted company or any foreign entity with separate legal personality. The merger provisions will be similar to the Companies Law.

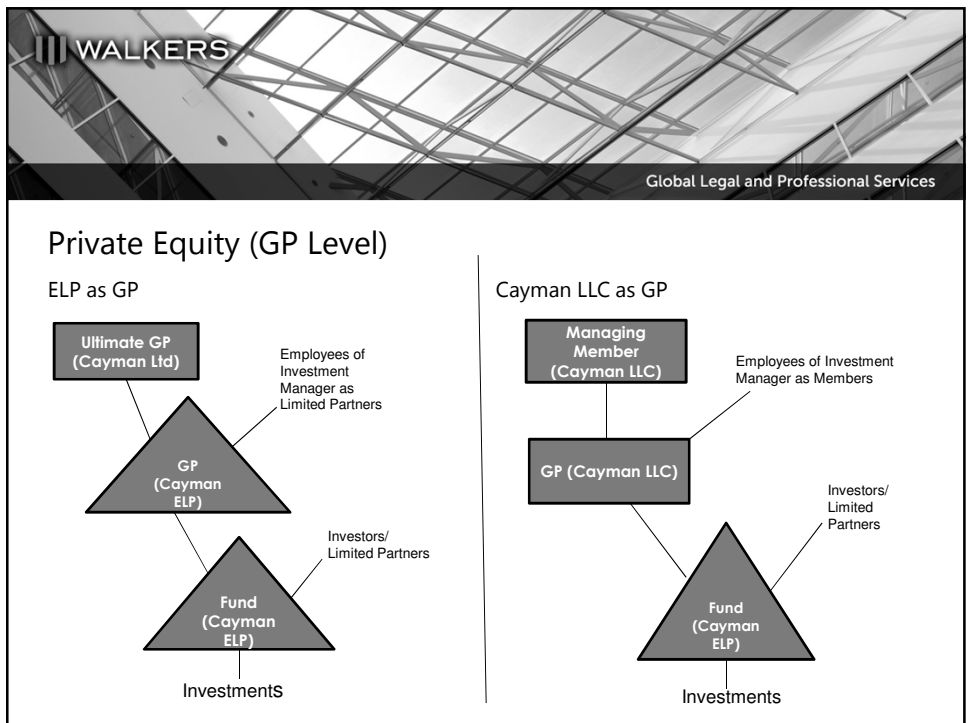
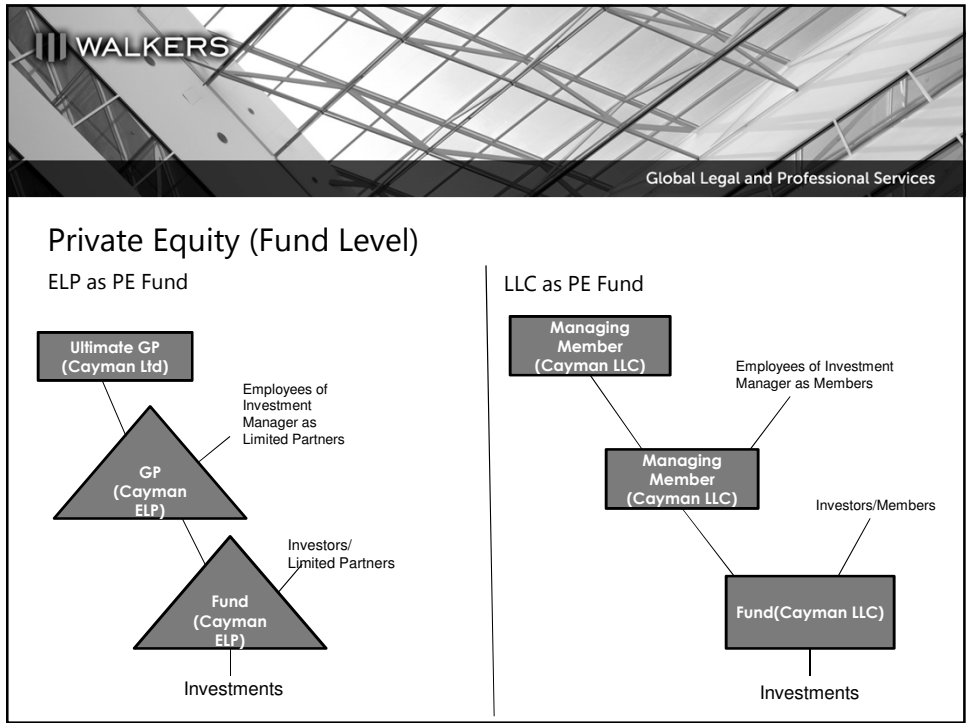


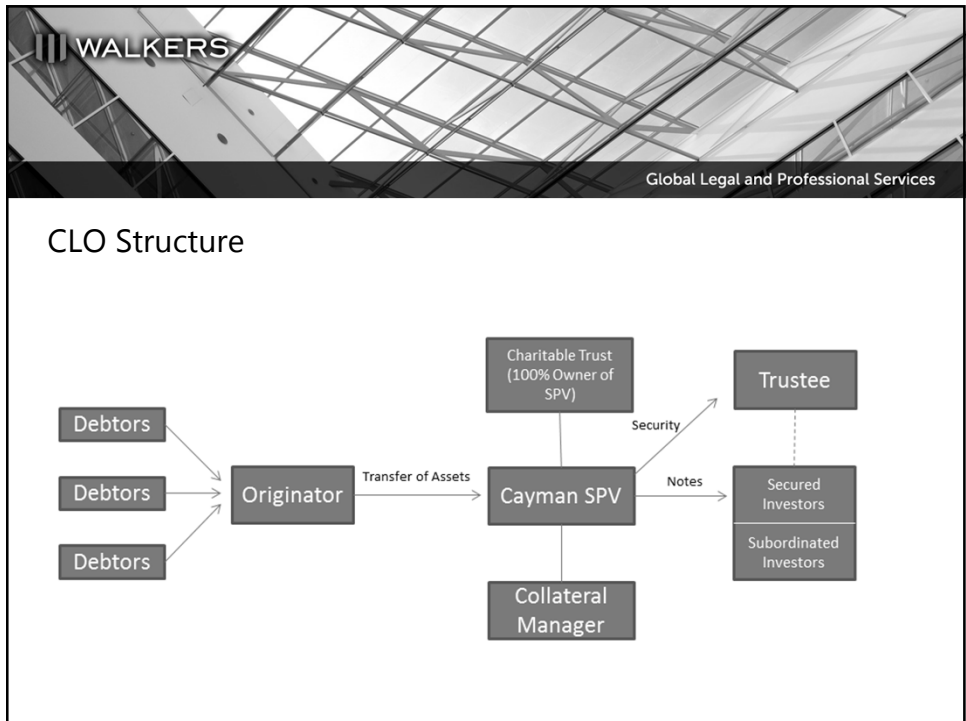
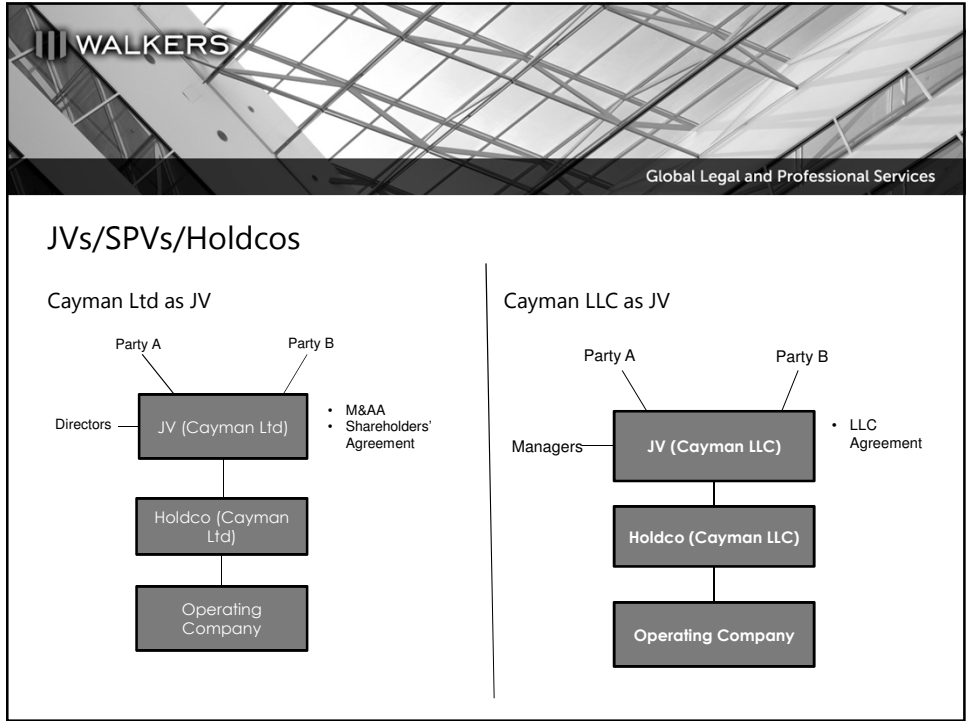
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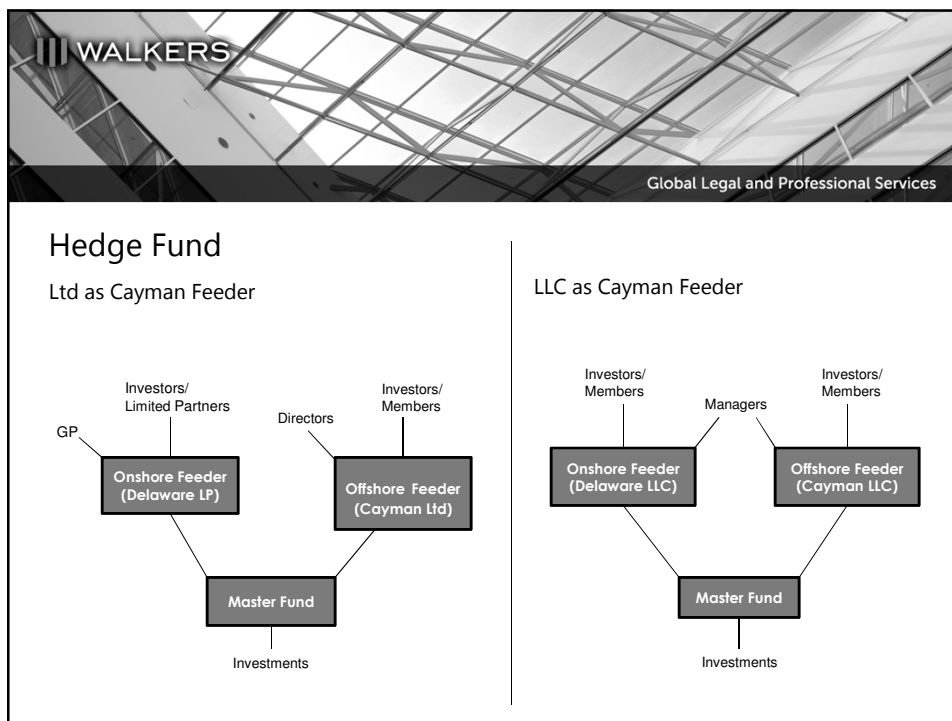
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### Expected Uses

- Corporate PE funds (use an LLC rather than an exempted company)
- GP/Carry vehicles (principals/employees will become the members of such vehicles in order to take the carry)
- JVs (no need for separate M&AA and shareholders' agreement)
- SPVs or holding companies
- CLO note issuer vehicles
- Hedge funds (e.g. if onshore feeder is a Delaware LLC, use a Cayman LLC to mirror on the offshore feeder side)
- Any other structures where Delaware LLCs are used








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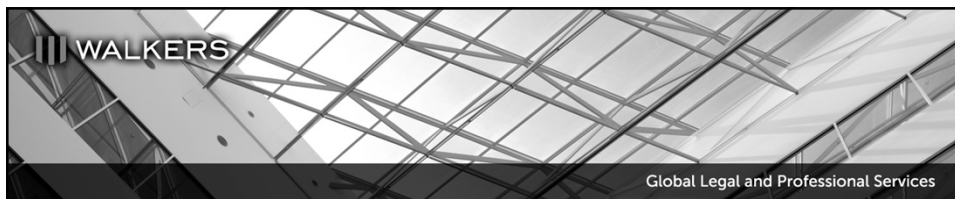
### Management by Independent Directors? Fiduciary Duties?

- Management vests in the LLC's members acting by a majority in number unless the LLC Agreement provides otherwise
- Managers of LLC akin to Directors of Cayman Ltd. Board of independent managers may be appointed if investors are driving corporate governance.
- Managers are not required to be members.
- Fiduciary Duties:
  - Member: no duty owed to LLC or other Members unless LLC Agreement provides otherwise
  - Manager: subject to the LLC Agreement, no duty owed to LLC or Members other than duty to act in good faith (duty of good faith may be expanded or restricted by the LLC Agreement); unlike Delaware LLCs, there is no overriding concept of "fair dealing"



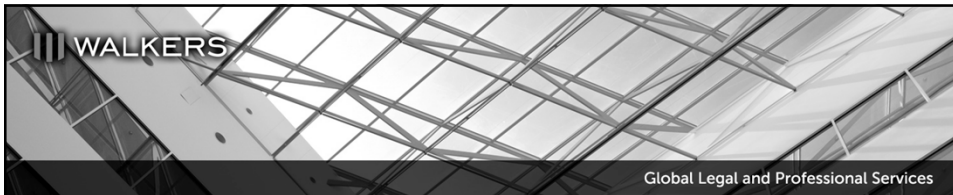
## Formation of LLC

- Filing of registration statement (i.e., a section 5 statement) with the Registrar of Companies
- Registration is effected by the payment of a fee
- LLC Agreement to be separately signed but does not need to be filed with the Registrar of Companies
- Registrar to issue a Certificate of Registration and stamped section 5 statement



## Conversion of Exempted Company to LLC

- SPCs and exempted limited partnerships cannot convert - conversion from exempted company to LLC but not vice versa
- Documents required include: special resolution, registration statement, LLC Agreement and application signed by director/authorised person of exempted company
- Pay fee
- Apply for Tax Undertaking
- Effect:
  - shall not create new legal entity
  - shall not affect property, assets, liabilities, claims etc
  - shall not affect any appointment made, resolution period or other act or thing done in relation to the company pursuant to its memorandum and articles of association




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## Migration

- Offshore LLCs in Anguilla, Antigua and Marshall Islands – must have separate legal personality
- Documents required include: application for continuation, registration statement, LLC Agreement and affidavit
- Pay fee to Registrar
- Apply for Tax Undertaking
- Effect:
  - shall not create new legal entity
  - shall not affect property, assets, liabilities, claims etc
  - shall not affect any appointment made, resolution passed or other act or thing done in relation to the company pursuant to its charter documents



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## Q&As





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