

Institutional Limited Partners Association  
**Due Diligence Questionnaire Tool**

VERSION 1.0 ● OCTOBER 2013



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## Overview

As institutional investors increase their focus on issues related to alignment of interest, governance and transparency with their private equity manager relationships, the level of detail required for their upfront fund diligence process has increased. This increase has resulted in the proliferation of lengthy, customized due diligence questionnaires (“DDQ”) by many Limited Partners, advisors and placement agents. These customized DDQs, which have varying content and length, have created an extraordinary administrative burden on all interested parties, including Limited Partners, General Partners and Placement Agents.

Additionally, to ensure they are cognizant of the industry’s best practices, LPs are attentive to the types of diligence questions their peers are asking. With few available forums dedicated to the sharing of diligence practices, some Limited Partners may not even be aware of the level of detail being provided to their peers regarding a prospective fund.

The search for a more efficient process, and a means of minimizing the administrative burden of fundraising on all parties, prompted the ILPA to reach out to General Partners, Limited Partners, Placement Agents and other interested parties to craft a DDQ tool that may offer those efficiencies. The resources used to create and process the customized, but often redundant, questions and responses could then be repurposed toward additional transparency, assessment and analysis of results.

The ILPA Due Diligence Questionnaire (“ILPA DDQ”) was compiled from over a dozen sample questionnaires provided by LPs, GPs and third parties. It has been reviewed by the members of the ILPA Research, Benchmarking & Standards Committee, as well as several industry leaders as part of a six-month, public comment period.

**Please note that the ILPA DDQ is not intended to be a required document that all GPs must adopt. It is also not a panacea for all LPs’ diligence needs. We acknowledge that some variation may still be employed in the industry. The goal of the DDQ Tool is to limit those variations to the few additional questions specific to that LP or GP.**

The ILPA DDQ covers many topics related to fund diligence, including:

1. General Firm Information
2. General Fund Information
3. Investment Strategy
4. Investment Process
5. Team
6. Alignment of Interest
7. Market Environment
8. Fund Terms
9. Governance
10. Risk/Compliance/ESG
11. Track Record
12. Accounting/Valuation/Reporting
13. Legal/Administration

These topics are covered in a series of short form and long form questions that are designed to help shape the direction of an LP’s diligence process. The ILPA DDQ also provides a list of requested documents and data points that would ideally be provided in any GP’s diligence package.

Included in this package are many of the frequently asked questions received during the ILPA DDQ’s comment period. For further questions, or for digital copies of materials related to the ILPA DDQ Tool, please visit [ilpa.org](http://ilpa.org), or contact the ILPA directly at +1-617-716-6500 or [info@ilpa.org](mailto:info@ilpa.org).

## Frequently Asked Questions

**1. What is the purpose of this document?**

The ILPA's goal is to reduce the administrative burden of LPs, GPs, Placement Agents and other third parties by providing a best-in-class due diligence questionnaire. Adoption will make questionnaire stage more efficient by minimizing the number of customized DDQs from LPs and consultants.

**2. Is the industry required to use this document?**

No, the ILPA understands that this document may not necessarily be applicable for all funds, or provide efficiencies for all parties. However, GPs that receive multiple questionnaires, with redundant and differently-organized questions, should see efficiencies in the diligence process.

**3. How should GPs with funds for different strategies/geographies/industries (e.g. separate venture and growth funds) answer questions about the firm, and its funds and teams that aren't currently fund raising? What level of information is relevant to LPs if they are only conducting diligence on a specific type of fund offered by a GP?**

In these situations, the GP does not necessarily need to provide detailed information about business units that are materially unrelated to the Fund. (A simple overview of these non-related business units should be made available, however.) Unless specifically noted, any reference to the "Firm" in the ILPA DDQ should be focused on business units materially related to the Fund. GP's should clearly state the business units being included and be able to explain their rationale for excluding others.

**4. Are GP's expected to provide answers to any "sensitive" questions in this document?**

GP's are not required to divulge sensitive information, especially if it violates any non-disclosure agreements with other parties. It is also understood that GPs may need to use caution in providing information to organizations they feel are not genuinely interested in committing to their fund. However, as fiduciaries, Limited Partners should not feel restricted from asking sensitive questions. The GP's right to guard confidential information is no greater than the LP's right to inquire about information they feel is relevant to the transparency and alignment of their potential partnership. If GPs are more comfortable with providing certain answers in person, in a redacted format or at a later stage in the diligence process, they should feel encouraged to do so. However, they should also provide an explanation for their rationale, as well as any further direction for LPs, in this document.

**5. Are GPs expected to answer questions that are not applicable to their specific fund?**

The ILPA DDQ is an attempt at a comprehensive questionnaire that applies to the majority of private equity funds. LPs should understand that not all questions are applicable to all GPs/funds. GPs should use their best judgment to only answer questions that are relevant to their organization. For skipped questions in the Detailed Questions section, GPs should provide a brief, one sentence statement explaining their rationale for not answering. For the skipped questions in the Basic Questions section, "N/A" should be populated in the "Reference" field.

**6. Should LPs use a GP's answers in the Basic Questions section (yes/no questions) as the sole criteria for their ultimate investment decision?**

No, the basic questions are intended to provide LPs with a top-level checklist, and a framework to highlight issues that need further clarity. There may be extenuating circumstances that explain a particular "negative" answer. GPs should use the "Reference" field in the Basic Questions section to direct LPs to more expanded answers to these questions. LPs should review the expanded answers in the Detailed Questions section, as well as their own follow-up questions, before making any investment decisions.

**7. Should LPs only use this document? In what format should additional questions be sent to the GP?**

One of the goals of this document is to minimize, not eliminate, the variations in LPs' diligence processes. While the ILPA believes that this is a comprehensive document that covers all of the questions that institutional investors should ask GPs, it may be necessary to supplement this document with additional questions. Additional questions should not be added to this document. To avoid any confusion, these questions should be listed in a separate document.

8. In various questions related to the Firm's staff, the form references both "Principals" and "Team Members." What is the difference between the two? For the purposes of this document, what criteria should a GP use to define each?

As referenced in Appendix B, "Team Members" refers to all Firm-personnel, including investment professionals and senior non-investment professionals that left the Firm in the last ten years. "Principals" refers to the Firm's management team and other core members that have a significant contribution to the Firm's direction and investment performance. The "Principal" designation should be made at the GP's discretion. However, GPs should be prepared to answer any questions about their decision rationale.

9. Can GPs cite responses in their PPMs in the ILPA DDQ?

It is recommended that all answers should be contained in the questionnaire. Any relevant answer in the PPM should be copied into the DDQ to preserve the DDQ as a stand-alone document.

**Cover Sheet**

**Firm: General Information**

Date of Completion: MM/DD/YYYY

Firm Name or Business Unit that is Fundraising (the "Firm"):

Address: Street: \_\_\_\_\_  
 City: \_\_\_\_\_  
 State/Country: \_\_\_\_\_  
 Postal Code: \_\_\_\_\_  
 Phone Number: \_\_\_\_\_

Regulatory Body (or Bodies) that Supervises Firm: \_\_\_\_\_

Regulatory Body (or Bodies) Registration Number(s): \_\_\_\_\_

Firm Contact (for requesting additional information):

Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Phone Number: \_\_\_\_\_  
 Email Address: \_\_\_\_\_

**Fund: General Information**

General Partner Legal Name (the "GP"): \_\_\_\_\_

Fund Legal Name (the "Fund"): \_\_\_\_\_

Regulatory Body (or Bodies) that Supervises the Fund: \_\_\_\_\_

Regulatory Body (or Bodies) Registration Number(s): \_\_\_\_\_

<p><b>Fund Size:</b> Targeted: _____                  (Reporting currency) Minimum: _____                  Maximum / Cap: _____                  First Close Amount: _____                  Total Closings to Date: _____</p>	<p><b>Fund Term:</b> Investment Period: _____                  (Years) Follow-on Period: _____                  Remainder of Term: _____                  Extension Period: _____</p>
<p><b>Management Fees:</b> Investment Period: _____ % of _____                  (% of basis) Follow-on Period: _____ % of _____                  Extension Period: _____ % of _____</p>	<p><b>Misc. Terms:</b> Reporting Currency: _____                  (Fund only) Hurdle (%): _____                  Carried Interest (%): _____                  Carry Catch-up (%): _____                  Carry Escrow (%): _____                  GP Commit. (%): _____                  Date of First Close: _____</p>
<p><b>Investment Focus:</b> Strategic Focus: _____                  (Fund only) Geographic Focus: _____                  Industry Focus: _____</p>	

**Basic Questions**

<b>1.0 Firm: General Information</b>	<b>Yes</b>	<b>No</b>	<b>Reference*</b>
1.1 Does the Firm have any existing business lines that are unrelated to the Fund's investment strategy?	<input type="checkbox"/>	<input type="checkbox"/>	
1.2 Has the Firm or any affiliated entity ever failed to make payments under any secured or unsecured indebtedness?	<input type="checkbox"/>	<input type="checkbox"/>	
1.3 Has the Firm or any affiliated entity ever filed for bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>	
1.4 Has any of the Firm's current or former Team Members (as defined in Appendix B) ever filed for bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>	
1.5 Will the Firm or any of its Principals (as defined in Appendix B) conduct outside business or investment management activities during the investment period of the Fund?	<input type="checkbox"/>	<input type="checkbox"/>	
1.6 Will the Firm or any of its Principals conduct outside activities (non-profit, academic, etc.) that are expected to take-up a significant (approx. $\geq 20\%$ ) amount of time during the investment period of the Fund?	<input type="checkbox"/>	<input type="checkbox"/>	
1.7 Is the Firm a publicly-held company?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>2.0 Fund: General Information</b>	<b>Yes</b>	<b>No</b>	<b>Reference*</b>
2.1 Will the Fund offer co-investments?	<input type="checkbox"/>	<input type="checkbox"/>	
2.2 Outside of the General Partner, will non-limited partners affiliated with the Firm be prohibited from investing or holding an ownership interest in the Fund's investments?	<input type="checkbox"/>	<input type="checkbox"/>	
2.3 Will Placement Agents be used during the fundraising process?	<input type="checkbox"/>	<input type="checkbox"/>	
2.4 Will unregistered Placement Agents (i.e. (a) not affiliated with a FINRA member broker-dealer, (b) not registered as a municipal advisor with the SEC and the MSRB and (c) not registered as a lobbyist in the State of California) be prohibited from assisting in the fundraising process?	<input type="checkbox"/>	<input type="checkbox"/>	
2.5 Will there be an annual investor meeting throughout the life of the Fund?	<input type="checkbox"/>	<input type="checkbox"/>	
2.6 Will the Firm facilitate an in-camera session for each of the Fund's LP Advisory Board meetings?	<input type="checkbox"/>	<input type="checkbox"/>	
2.7 Is the Fund prohibited from holding leverage on its balance sheet?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>3.0 Investment Strategy</b>	<b>Yes</b>	<b>No</b>	<b>Reference*</b>
3.1 Is the Fund's strategy materially different from the previous fund?	<input type="checkbox"/>	<input type="checkbox"/>	
3.2 Will the Fund actively pursue investments in public securities and/or Private Investments in Public Equity (PIPE investments)?	<input type="checkbox"/>	<input type="checkbox"/>	
3.3 Will the Fund engage in hostile transactions?	<input type="checkbox"/>	<input type="checkbox"/>	

\*For expanded commentary on a response to a Basic Questions, LPs should refer to the following question in the Detailed Questions section

<b>4.0 Investment Process</b>	<b>Yes</b>	<b>No</b>	<b>Reference*</b>
4.1 Does the Firm have a dedicated debt management team?	<input type="checkbox"/>	<input type="checkbox"/>	_____
4.2 Does the Firm have a dedicated operations team?	<input type="checkbox"/>	<input type="checkbox"/>	_____
4.3 Does the Firm have a marketable securities trading operation?	<input type="checkbox"/>	<input type="checkbox"/>	_____
4.4 Will the Firm actively manage the Fund's foreign currency exposure?	<input type="checkbox"/>	<input type="checkbox"/>	_____
<b>5.0 Team</b>	<b>Yes</b>	<b>No</b>	<b>Reference*</b>
5.1 Are there any known conditions (health, financial, litigation, personal, etc.) of any of the Firm's Principals that might influence their ability to execute their duties to the Fund or Firm?	<input type="checkbox"/>	<input type="checkbox"/>	_____
5.2 Has a "Key-Person" event occurred in the Firm's history?	<input type="checkbox"/>	<input type="checkbox"/>	_____
5.3 In addition to any "Key-Person" event, were there any significant staff departures (partner in the management company or director-level employee (or higher) with more than five years of history with the Firm) over the life of the previous two funds?	<input type="checkbox"/>	<input type="checkbox"/>	_____
5.4 Is the Firm aware of any significant staff departures (as defined above) that are expected to occur between now and the end of the Fund's investment period?	<input type="checkbox"/>	<input type="checkbox"/>	_____
<b>6.0 Alignment of Interests</b>	<b>Yes</b>	<b>No</b>	<b>Reference*</b>
6.1 Will any of the Firm's Principals and/or affiliates elect to <u>not</u> invest in the Fund?	<input type="checkbox"/>	<input type="checkbox"/>	_____
6.2 Will any commitments from the General Partner and/or any of its Principals be leveraged or loaned?	<input type="checkbox"/>	<input type="checkbox"/>	_____
6.3 Will any commitments from the General Partner and/or any of its Principals be financed with deferred management fees?	<input type="checkbox"/>	<input type="checkbox"/>	_____
6.4 Will any commitments from the General Partner and/or any of its Principals be financed with assets from another investment managed by the Firm?	<input type="checkbox"/>	<input type="checkbox"/>	_____
6.5 Were there any carry clawback situations in any of the Firm's prior funds?	<input type="checkbox"/>	<input type="checkbox"/>	_____
<b>7.0 Market Environment</b>	<b>Yes</b>	<b>No</b>	<b>Reference*</b>
No Basic Questions (see the Detailed Questions section for more coverage of this topic)			_____

\*For expanded commentary on a response to a Basic Questions, LPs should refer to the following question in the Detailed Questions section



8.0 Fund Terms		Yes	No	Reference*
8.1	Has the Firm publicly endorsed the most recent version of the <a href="#">ILPA Private Equity Principles</a> ?	<input type="checkbox"/>	<input type="checkbox"/>	_____
8.2	Does the Fund offer each Limited Partner a choice of compensation options (e.g. (a) 2% management fee / 20% carry or (b) 2.5% management fee / 15% carry)?	<input type="checkbox"/>	<input type="checkbox"/>	_____
8.3	Have any prospective investors in the Fund received any side agreements or rights ("side letters"), whether in writing or verbally?	<input type="checkbox"/>	<input type="checkbox"/>	_____
8.4	If yes to 8.3, will the terms in such side letters be offered to all limited partners that request them?	<input type="checkbox"/>	<input type="checkbox"/>	_____
8.5	Will the Fund prohibit in specie distributions?	<input type="checkbox"/>	<input type="checkbox"/>	_____
8.6	Are Limited Partners permitted to opt out of certain Fund investments?	<input type="checkbox"/>	<input type="checkbox"/>	_____
9.0 Governance		Yes	No	Reference*
9.1	Does the Firm have an Environmental, Social and Corporate Governance (ESG) policy (or equivalent CSR/SRI policy)?	<input type="checkbox"/>	<input type="checkbox"/>	_____
9.2	Is the Firm a signatory to the <a href="#">United Nations Principles for Responsible Investing (UNPRI)</a> ?	<input type="checkbox"/>	<input type="checkbox"/>	_____
9.3	Is the Firm and/or any of its affiliated entities organized in a country that is a member of the <a href="#">Organization for Economic Co-operation and Development (OECD)</a> ?	<input type="checkbox"/>	<input type="checkbox"/>	_____
9.4	Does the Firm have policies that encourage portfolio companies to adopt external standards and codes (such as the United Nations Global Compact)?	<input type="checkbox"/>	<input type="checkbox"/>	_____
9.5	Does the Firm have a written policy on the handling and safeguarding of any material, non-public information?	<input type="checkbox"/>	<input type="checkbox"/>	_____
9.6	Does the Firm incorporate the most recent version of the <a href="#">ESG Disclosure Framework</a> in its communication practices with Limited Partners?	<input type="checkbox"/>	<input type="checkbox"/>	_____
9.7	Has the Firm adopted the CFA Institute's most recent <a href="#">Code of Ethics and Standards of Professional Conduct</a> or substantive equivalent?	<input type="checkbox"/>	<input type="checkbox"/>	_____
10.0 Risk / Compliance / ESG		Yes	No	Reference*
10.1	Does the Firm obtain Environmental Impact Studies for each of its portfolio company and property investments?	<input type="checkbox"/>	<input type="checkbox"/>	_____
10.2	Is the Firm a registered investment advisor or broker-dealer?	<input type="checkbox"/>	<input type="checkbox"/>	_____
11.0 Track Record		Yes	No	Reference*
11.1	Have any of the portfolio companies or properties held by the Firm filed for bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>	_____
11.2	Have any of the Firm's portfolio companies or properties failed to make payments under any secured or unsecured indebtedness during the Firm's period of ownership?	<input type="checkbox"/>	<input type="checkbox"/>	_____
11.3	Have any of the Firm's portfolio investments ever received a qualified audit opinion during the Firm's period of ownership?	<input type="checkbox"/>	<input type="checkbox"/>	_____
11.4	Are any investments in the Firm's track record excluded from the provided appendices?	<input type="checkbox"/>	<input type="checkbox"/>	_____

\*For expanded commentary on a response to a Basic Questions, LPs should refer to the following question in the Detailed Questions section

12.0	Accounting/Valuation/Reporting	Yes	No	Reference*
12.1	Has the Firm's Valuation Policy (as referenced in Appendix A) remained significantly unchanged over the past five years?	<input type="checkbox"/>	<input type="checkbox"/>	
12.2	Will the Fund follow the most recent version of the <a href="#">IPEV Valuation Guidelines</a> ?	<input type="checkbox"/>	<input type="checkbox"/>	
12.3	Will the Fund be valued by an independent, third-party valuation firm?	<input type="checkbox"/>	<input type="checkbox"/>	
12.4	Will the Fund's LP Advisory Board approve or review valuations?	<input type="checkbox"/>	<input type="checkbox"/>	
12.5	Is the Fund's audit firm unaffiliated with the Firm or any of its current or former Team Members?	<input type="checkbox"/>	<input type="checkbox"/>	
12.6	Does the Fund's audit firm <u>only</u> provide the Fund and Firm (plus the Firm's Principals and affiliates) with audit services?	<input type="checkbox"/>	<input type="checkbox"/>	
12.7	Have <u>none</u> of the funds managed by the Firm ever received a qualified audit opinion?	<input type="checkbox"/>	<input type="checkbox"/>	
12.8	Have carry payments and allocation in prior funds been audited (as part of an annual audit of the Firm and its funds) to ensure they reflect the terms and conditions in the Limited Partners Agreement?	<input type="checkbox"/>	<input type="checkbox"/>	
12.9	Will carry payments and allocation associated with the Fund be audited (as part of an annual audit of the General Partner and its funds)?	<input type="checkbox"/>	<input type="checkbox"/>	
12.10	Will the Fund's standard reporting package include the majority of content found in the <a href="#">ILPA Reporting Best Practices and Standardized Capital Call and Distribution Templates</a> ?	<input type="checkbox"/>	<input type="checkbox"/>	
12.11	If applicable, will the Fund use a fund administration service provider that has the capability to use (or uses) the <a href="#">ILPA Reporting Best Practices and Standardized Capital Call and Distribution Templates</a> ?	<input type="checkbox"/>	<input type="checkbox"/>	
12.12	Will the <a href="#">ILPA Standardized Capital Call and Distribution Templates</a> be completed and provided to all of the Fund's Limited Partners?	<input type="checkbox"/>	<input type="checkbox"/>	
12.13	Is the investment performance included in all of the Firm's marketing materials and reporting packages compliant with the most recent version of the <a href="#">Global Investment Performance Standards (GIPS)</a> ?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>13.0</b>	<b>Legal/Administration</b>	<b>Yes</b>	<b>No</b>	<b>Reference*</b>
13.1	Have there been <u>no</u> criminal or administrative proceedings or investigations against the Firm, its affiliated entities and/or any of its current or former Team Members?	<input type="checkbox"/>	<input type="checkbox"/>	
13.2	Have there been <u>no</u> investigations by an industry regulatory body of the Firm, its affiliated entities and/or any of its current or former Team Members?	<input type="checkbox"/>	<input type="checkbox"/>	
13.3	Does the Firm seek an assessment of its internal controls (e.g. SAS 70) on a periodic basis?	<input type="checkbox"/>	<input type="checkbox"/>	
13.4	Does the Firm use a standard IT package and/or internally developed software for business functions like portfolio management, trade order management, administration and risk?	<input type="checkbox"/>	<input type="checkbox"/>	

\*For expanded commentary on a response to a Basic Questions, LPs should refer to the following question in the Detailed Questions section

## Detailed Questions

### 1.0 Firm: General Information

- 1.1. Provide a brief overview of the Firm, including information on the founding, subsequent history and information on any predecessor firm and/or parent firm. Describe any plans to change or expand the Firm (entering/exiting business lines, office locations, etc.) over the next 5 years.
- 1.2. Provide an overview (including chart) of the ownership structure of the Firm, its relevant investment advisors and any parent organization. Include details on the timing and rationale for each significant ownership change. State any limitations on the ability of the Principals (as defined in Appendix B) to assign their interests in the General Partner. Include percentage ownership, ownership vesting schedules, and any changes in ownership over the last 10 years.
- 1.3. Provide an overview (including chart) of the management/organizational structure of the Firm, including back office personnel. Discuss the Firm's succession plans.
- 1.4. Provide an overview of all investing, advisory or other business activities performed by the Firm. List all investment vehicles previously managed by the Firm, including predecessors to the Fund, vehicles with different investment strategies than that of the Fund and separate accounts managed by the Firm. Include information on the fee structures for each vehicle. If the Firm entered into any joint ventures with another manager, describe the structure, governance and economics of the relationship. Discuss the Firm's fundraising plans over the next 5 years.
- 1.5. Provide information regarding the Firm's liquidity and capitalization. If applicable, provide any debt service requirements on the Firm. Are there any personal guarantees involved? If so, by whom?
- 1.6. Describe any situation where the Firm, any of its affiliated entities or any of its current or former Team Members (as defined in Appendix B) has filed for bankruptcy or failed to make payments under any secured or unsecured indebtedness.
- 1.7. Provide the Firm's annualized pro-forma budget for the period covering the life of the Fund (as referenced in Appendix A).
- 1.8. Provide a description of the Firm's culture.
- 1.9. Describe any additional outside activities (non-profit, academic, etc.) of the Firm or its Principals that are expected to take-up a significant (approx.  $\geq 20\%$ ) amount of time during the investment period of the Fund. Include the associated time commitments for each activity.
- 1.10. Describe any activity currently underway that could lead to negative publicity about the Firm in the near future. Explain any past negative publicity, and the steps taken as a result.

## 2.0 Fund: General Information

- 2.1. Provide the legal and tax structure of the Fund (including chart). If available, provide a tax-structuring memo prepared by an external advisor that describes the tax structure of the Fund. Describe any distinctive features.
- 2.2. Detail the fundraising timeline, including each of the actual or anticipated closing dates. As referenced in Appendix C, state the total commitments received to date and, if available, the names, contact details and amounts committed by each investor (differentiating between hard and soft commitments). Describe the provisions regarding the admission of additional investors.
- 2.3. As referenced in Appendix A, list any investors in the previous fund that will not participate in the Fund, and provide reasons for their non-participation. List all secondary sales of limited partner interests in the two previous funds.
- 2.4. If applicable, provide details for the Fund's investments date. If no investments to date, when does the Fund expect to begin investing? When is the Fund expected to begin charging management fees?
- 2.5. State the Fund's policy regarding co-investments with other funds, other affiliates and/or limited partners. How will these co-investment opportunities be allocated? If applicable, provide examples of past co-investments.
- 2.6. Discuss how the Fund will utilize Placement Agents during the fundraising process.
- 2.7. Discuss the anticipated composition of the Fund's LP Advisory Board. As referenced in Appendix A, provide a list (with contact information) of any Limited Partners that have already agreed to participate on the board. Discuss the expected timing and format of any LP Advisory Board / Annual General Meetings during the life of the Fund.
- 2.8. State the Fund's ability to borrow capital, as well as any limits on borrowing capacity.
- 2.9. As referenced in Appendix A, provide the Fund's annualized pro-forma budget, detailing the expenses/costs required to conduct the business of the Fund during its entire life. For comparison purposes, provide similar budgets over the course of the two previous funds.

## 3.0 Investment Strategy

- 3.1. Summarize the Fund's investment strategy and types of transactions the Fund will pursue. Include details on anticipated transaction sizes (including minimum/maximum), investment pace, holding periods, geographic focus, industry/sector focus, investment stage and other relevant characteristics).
- 3.2. Discuss the Firm's ability to invest at the Fund's targeted size. Address any significant change in fund size compared to previous funds, and the impact on co-investing with Limited Partners and non-Limited Partners.

- 3.3. Provide detail on the Fund's diversification strategy in terms of number of investments, geographical concentration and sector allocations.
- 3.4. Describe the background and evolution of the Firm's investment strategy, including strategies that do not apply to the Fund. Provide a timeline of this evolution, including when any additional strategic platforms were added to the Firm's offerings. Provide examples of investments that demonstrate this evolution. Discuss how the Fund's investment strategy compares to the previous fund. Is the Firm's/Fund's investment strategy expected to change in the future?
- 3.5. Describe the Firm's competitive advantages and discuss how the Firm attempts to produce replicable returns.
- 3.6. Describe the Fund's expected investment structures. What will be the typical equity structures used by the Fund? Discuss the use of leverage at the portfolio company level and state the targeted leverage levels (%) of a typical investment. Discuss the effectiveness of the Fund's expected strategy if leverage is not applied. How has the Firm's use of leverage evolved between the Fund and prior funds? Provide examples of investments that demonstrate this evolution.
- 3.7. Describe the Firm's preference for being a control, minority, joint or sole investor. Detail this preference historically. What controls and rights does the Firm seek when executing investments? If predominately a control investor, under what scenarios would the Firm consider a non-control position (and vice-versa)?
- 3.8. Provide examples of investments that were in violation of their debt covenants during the course of the Firm's investment. Provide a brief description of the covenant breach, the lessons learned from the situation and examples of steps taken in subsequent investments to prevent the same situation from repeating itself.
- 3.9. Describe any investments that will not be considered. Are there any factors that would automatically end a potential deal? If so, explain.
- 3.10. Discuss the risk factors of the Fund's investment strategy (e.g. political risk, economic, financial, technology, business cycle, etc.) and the steps taken to mitigate these risks.
- 3.11. Discuss the Firm's approach to working with existing or new management teams at portfolio companies. Describe (citing examples) the strategies that are used to incentivize portfolio company management teams.
- 3.12. Discuss the typical methods used by the Firm to create value for its portfolio companies (restructuring, strategic re-positioning, leveraging, operational improvements, etc.). Discuss how the Firm's strengths in creating value for investments impact its sourcing capabilities. Provide case studies to illustrate the Firm's value creation capabilities.
- 3.13. What is the return-profile threshold (gross IRR, money multiples, etc.) for targeted investments? What is the expected holding period?

#### 4.0 Investment Process

- 4.1. Describe the Firm's deal sourcing capabilities and the process used to identify attractive investment opportunities. How is the sourcing process staffed, conducted and documented? What criteria are used to assess an investment's attractiveness? Describe the robustness and sustainability of the Firm's proprietary network of contacts used to identify opportunities. Discuss any organizations that the Firm will not typically source deals from.
- 4.2. Describe the Firm's screening and due diligence processes. How is each process staffed, conducted and documented? How long is the due diligence process? Will the deal team be in charge of the investment until exit, or will other professionals be assigned post-acquisition? Include details on any due diligence checklists, internal reports, financial models and investment committee documents prepared.
- 4.3. Describe any functions performed by third parties in the sourcing, screening and due diligence processes. Describe the Firm's decision making process for determining if a third party is used/not used.
- 4.4. Discuss the Firm's screening, due diligence and risk management processes prior to acquiring an investment in a standard or an alternative asset investment fund (provide enhanced specificity if the fund will trade in an unregulated market) to protect against fraud, corruption or more general risks of a fund not gaining clear legal ownership of assets that the fund proposes to acquire. Describe how the Firm checks and determines the chain of title for all real assets, real estate or tangible personal property-collectible assets and secures adequate information to support management assertions under controlling accounting rules that the fund has clear legal ownership of the acquired assets. If applicable, provide examples of fraud, corruption or other potential asset ownership risks that the Firm previously identified in a potential investment and explain how the Firm identified and managed those risks.
- 4.5. Provide details on the Firm's internal decision-making and approval process, including details on the role, composition and function of the Firm's Investment Committee.
- 4.6. Provide examples of provisions that the Firm incorporates in contracts to protect its investments.
- 4.7. Discuss the Firm's approach to the valuation of investment opportunities and pricing discipline.
- 4.8. Discuss the Firm's portfolio investment monitoring policy, including details about contact events (weekly, quarterly, board meetings, etc.). What information is required to be reported by the portfolio investments? Discuss the Firm's approach to board representation at its portfolio companies.
- 4.9. How many active portfolio companies is each investment professional responsible for? In addition to active investments, how many deals in the pipeline is each investment professional responsible for? How were these number determined and how have they evolved over the Firm's history? What is the Firm's process for handling bandwidth during periods of peak activity?
- 4.10. Describe the Firm's criteria for evaluating follow-on investments. Include a description of the Fund's provisions for capital recycling and follow-on reserves.

- 4.11. Discuss the Firm's strategy/criteria/plan for exiting investments. Include an analysis of past exits (IPO, trade sale, financial buyer, write-offs, etc.). Provide examples that illustrate the Firm's decision-making for choosing the type of exits.
- 4.12. Describe the Firm's policy on IPOs. If applicable, include information about any dedicated group that monitors the public markets in anticipation of an IPO.
- 4.13. Describe the Firm's processes for protecting against fraud and corruption, post-investment. If applicable, discuss any fraud and/or corruption that were detected in prior investments.
- 4.14. Describe the Firm's processes, if any, to monitor and verify the supply chains of the portfolio companies. If applicable, are portfolio companies typically members of organizations such as the Fair Labor Association?
- 4.15. If applicable, provide examples of leveraging the management and/or capabilities of one investment to help another investment.
- 4.16. Describe the hedging policy that will be employed by the Fund. Will the Fund employ an active, passive or no policy? Describe any other fund (active or liquidated) managed by the Firm that uses/used a different policy and explain the rationale for the differences.

## 5.0 Team

- 5.1. Provide an overview of the Firm's Team Members, including the shared work history of the Firm's Principals. Also, provide a description of each job title, detailing the responsibilities held by junior, mid-level and senior staff.
- 5.2. How does the team communicate internally? Discuss the co-operation and communication between the Firm's various offices. How often do the different offices meet in person? How often do the different offices meet electronically/telephonically?
- 5.3. Describe the Firm's recruitment plans and procedures for hiring staff. To what extent are background checks involved and how are objective references obtained?
- 5.4. Discuss the Firm's approach to staff retention and training. Discuss the Firm's historical experience in this area. Discuss any promotions that took place over the last year.
- 5.5. Describe any known conditions (health, financial, litigation, personal, etc.) of any of the Firm's Principals that might influence their ability to execute their duties to the Fund or Firm.
- 5.6. Describe the circumstances of any "Key-Person" event in the Firm's history. Describe the steps taken by the Firm to remedy the situation and the subsequent impact on any Firm policies.

- 5.7. Describe any significant staff departures (partner in the management company or director-level employee (or higher) with more than five years of history with the Firm) over the life of the previous two funds.
- 5.8. Describe any significant staff departures (as noted above) that are expected to occur between now and the end of the Fund's investment period.

## 6.0 Alignment of Interests

- 6.1. Describe the compensation structure (salary, bonus, group/individual performance incentives, profit sharing, equity ownership, carried interest, etc.) for all Team Members. Include details on the allocation of the carried interest among Principals and others inside/outside the organization. How does this compare with the previous fund's carry split? Provide details on any separate compensation arrangements outside the Fund.
- 6.2. How is the carried interest vested for those parties that participate? What happens to the unvested carry of former Team Members?
- 6.3. Describe how the General Partner's contribution for investments is allocated among the team.
- 6.4. Describe how the General Partner's contribution for investments will be financed.
- 6.5. Describe how any Principal or affiliate of the General Partner will invest in the Fund (outside of the General Partner's commitment).
- 6.6. Describe any clawback situation that occurred in a prior fund.

## 7.0 Market Environment

- 7.1. Describe the markets in which the Fund will operate and provide an overview of the current opportunities. Why is the opportunity to invest in this market particularly attractive during the Fund's investment period?
- 7.2. Discuss how the current market environment compares/differs to that of prior funds.
- 7.3. Discuss how the Fund's pipeline of new investments compares / differs from prior funds?
- 7.4. Describe and list the Fund's direct competitors. Include details on competitors for individual investment opportunities during the investment phase of the previous fund.

## 8.0 Fund Terms

- 8.1. Provide a summary of notable deviations from each of the terms detailed in the most recent version of the [ILPA Private Equity Principles](#).



- 8.2. Provide a summary of notable deviations from the terms of the previous fund.
- 8.3. Describe the Fund's carried interest charge by the GP and its basis (e.g. whole fund or deal-by-deal). Describe the specific milestones that need to be met before the GP can start taking / take-additional carry. Include details on calculating carried interest. State the Fund's clawback provision and whether it is guaranteed by the GP on a joint or several basis. State the Fund's policy on holding a portion of carried interest in escrow. As referenced in Appendix A, provide a working example of the most recent fund's distribution waterfall, noting any variations from the expected calculations for the Fund.
- 8.4. State the Fund's management fees and other amounts payable to the GP, including the frequency and the formulas used to determine such fees.
- 8.5. Describe the allocation of fees (e.g. transaction fees, investment banking fees, monitoring fees, director's fees, etc.) between the GP and the Fund. How has this allocation evolved from prior funds? What are the Fund's policies on placement agent and finders' fees? Who is accountable for their payment?
- 8.6. Describe any different compensation options (e.g. (a) 2% management fee / 20% carry or (b) 2.5% management fee / 15% carry) that are offered to each Limited Partner.
- 8.7. State the Fund's provisions regarding the transferability of partnership interests.
- 8.8. State the standards of indemnification that apply to the GP and related parties.
- 8.9. Provide an overview of the Fund's "Key-Person" provision. How has this provision changed since the previous fund?
- 8.10. Describe any circumstance in which one Limited Partner is not investing under the same terms as other Limited Partners.
- 8.11. Describe the Fund's policy for making cash or in specie distributions. Provide details on the prior history of in specie distributions.
- 8.12. Describe the Fund's policy on allowing Limited Partners to opt-out of an investment. What are the circumstances for allowing an opt-out?

## 9.0 Governance

- 9.1. Describe the role of the Firm's internal advisory board(s). Detail all matters referred to the advisory board(s), including any currently unresolved matters. Describe any additional governing/advisory bodies that impact the management or investment activity of the Firm (e.g. CEO Circle, operating committee, management affiliate, etc.).

- 9.2. Detail how the Firm's policies (Compliance Manual, Code of Ethics, etc.) are supervised, monitored and enforced.
- 9.3. Detail any conflicts of interest (potential, current and historic) within the Firm, and explain how they have been/are identified, managed, disclosed (to LPAC or otherwise) and resolved. Please identify any committees in place to help with the resolution of conflicts (conflict committee, etc.).
- 9.4. How will investment opportunities be allocated between active funds? Discuss any funds and/or separate accounts with potential allocation considerations.
- 9.5. What is the Firm's policy of personal investments by any employees or affiliates in deals reviewed by the General Partner (both accepted and rejected)? If applicable, provide a list of all previous investments of this nature.
- 9.6. Describe the Firm's policies on the handling and safeguarding of any material, non-public information? How are these policies communicated to employees?

## 10.0 Risk / Compliance / ESG

- 10.1. Discuss the Firm's risk management. What types of risks are monitored and how are they measured? Are their dedicated employees assigned to the risk monitoring function?
- 10.2. Discuss the Firm's compliance policies. Include information on the procedures and internal controls in place to prevent the Fund from being used to launder money, finance terrorist activities, be used for personal gain, and to identify and mitigate conflicts of interest.
- 10.3. Describe any review or assessment of conflicts of interest performed in the last year. Identify any findings, as well as any changes or proposed actions to address the findings.
- 10.4. Describe the regulatory bodies that have oversight of the Firm, including any Investment Advisor or Broker-Dealer registrations. Identify the Firm's policies for remaining compliant with these bodies.
- 10.5. Describe the types of investments for which the Firm obtains Environmental Impact Studies? Provide examples of how these studies impacted the Firm's investment decisions?
- 10.6. Environmental, Social & Governance (ESG) Disclosures (as noted in the most recent version of the [ESG Disclosure Framework](#)):
  - 10.6.1. What are the Firm's ESG-related policies and how do ESG factors influence its investment beliefs?
  - 10.6.2. How does the Firm identify and manage material ESG-related risks and use ESG factors to create value?
  - 10.6.3. How does the Firm contribute to portfolio companies' management of ESG-related risks and opportunities?

- 10.6.4. How can Limited Partners monitor and, where necessary, ensure that the Fund is operating consistently with agreed ESG-related policies and practices?
- 10.6.5. What is the Firm's approach to managing and disclosing material ESG-related incidents at the General Partner and portfolio companies?

## 11.0 Track Record

- 11.1. Provide examples of active/exited investments with an investment multiple (TVPI) below 1.0x. Discuss what went wrong, action taken, lessons learned and how (and when) outside experts were brought in.
- 11.2. Describe any situation in which a portfolio company or property has filed for bankruptcy or failed to make payments under any secured or unsecured indebtedness during the Firm's period of ownership.
- 11.3. Describe any qualified audit opinions received by the Firm's portfolio investments during the Firm's period of ownership.
- 11.4. Describe the most appropriate private and public market benchmarks for the three most recent funds (of the same strategy). As referenced in Appendix A, compare the limited partner returns of the prior funds with the relevant private and public market benchmarks. Describe the consistency and dispersion of the returns.
- 11.5. As referenced in Appendix A, for portfolio companies that were exited via an IPO, provide the offering price and a graph from the time of the listing, and indicate when the fund sold and/or distributed shares. Please also indicate if any prior fund sold its interests at the time of the IPO.
- 11.6. Discuss any investments in the Firm's track record that are not being included in the provided appendices. Describe the rationale from excluding them.

## 12.0 Accounting/Valuation/Reporting

- 12.1. Describe the Fund's internal accounting. What accounting principles does the fund operate under? Has the Firm established an internal audit function? If so, how often are internal control audits performed? Has there been any major control weaknesses identified from the audits? If so, what is the Firm doing to resolve the identified weaknesses?
- 12.2. Describe any significant changes in the Firm's Valuation Policy (as referenced in Appendix A) in the last five years.
- 12.3. Describe any deviations between the Fund's Valuation Policy and the [IPEV Valuation Guidelines](#).
- 12.4. Describe any role the Fund's LP Advisory Board plays in approving or reviewing valuations.

- 12.5. Describe any significant deviations between the Fund's standard reporting package and the [ILPA Reporting Best Practices and Standardized Capital Call and Distribution Templates](#).
- 12.6. Describe any deviations between the investment performance methodology in the Firm's marketing materials/reporting packages and the [Global Investment Performance Standards \(GIPS\)](#).

### 13.0 Legal/ Administration

- 13.1. Describe any past criminal or administrative proceedings or investigations against the Firm, its affiliated entities and/or its current and former Team Members.
- 13.2. Describe any past investigations by an industry regulatory body of the Firm, its affiliated entities and/or its current or former Team Members.
- 13.3. Describe any pending or ongoing litigation/investigation against the Firm, its affiliated entities and/or its current or former Team Members.
- 13.4. Describe any accusation and/or conviction of fraud or misrepresentation against any of the Firm's current or former Team Members.
- 13.5. Describe the activities of the Firm's support functions (Finance and Fund Administration, Human Resources, Compliance/Legal, etc.).
- 13.6. Detail the processes and procedures for capital movements (capital calls, transfers of cash, investment acquisitions and distributions).
- 13.7. Provide an overview of the third-parties providing services to the Firm or Fund (e.g. law firms, custodians, fund administrators, prime brokers, consultants, banks, etc.). How does the Firm manage counterparty risk related to these third party arrangements?
- 13.8. What types of insurance coverage does the Firm maintain (e.g. fidelity bond insurance, errors and omission insurance, directors and officers insurance, other)? Provide a summary of any material claims made against these policies in the last five years.
- 13.9. List and describe any software that the Firm uses for business functions like portfolio management, trade order management, administration and risk?

**Appendix A - Requested Documents (if applicable)\*\***

1. Fund Limited Partnership Agreement (current version)
2. Fund Limited Partnership Agreement (black-lined version from the previous fund)
3. Private Placement Memorandum (PPM) of the Fund
4. PPM and Limited Partnership Agreement of the previous fund
5. Annual General Meeting materials for last 2 years
6. Firm's most recent regulatory body registration/disclosure form (e.g. Form ADV)
7. The Partnership Agreement of the GP
8. All audited annual & unaudited quarterly reporting packages sent to limited partners for each active prior fund
9. The audited financial statements of the Firm for the last 3 years
10. Examples of capital call and distribution notices
11. The Investment Advisory Agreement between the Fund and the General Partner
12. Presentation materials and minutes of all LP Advisory Board meetings held over the last 2 years
13. Disaster Recovery Plan (should include location of back-up data)
14. Business Continuity Plan
15. Valuation Policy
16. Risk Management Policy
17. Copies of all side agreements or rights ("side letters") the Fund has entered into
18. Compliance Manual
19. Code of Ethics/Conduct
20. Conflicts of Interest Policy
21. Personal Trading Policy
22. Completed due diligence report/investment recommendation for two recent investments
23. Chart: Firm ownership structure (as referenced in Detailed Questions section 1.0)
24. Chart: Firm management/organizational structure (as referenced in Detailed Questions section 1.0)
25. Firm budget (as referenced in Detailed Questions section 1.0)
26. Fund budget (as referenced in Detailed Questions section 2.0)
27. Chart: Fund legal/tax structure (as referenced in Detailed Questions section 2.0)
28. List of LPs from the most recent fund that are not re-upping (as referenced in Detailed Questions section 2.0)
29. List of LP secondary sales (as referenced in Detailed Questions section 2.0)
30. List of the Fund's LP Advisory Board Members (as referenced in Detailed Questions section 2.0)
31. Working example of the most recent fund's distribution waterfall, noting any variations from the expected calculations for the Fund (as referenced in Detailed Questions section 8.0)
32. Return comparison of prior funds vs. relevant benchmark (as referenced in Detailed Questions section 11.0)
33. IPO Graph (as referenced in Detailed Questions section 11.0)

\*\*If applicable, all requested documents/templates should be in spreadsheet format

**Appendix B - Templates: Team Members\*\*****B1: Team Members – Investment Professionals (current)**

For all current investment professionals, provide detailed information on professional background, role at Firm and time allocation:

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> First Name   | <input type="checkbox"/> Is defined in the Fund’s “Key-Person” agreement (y/n)   | <input type="checkbox"/> Average Number of Days Spent on Each Investment per month |
| <input type="checkbox"/> Last Name  | <input type="checkbox"/> Is defined as a “Principal” in this document (y/n)  | <input type="checkbox"/> Time Allocation % (1 of 2):                               |
| <input type="checkbox"/> Current Title  | <input type="checkbox"/> Directorships Held (portfolio company, external, non-profit, etc. - including details on roll and monthly time commitments) | <input type="checkbox"/> %Deal Sourcing  |
| <input type="checkbox"/> Original Title When Hired  | <input type="checkbox"/> Investments Responsible For (lead)  | <input type="checkbox"/> %Deal Execution   |
| <input type="checkbox"/> Birth Year   | <input type="checkbox"/> Investments Responsible For (non-lead)  | <input type="checkbox"/> %Portfolio Monitoring                                     |
| <input type="checkbox"/> Date Joined Firm   | <input type="checkbox"/> Target Number of Investments Responsible For  | <input type="checkbox"/> %Operations   |
| <input type="checkbox"/> Date of Most Recent Promotion                                      |  | <input type="checkbox"/> %Marketing  |
| <input type="checkbox"/> Office Location  |  | <input type="checkbox"/> %Investor Relations                                       |
| <input type="checkbox"/> Total Years of Relevant Experience                                 |  | <input type="checkbox"/> %Administration   |
| <input type="checkbox"/> Previous Professional Experience (including years at each company) |  | <input type="checkbox"/> %Non-Fund Initiatives                                     |
| <input type="checkbox"/> Education  |  | <input type="checkbox"/> %Other (please explain)                                   |
| <input type="checkbox"/> Investment Committee Role  |  | <input type="checkbox"/> Time Allocation % (2 of 2):                               |
|   |  | <input type="checkbox"/> %New Fund   |
|   |  | <input type="checkbox"/> %Existing Funds/Other                                     |

**B2: Team Members – Non-Investment Professionals (current)**

For all current non-investment professionals, provide detailed information on professional background and role at the Firm:

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> First Name               | <input type="checkbox"/> Office Location                 | <input type="checkbox"/> Previous Professional Experience (including years at each company) |
| <input type="checkbox"/> Last Name                | <input type="checkbox"/> Birth Year                      | <input type="checkbox"/> Education  |
| <input type="checkbox"/> Title                    | <input type="checkbox"/> Date Joined Firm                |   |
| <input type="checkbox"/> Role (IR, Finance, etc.) | <input type="checkbox"/> Total Years Relevant Experience |   |

**B3: Team Members (former)**

Provide details on all investment professional and senior non-investment professional departures over the past 10 years:

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> First Name         | <input type="checkbox"/> Office Location                                  | <input type="checkbox"/> Investments Responsible For (lead)     |
| <input type="checkbox"/> Last Name          | <input type="checkbox"/> Current Status (Employer/Education/Retired/Etc.) | <input type="checkbox"/> Investments Responsible For (non-lead) |
| <input type="checkbox"/> Title at Departure | <input type="checkbox"/> Reason for Departure                             |   |
| <input type="checkbox"/> Date Joined Firm   |   |   |
| <input type="checkbox"/> Date Departed Firm |   |   |

**B4: Firm Internal Advisory Board(s)**

Provide a list of the all members of the Firm’s internal advisory board(s)

- |                                     |   |                                    |
|-------------------------------------|---|------------------------------------|
| <input type="checkbox"/> Board Name | <input type="checkbox"/> Year Joined                        | <input type="checkbox"/> Biography |
| <input type="checkbox"/> First Name | <input type="checkbox"/> Board Role (chair, observer, etc.) |                                    |
| <input type="checkbox"/> Last Name  | <input type="checkbox"/> Affiliation(s)                     |                                    |

**B5: Office Locations**

List all office facilities the Firm has ever operated, providing the:

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Office Location | <input type="checkbox"/> Office Head   | <input type="checkbox"/> Specific Duties Performed in that Office (e.g. back-office, sourcing, etc.) |
| <input type="checkbox"/> Year Opened     | <input type="checkbox"/> Current Staff Count   |  |
| <input type="checkbox"/> Year Closed     | <input type="checkbox"/> Historical Staff Count (max. # of employees at any one point) |  |
| <input type="checkbox"/> Phone Number    |  |  |

\*\*If applicable, all requested documents/templates should be in spreadsheet format

**Appendix C - Templates: References\*\*****C1: References - General**

Provide a broad cross-section of references (e.g. co-investors, deal sources, bankers, personal references):

- |                                     |  |  |
|-------------------------------------|--|--|
| <input type="checkbox"/> First Name | <input type="checkbox"/> Company           | <input type="checkbox"/> Email Address |
| <input type="checkbox"/> Last Name  | <input type="checkbox"/> Relationship Type |  |
| <input type="checkbox"/> Title      | <input type="checkbox"/> Phone Number      |  |

**C2: References - Portfolio Companies**

Provide references at all portfolio companies in the last two funds; References should at least include the current CEO and any displaced CEOs during the fund's ownership:

- |                                     |                                  |  |
|-------------------------------------|----------------------------------|--|
| <input type="checkbox"/> First Name | <input type="checkbox"/> Title   | <input type="checkbox"/> Phone Number  |
| <input type="checkbox"/> Last Name  | <input type="checkbox"/> Company | <input type="checkbox"/> Email Address |

**C3: References - Service Providers**

Provide a list of any third-party service providers (accountants, attorneys, consultants, custodians, IT, software, prime brokers, etc.) used by the Firm over the past 5 years:

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Company                   | <input type="checkbox"/> Last Name     | <input type="checkbox"/> Expiration Date of Existing Contract (if applicable) |
| <input type="checkbox"/> Relationship Type         | <input type="checkbox"/> Title         |   |
| <input type="checkbox"/> Brief Description of Role | <input type="checkbox"/> Phone Number  |   |
| <input type="checkbox"/> First Name                | <input type="checkbox"/> Email Address |   |

**C5: References - Limited Partners**

List all Limited Partners in: 1) the Fund and 2) the previous fund:

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Name of Institution                                  | <input type="checkbox"/> Last Name     | <input type="checkbox"/> Admission Source (1st close, secondary purchase, etc.) |
| <input type="checkbox"/> Investor Type (Public Pension, Endowment, SWF, etc.) | <input type="checkbox"/> Title         | <input type="checkbox"/> Fund Name  |
| <input type="checkbox"/> First Name   | <input type="checkbox"/> Phone Number  | <input type="checkbox"/> Commitment Amount                                      |
|   | <input type="checkbox"/> Email Address |   |

**C6: References - LP Advisory Board Members**

Provide a list of LP Advisory Board members in the previous fund:

- |   |                                     |   |
|---|-------------------------------------|---|
| <input type="checkbox"/> Institution Name                                     | <input type="checkbox"/> First Name | <input type="checkbox"/> Phone Number             |
| <input type="checkbox"/> Investor Type (Public Pension, Endowment, SWF, etc.) | <input type="checkbox"/> Last Name  | <input type="checkbox"/> Email Address            |
|   | <input type="checkbox"/> Title      | <input type="checkbox"/> Committed to Fund? (y/n) |

**C7: References - Auditors**

Provide the contact information for the auditor of the Fund and of all prior funds:

- |  |                                       |  |
|--|---------------------------------------|--|
| <input type="checkbox"/> Firm Name       | <input type="checkbox"/> Last Name    | <input type="checkbox"/> Email Address |
| <input type="checkbox"/> Fund(s) Audited | <input type="checkbox"/> Title        |  |
| <input type="checkbox"/> First Name      | <input type="checkbox"/> Phone Number |  |

**C8: References - Placement Agents**

List all placement agents and fundraising advisors used during fundraising:

- |                                     |  |  |
|-------------------------------------|--|--|
| <input type="checkbox"/> Firm Name  | <input type="checkbox"/> Title             | <input type="checkbox"/> Fund Name                 |
| <input type="checkbox"/> First Name | <input type="checkbox"/> Phone Number      | <input type="checkbox"/> Payment Structure/ Amount |
| <input type="checkbox"/> Last Name  | <input type="checkbox"/> Services Provided | <input type="checkbox"/> Registration Number(s)    |

**C9: References - Background Checks**

List any vendors that have performed background checks on the Firm or its employees:

- |                                      |                                       |  |
|--------------------------------------|---------------------------------------|--|
| <input type="checkbox"/> Vendor Name | <input type="checkbox"/> Title        | <input type="checkbox"/> Services Provided |
| <input type="checkbox"/> First Name  | <input type="checkbox"/> Phone Number |  |
| <input type="checkbox"/> Last Name   | <input type="checkbox"/> Email        |  |

\*\*If applicable, all requested documents/templates should be in spreadsheet format

**Appendix D - Templates: Fund\*\*****D1: Performance & Attribution: Fund**

Provide the following for each prior fund on a since inception basis, using the Net Asset Values attributable to the most recent quarter. If applicable, provide totals for: 1) the GP's share and 2) aggregate LPs' share. Where noted, all values should be denominated (as of the transaction day) in: 1) the respective fund's reporting currency, 2) US Dollar (\$) and 3) Euro Dollars (€):

- o Fund Name
- o Vintage Year
- o Date of Initial Capital Call
- o Fund Size (fund reporting currency)
- o Performance Metrics (multiple currencies):
  - Total Contributions, incl. fees (GP/all LPs)
  - Total Contributions, excl. fees (GP/all LPs)
  - Total Distributions (GP/all LPs)
  - Current NAV (GP/all LPs)
  - Net IRR (GP/all LPs)
  - Gross IRR (GP/all LPs)
- Total Value to Paid-In (TVPI) (GPs/all LPs):
  - Net of Fees
  - Gross of Fees
- Distribution Value to Paid-In (DVPI) (GP/all LPs):
  - Net of Fees
  - Gross of Fees
- Reported Value to Paid-In (RVPI) (GP/all LPs):
  - Net of Fees
  - Gross of Fees
- o Total # of Invs. Made
- o Total # of Invs. Remaining
- o Average Age of All Investments
- o Total Fees Collected from Portfolio Companies, incl. fees that accrued to benefit of LPs (fund reporting currency)
- o Total Fees Collected from Portfolio Companies, excl. fees that accrued to benefit of LPs (fund reporting currency)
- o Total Realized Carry (fund reporting currency)
- o Total Estimated Unrealized Carry (fund reporting currency)
- o Total Current Clawback Balance (if applicable) (fund reporting currency)

**D2: Cash Flows: Fund**

Provide detailed cash flows (incl. stock distributions) for each prior fund on a since inception basis, using the Net Asset Values attributable to the most recent quarter. Data should be broken down between the: 1) GP's share and 2) aggregate LPs' share. All values should be denominated (as of the transaction day) in: 1) the respective fund's reporting currency, 2) US Dollar (\$) and 3) Euro Dollars (€). This information should allow for the calculation of net/gross IRRs and multiples for each fund (in multiple currencies). Values presented should reconcile to the funds' financial statements and Appendix D1:

- o Fund Name
- o Date of Cash Flow
- o Fund Reporting Currency
- o Amount (multiple currencies)
- o Type of Flow (Call, Cash Dist., Stock Dist., etc.)
- o NAV as of the Most Recent Quarter (multiple currencies)
- o Cash Flow Description (Investment, Fees, etc.)

\*\*If applicable, all requested documents/templates should be in spreadsheet format



## Appendix E - Templates: Portfolio Investments\*\*

### **E1: Deal Log: Portfolio Investments**

Provide a copy of the Firm's deal flow log for all investments reviewed over the last 5 years, where the General Partner either, (i) expressed a level of interest; (ii) commenced due diligence; and/or (iii) generated a letter of intent. Include information on the source and estimated transaction size of the investment opportunity:

- o Date of Opportunity
- o Portfolio Investment Name
- o Short Description of Opportunity
- o Source of Opportunity
- o Type of Auction (if applicable)
- o Purchase Type (take-private, trade sale, carve-out, etc.)
- o Deal Log Status (i.e. how far the opportunity progressed through the deal pipeline)
- o Inv. Transaction Currency
- o Estimated Total Transaction Size (inv. transaction currency)
- o Estimated Fund Investment Size (inv. transaction currency)

### **E2: Performance & Attribution: Portfolio Investments**

Provide summary tables of all realized and unrealized portfolio investments in prior funds on a since inception basis (unless noted otherwise), using the investment value attributable to the most recent quarter (or at exit for realized invs.). All spin-offs and partial divestitures should be properly notated in the table (if necessary, provide additional explanation in a supplemental table). All values should be denominated (as of the transaction day) in: 1) the respective fund's reporting currency and 2) the investment's reporting currency:

- o Portfolio Investment Name
- o Status (realized/unrealized)
- o Fund Name (if cross-fund investment, separate each fund)
- o Fund Reporting Currency
- o Inv. Transaction Currency
- o Seller Name at Entry
- o Purchase Type (take-private, trade sale, carve-out, etc.)
- o Date of Purchase Agreement
- o Initial Investment Date
- o Short Business Description
- o Source of Opportunity
- o Sector/Industry
- o Geography: Headquarters
- o Geography: Base of Operations
- o Geography: Primary Market
- o Value Creation Thesis
- o Security Type (e.g. sub-debt)
- o Number of Shares/Units
- o Lending Syndicate Names
- o Investment Metrics – at Entry (multiple currencies):
  - Fund Ownership % (pro-rata, fully diluted)
  - Total # of Board Seats
  - Fund's # of Board Seats (pro-rata)
  - LTM EBITDA
  - LTM Revenue
  - Enterprise Value
  - Equity Value
- Net Debt
- LTM Interest Expenses
- o Date of Sale Agreement
- o Exit Date
- o Exit Type (IPO, write-off, etc.)
- o Buyer Name at Exit
- o Investment Metrics – Current/at Exit (multiple currencies)- *include since-inception, compound annual growth rates (CAGR) for all applicable metrics:*
  - Fund Ownership % (pro-rata, fully diluted)
  - Total # of Board Seats
  - Fund's # of Board Seats (pro-rata)
  - LTM EBITDA
  - LTM Revenue
  - Enterprise Value
  - Equity Value
  - Net Debt
  - LTM Interest Expenses
- o Total Inv. Capital at Entry
- o Total Inv. Capital to Date (multiple currencies) (a)
- o Current Investment Cost (multiple currencies) (b)
- o Total Proceeds to Date (multiple currencies) (c)
- o Current Reported Value (multiple currencies) (d)
- o Gross IRR (multiple currencies)
- o Total Value to Paid-In (TVPI = ((c+d)/a)) (multiple currencies)
- o Distribution Value to Paid-In (DVPI = c/a) (multiple currencies)
- o Reported Value to Paid-In (RVPI = (d/a) (multiple currencies)
- o Total Realized Carry (fund reporting currency)
- o Total Current Unrealized Carry (estimated) (fund reporting currency)
- o Valuation Methodology (e.g. market multiples, DCF, etc.)
- o Enterprise Value (using Firm's reported interim valuation prior to signing of sale agreement (realized invs. only)
- o Deal Team Member (lead)
- o Deal Team Member (sourcing)
- o Deal Team Member (diligence)
- o Co-Investors, w/ ownership % and equity invested (Non-LPs -)
- o Co-Investors, w/ ownership % and equity invested (LPs)
- o In Compliance with Covenants (Currently)? (y/n)
- o In Compliance with Covenants (during life of inv.)? (y/n)

\*\*If applicable, all requested documents/templates should be in spreadsheet format

**Appendix E - Templates: Portfolio Investments (cont.)\*\*****E3: Cash Flows: Portfolio Investments**

Provide detailed cash flow information for each realized and unrealized investment in prior funds on a since inception basis (unless noted otherwise), and the investment reported value attributable to each quarter end. If applicable, provide detailed cash flow information for each deal previously completed by each Lead Deal Team Member prior to joining/forming the General Partner. All values should be denominated (as of the transaction day) in: 1) the respective fund's reporting currency and 2) the currency of the investment transaction. This information should allow for the calculation of gross IRRs and multiples for each portfolio investment (in local & legal currency). Values presented should reconcile to the funds' financial statements and Appendix E2:

- |                             |                                |                                 |
|-----------------------------|--------------------------------|---------------------------------|
| o Portfolio Investment Name | o Fund Reporting Currency      | o Type of Cash Flow             |
| o Deal Team Member (lead)   | o Investment Transaction       | o Cash Flow Description         |
| o Fund Name                 | o Currency                     | o Reported Value at Quarter End |
| o Date of Cash Flow         | o Amount (multiple currencies) | o (multiple currencies)         |

**E4: Fee Schedule: Portfolio Investments**

Provide detailed cash flow information related to all fees charged to portfolio companies, denominated in the Fund's reporting currency:

- |                     |                                     |
|---------------------|-------------------------------------|
| o Date of Cash Flow | o Portfolio Investment Name         |
| o Amount            | o Type of Fee (e.g. Director's Fee) |

**E5: Debt Maturities: Portfolio Investments**

For all unrealized investments, provide debt covenant details. Provide data for 3 years prior to the investment, through the ownership. All values should be denominated in the investment's reporting currency:

- |                             |                           |                    |
|-----------------------------|---------------------------|--------------------|
| o Portfolio Investment Name | o Debt Maturities by Year | o Origination Fee  |
| o Total Current Debt        | o Number of Tranches      | o Payment Schedule |

**E6: Investment Details: Portfolio Investments**

Each page is designed to give the limited partner a qualitative and quantitative synopsis on each investment (realized & unrealized) and should include the following sections (denominated in the investment's reporting currency):

Overview:

- |                                  |   |   |
|----------------------------------|---|---|
| ▪ Portfolio Investment Name      | ▪ Other Significant Investors                               | ▪ Types of Alternative Funding Sources Used (e.g. SBIC) |
| ▪ Status (realized/unrealized)   | ▪ Any C-Level management changes during investment          | ▪ Deal Team Member (lead)                               |
| ▪ Detailed Business Description  | ▪ Significant Post-Investment Issues (e.g. covenant breach) | ▪ Deal Team Member (sourcing)                           |
| ▪ Detailed Sourcing Information  | ▪ Exit Type (IPO, write-off, etc.)                          | ▪ Deal Team Member (diligence)                          |
| ▪ Detailed Value Creation Thesis |   | ▪ Gross IRR   |
| ▪ Transaction Summary            |   |   |

Financial Tables (provide annual data for 3 years prior to the investment through the ownership):

- |                            |  |                          |
|----------------------------|--|--------------------------|
| ▪ Revenue (value and CAGR) | ▪ Equity Balance                           | ▪ Other Relevant Metrics |
| ▪ EBITDA (value and CAGR)  | ▪ Value of Outstanding Warrant and Options |                          |
| ▪ Debt Balance             |  |                          |

Status (current or at exit):

- |  |   |
|--|---|
| ▪ Short Company Assessment (e.g. on plan, above plan, below plan)  | ▪ Valuation Bridge with commentary on changes/drivers, including: (i) additional capital invested, (ii) operational improvement/ decline, (iii) multiple expansion/ compression and (iv) leverage |
| ▪ Detailed Company Assessment  | ▪ Provide information for each add-on acquisition   |
| ▪ Capitalization Table (table format is not rigid, adjust as appropriate for relevant portfolio company) | ▪ Describe the expectations regarding future cash flow needs, valuations and realization events   |
| ▪ Recent Events and Key Initiatives  |   |
| ▪ Valuation Methodology/ Assumptions (including a list of comparable companies)                          |   |

\*\*If applicable, all requested documents/templates should be in spreadsheet format

*For more information on the ILPA  
visit [ilpa.org](http://ilpa.org) or call (416) 941-9393*



55 YORK STREET, SUITE 1200 • TORONTO, ONTARIO M5J 1R7 • (416) 941-9393 • ILPA.ORG

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# INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

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*Quarterly Reporting Standards  
Best Practices*

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*Version 1.0  
Released October 2011*

Best Practices in Quarterly Reporting for Private Equity Sponsors

October 2011

Dear ILPA Members and All Contributors to the Development of this Document,

My sincerest gratitude to members of the ILPA that participated in the development of these templates as well as all the general partners, auditors and industry associations that proactively added their voice to this process. I would also like to thank the committee, specifically Jim Pittman of PSP Investments and Michael Elio of LP Capital Advisors, for the work they and their teams have contributed to these efforts. The exhaustive nature of this exercise was intentional in order capture the views of all interested industry constituents.

The ILPA is the global member-driven organization dedicated to advancing the interests of private equity Limited Partners through industry-leading education programs, independent research, best practices, networking opportunities and global collaborations. As part of its efforts to promote best practices, and as a follow up to the Principles V 2.0 released in January 2011, the ILPA, and its reporting standards working group, reached out to general partners, institutional investors and industry third-parties to seek input into the development of these standards. This concise set of expectations are intended to aid sponsors of private equity funds in working with investors, to create efficiencies in reporting practices, to develop standards that would increase transparency, and to allow for the sharing of necessary information for management reporting.

As you work through this document, please keep in mind the following:

1. It is not the intent of the ILPA to force all general partners to produce their statements in this exact format; the information reported is key to the exercise. We have provided specific examples to demonstrate the level of disclosure required by the institutional investors and to articulate an ideal to which reporting transparency can be achieved.
2. A summary of information and key required components is provided for your convenience in a list format in Appendix 1.
3. The mathematical examples that we cite in the document are actual examples provided by general partners to demonstrate a particular concept and given the independent nature of each example, the numbers are not intended to tie together.
4. Comments can be contributed via the comment area of [ilpa.org](http://ilpa.org)

The ILPA recognizes that while it cannot take a one-size-fits-all approach to any of its best practice documents, it encourages its members, general partners and industry thought-leaders to support this initiative, which we anticipate will lead to the long-term strengthening of the asset class.

Best,

Kathy Jeramaz-Larson  
Executive Director  
ILPA

## ILPA Best Practices

The Institutional Limited Partners Association (ILPA) strives to improve the global private equity industry through the establishment of industry best practices. These best practices seek to provide consistency, standardization, benchmarks, and structure in order to allow for better investment returns and a more sustainable private equity industry.

The ILPA has developed a set of Best Practices which help to provide this standardization including:

- o ILPA Private Equity Principles
- o Standardized Reporting Templates

### The ILPA Private Equity Principles

The ILPA Private Equity Principles (Principles) were developed to encourage discussion between Limited Partners (LPs) and General Partners (GPs) regarding fund partnerships. They outline a number of key principles that will further partnership between these two groups.

The ILPA believes that there are three guiding principles which form the essence of an effective private equity partnership:

- o Alignment of Interest
- o Governance
- o Transparency

The Principles are built around the improvement of these three key tenets.

These preferred private equity terms and best practices may inform discussions between each GP and its respective LPs in the development of partnership agreements and in the management of funds. However, the ILPA recognizes that a single set of terms cannot provide for the broad flexibility of market circumstance.

The ILPA does not seek the commitment of any LP or GP to any specific terms. They should not be applied as a checklist, as each partnership should be considered separately and holistically.

### Standardized Reporting Guidelines

In line with the spirit of transparency embodied in the Principles, the Standardized Reporting Guidelines were developed to serve several purposes, including, but not limited to:

- o Enabling the LP to interpret and account for a transaction accurately
- o Reducing LP and GP processing times and ultimately reducing monitoring costs
- o Improving LP-GP communications in regards to an investment's status and thereby minimizing required follow-up questions
- o Enabling GP compliance with legal terms in documentation

Released separately is the latest version of the Capital Call and Distribution Notice Best Practices template. This package has been updated to include extensive input from both General and Limited Partners, accountants and legal professionals.

Discussed in this package are the expectations for Best Practices in Quarterly Reporting. This package is the second Best Practices template in the series and includes Best Practices around financial statements, and guidelines for best-in-class reporting of underlying holdings and portfolio metrics.

For more information about the ILPA, the ILPA Private Equity Principles, or the Standardized Reporting Guidelines, visit [ilpa.org](http://ilpa.org).

Address through November 18, 2012:  
Institutional Limited Partners Association  
1201 – 55 Yonge Street  
Toronto, ON M5E 1J4  
Canada

New address beginning November 21, 2012:  
Institutional Limited Partners Association  
1200 – 55 York Street  
Toronto, ON M5E 1J4  
Canada

Phone: (416) 941-9393  
Fax: (416) 941-9307  
Email: [info@ilpa.org](mailto:info@ilpa.org)

*Disclaimer: All interested parties should, subject to applicable laws, respect the confidentiality of information contained in reports provided in connection with investments. The Standardized Reporting Template reflects the view of the participants involved in the creation thereof as to best practices with respect to fund reporting. However, no limited partner should utilize the the Standardized Reporting Templates as a substitute for its own determination as to what information such limited partner will need or desire with respect to any particular investment. Further, no representation is made that the Standardized Reporting Templates, when provided by general partners to their investor base, will include all desirable information or will be fully inclusive of all information needed for any limited partner to effectively monitor its investments.*

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**SECTION I  
OVERVIEW**

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### ILPA Standardized Reporting

As a fiduciary, Limited Partners are faced with the need for increased transparency and reporting in order to inform and guide their Boards, Trustees, Portfolio Managers and Risk Departments. To serve these various constituencies, investors repeatedly make inquiries of the General Partners needing further detail into their investments.

The ILPA has been working to develop a suite of reporting guidelines that will help to standardize information flow in the private equity industry. This is part of the ILPA's efforts to generate greater industry efficiencies, improve uniformity and transparency, and reduce expenses in administering and monitoring private equity investments.

#### Quarterly Reporting Package

As a complement to other Best Practices guidelines for reporting capital calls and distribution notices, the ILPA has now developed a set of standardized documents for quarterly reporting.

This Quarterly Reporting Package is meant to be indicative of the minimum amount of disclosures expected by Limited Partners of their General Partners, and not a stringent format for reporting. The items requested to be disclosed are designed to allow the General Partner flexibility in reporting, while providing them guidance as to the specifics of transparency. These guidelines will eliminate ambiguities and limit the burden of repeated data requests on all parties involved.

Core contents of an effective Quarterly Reporting Package include (but are not limited to):

- o Summary Management Discussion and Analysis Letter
- o Financial Package
  - Balance Sheet
  - Period End Schedule of Investments
  - Statement of Operations
  - Statement of Cash Flows
  - Partners' Capital Account Statement
  - Appropriate Footnote Disclosures
- o Supplemental Management Reports
  - Executive Summary – Firm and Fund Level
  - Supplemental Schedule of Investments
  - Portfolio Company Update (one for each active portfolio company)

The best practices sample statements in this package are preceded by a criteria document that outlines what components make them Best Practices. Though all effort has been made to eliminate redundancy in reporting, it is the goal of these templates to outline the specifics of disclosure. Should information be properly provided elsewhere in the quarterly package, repetition of the data is not necessary.

In addition to the required components of the package, and in line with ILPA Principles V 2.0, the timing of the package delivery is also important. In general, draft financials for a non-audit period end, the expected delivery is 60 days after quarter end with a targeted delivery of 45 days. Fund of Funds would be given additional time to aggregate their underlying funds data, with a maximum deadline of 90 days after quarter end and a targeted delivery of 75 days. Audited financials would add 30 days to expected and targeted delivery deadlines outlined above.

**Best Practices in Quarterly Reporting are designed to augment, not to supersede, IFRS, GAAP, regulatory or tax reporting requirements or limitations.**

## **SECTION II**

# **QUARTERLY PACKAGE GUIDELINES**

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## ILPA BEST PRACTICES

## PACKAGE CRITERIA

**Summary Letter***(Provided quarterly with each package, unaudited)*

A key component of the package, (though not shown later as a best practice example), is the inclusion of a Summary Portfolio Update Letter. This letter should, at a minimum, include:

- Management discussion of key drivers of activity and performance during the quarter that bridges the activity between the two period ends
  - Summary of capital activity (cash flows)
  - Transactions closed or pending
- Explanation of extraordinary movements
- Discussion of material events in portfolio companies (that would impact the fund as a whole) and/or with the General Partner
  - Including portfolio company defaults, LPA breaches, etc.
- Consistent with ILPA Principles V 2.0, a discussion of any material changes in risk factors at the *fund level*, including:
  - Concentration risk at fund level
  - Foreign exchange risk at fund level
  - Leverage risk at fund level
  - Realization risk at fund level
  - Extra-financial risks, including environmental, social and corporate governance risks at the fund level
  - This information should be provided annually, though more immediate reporting may be required for material events

**Balance Sheet***(Provided quarterly, audited annually)*

Ideally, for the Balance Sheet and all financial statements provided in the package, there should be statements for the fund/vehicle through which the LP has invested, as well as a consolidated statement for the entire fund (to the extent there is consistent ownership), with exceptions only for regulatory and/or tax reasons.

Though all items in the best practices package must adhere to relevant accounting standards, presentation is often left open to some interpretation. To that end, a balance sheet should include the following components:

- Current period end vs. prior audited period end columns
  - Comparative column should be for most recent audit period
  - Requires comparative or prior year end schedule of investments
- Inclusion of receivables and payables to affiliates
- Inclusion of investments at cost and fair value
- Inclusion of fund level debt

Financial Statements should be prepared for the legal entity to which the Investor has committed. In addition, consolidated statements are preferred, when possible, for insight into the fund's aggregate exposure.

**ILPA BEST PRACTICES****PACKAGE CRITERIA**

The schedule of investments allows the General Partner the opportunity to provide Limited Partners the highest levels of transparency.

**Schedule of Investments**

*(Provided quarterly, audited annually)*

As part of the quarterly package, a properly detailed schedule of investments should be included. The schedule should be placed after the balance sheet and include valuations that are updated quarterly. If fair value is not available, a separate schedule would be necessary. Please note that the schedule of investments included in the core package is targeted to those items consistent with audited financials. Full transparency is achieved in the use of an unaudited detailed schedule of investments in the Supplemental Management Reports.

**Values presented in both the core and supplemental schedule of underlying investments should be at the fund level and reconcile to the balance sheet.**

The basic requirements within the core schedule are as follows:

- Full detail on unrealized investments
  - Detail should be at legal entity level, not LP share
- Name of the Investment
  - Name can be omitted if absolutely required, but a unique identifier must be used and be consistent from quarter to quarter; investments should not be grouped
- Debt and Equity positions should be reported separately
  - Include number of shares if applicable
  - Should the investment be structured in a more complicated manner, detail may be moved to the individual Portfolio Company Update
- Fund Ownership % (fully diluted)
- Initial Investment Date
- Numeric Data on each investment to include:
  - Total committed to investment
  - Total invested (A)
  - Current cost (B) (including equity and debt breakdown)
  - Reported Value (C)
  - Realized proceeds (D)

This list is not meant to be all inclusive or override any IFRS or GAAP requirements.

Limited Partners would prefer to have as much of the package audited as possible, though the need to limit audit expenses is understood. Certain items, such as initial investment date, are not explicitly required under the audit guidelines and can be moved to the detailed schedule of investments in the Supplemental Management Reports. There is no need to repeat disclosure of any items included on at least one of the schedules.

**Statement of Operations***(Provided quarterly, audited annually)*

The format of the statement of operations is driven heavily by relevant accounting standards. However, there are some best practices often included in this report.

- Show current period, year-to-date and since inception information
  - Since inception information is not required by certain accounting standards; information need not be included in audited package if details are outlined in either the Footnotes or detailed Partner's Capital Account Statement
- Breakout investment income
  - Separate portfolio interest and dividends independent of other interest
- Breakout of expenses
  - Separate fees into their individual components, including management fees, broken deal fees, advisory/director fees, monitoring fees, etc.
- Net operating gain/loss
- Breakout of gains/(losses) on investments
  - Breakout of realized/unrealized gain/loss (independent of F/X, showing F/X independently)

**Statement of Cash Flows***(Provided quarterly, audited annually)*

The format of the statement of operations is also driven heavily by relevant accounting standards as well as the investment strategy of the fund. However, there are some best practices often included in this report.

- Show current period, year to date and since inception information
  - Since Inception information is not required by certain accounting standards; information need not be included in audited package if details are outlined in either the Footnotes or detailed Partner's Capital Account Statement
- Breakout of cash flows from operating activities
- Breakout of cash flows from financing activities
- Cash and cash equivalents
- Supplemental cash flow information
  - Supplemental disclosure could include non-cash related adjustments

Should the General Partner provide a detailed quarterly Partners Capital Account statement as shown within these Best Practices (with the relevant cash flow components), any additional details beyond audit requirements are not necessary.

## ILPA BEST PRACTICES

## PACKAGE CRITERIA

The Partner's Capital Account is a critical component of the quarterly reporting package.

### Partners' Capital Account Statement

*(Provided quarterly to respective Limited Partners only)*

A key component of the package is a concise fair value partners' capital account statement ("PCAP"). Should the statement not be in fair value, a supplementary schedule should be provided.

Though not currently subject to accounting standards, the PCAP is paramount to the records of the Limited Partners. The PCAP should encompass the necessary components for a Limited Partner to assess the value of their investments as well as reconcile the proper allocation of flows across the relevant periods.

The key components of a best practice partners' capital statement would include (but not be limited to):

- Consolidated reporting, if applicable, for all Limited Partner investments, including alternative investment vehicles
- Current period, year-to-date and since inception information
- Breakout of the Total Fund by LP, GP and Total
  - This sample shows the PCAP for an individual Limited Partner; the same information may be presented in a combined statement of Partners Capital as long as all relevant rows of data are included
- Bridge the prior net asset value to the current net asset value
  - Disclose any adjustments made prior to Beginning Balance
- Components to include:
  - General Partners' balances
    - The GP balances would not include commitments made by the General Partner as a Limited Partner
  - Accrued carried interest should partnership liquidate
  - Breakout of contributions and distributions for the relevant period
  - Net changes in partners' capital resulting from operations
    - Include breakout of relevant fees and expenses; these items are not always finalized when the Capital Call or Distribution is made
    - Commitments of Limited Partner, General Partner and Total Fund
      - Indicate adjustments, if any, due to expired capital, write-offs, adjustments, etc.
    - Schedule of changes in *individual* unfunded commitment
      - Limited Partners need to have a quarterly reconciliation of their Unfunded Balance. Impacts of cash flows to commitment are not always disclosed in the capital call and distribution process, or are modified at period end.

Please note that these Best Practices are focused on the disclosure requirements needed by the Limited Partners. Any aggregate schedules required as part of a properly audited statement are not included in these Best Practices samples.

## ILPA BEST PRACTICES

## PACKAGE CRITERIA

The requested footnotes are not exhaustive, but target key disclosures required of Best Practices reporting packages.

### Footnotes

*(Relevant footnotes provided quarterly, all footnotes provided annually)*

To fully support the balance sheet and other reporting schedules, a complete and detailed set of footnote disclosures are required.

Footnote disclosures would include (and not be limited to):

#### Note 1 - Organization / Fund Details

- Key dates (including formation, termination, extensions, commitment period and follow-on period dates), structure, commitment amounts and other relevant fund details
- Tables may be included if they further understanding of the organizational structure

#### Note 2 - Significant Accounting Policies

- Accounting principles, fair value measurement and other relevant details

#### Note 3 - Partners' Capital

- Limited Partners' and General Partners' commitments
- Tables may be included if they further understanding of the commitment structure

#### Note 4 - Management Fee and Other Fee Breakdown

- Management fees / broken or consumated deal fees / monitoring fees / fee offsets
- Description of "other" fees

#### Note 5 - Related Party and Other Transactions

- Detail of related party transactions and/or receivables/payables
- Notation of fund level debt and other potential obligations or guarantees

#### Note 6: Financial Highlights

- Net IRR at the fund level

#### Note 7: Carry Detail

- Fund level carry paid and/or accrued; amount escrowed if applicable
- Detailed description of carry calculation (waterfall)
  - Include table if more appropriate

#### Note 8: Advisory Board

- List of members (if not against any legal or LPA restrictions)
- Notation of action items or votes taken

#### Note 9: Subsequent Events

- Included if material

The items listed above are of key concern to Limited Partners and they would prefer to have these included in the annual audited statements. Should audit, legal or partnership issues require, certain items, such as Note 8 above, can be provided in the quarterly materials outside the scope of the audited financials.



**Supplemental Management Reports***(Supplemental reports are unaudited and unless otherwise noted, provided quarterly)***Executive Summary – Firm and Fund Level Data***(Fund Level data provided quarterly, firm level data updated annually)*

Supporting materials to the quarterly reporting package would include an executive summary that highlights the key firm and fund level information. This supplemental report is most often used by Limited Partners to convey a high level status of the fund in a quantitative manner. *The format and display of the data in the Executive Summary is at General Partner discretion and graphical depictions are preferred.*

The executive summary, preceding supplementary pages covering the details of all active investments in the portfolio, would include the following:

- Firm Data
  - Assets under management
    - Assets defined as total value of current investments plus unfunded commitments
  - Active funds
  - Active portfolio Companies
- Fund Level Data
  - Total commitments
  - Total drawdowns since inception
    - Gross drawdowns
  - Remaining commitments
  - Total number of investments since inception
  - Total distributions
    - Percentage of total drawdowns
      - Gross distributions as percent of gross drawdowns
    - Percentage of committed capital
      - Gross distributions as percent of total commitments
- Key Valuation Metrics
  - TVPI: Total Value to Paid In
  - RVPI: Residual Value to Paid In
  - DPI: Distributions to Paid In
- Historical Fund Performance
  - The sample here highlights TVPI over time in a graphical depiction. Alternatives would include both TVPI and Net IRR over time.
- Portfolio breakdown by industry and region
  - The sample here highlights the portfolio breakdown, by invested capital, by industry and region invested.

**Supplemental Schedule of Investments**

Please note that the schedule of investments included in the core package is limited to those items consistent with audited financials. This schedule, similar to the schedule in the core package, is at the Fund Level, and must tie to the balance sheet.

Full transparency is achieved in the detailed supplemental schedule of investments which includes the following:

- Full detail on realized and unrealized investments
- Security Type / # of shares (if not reported elsewhere)
- LP Ownership % (fully diluted)
  - This is the only column in this schedule that is Limited Partner specific with the intent of determining the results of opt-outs in the Fund. This information can also be depicted in a separate schedule for ease of reporting. LP ownership can be represented as % of total invested
- Initial Investment Date (if not reported earlier)
- Final Exit Date for realized investments
- Investment Data (at fund level, if not reported elsewhere)
- Valuation Driver
  - Primary driver of valuation methodology such as market multiples, DCF, public market price, etc. Sample list only an indicator of possible descriptions; final list at GP's discretion.
- Performance Metrics
  - Period change in valuation
  - Period change in cost
  - Unrealized gains/(losses) & accrued interest
  - Movement summary
    - Primary driver of movement, not an indicator of full valuation methodology. Sample list only an indicator of possible descriptions; final list at GP's discretion.
  - Current period investment multiple
    - Not needed if components are provided
  - Prior period investment multiple
    - Not needed if components are provided
  - Since inception net IRR

Some General Partners provide much of the above data, as well as the portfolio company data outlined in the attached Appendix, to their Limited Partners on a quarterly basis in a standardized excel template. This template could be used as an alternative to the detailed supplemental reporting package, and would be encouraged to be made available to Limited Partners on a quarterly basis.

## ILPA BEST PRACTICES

## PACKAGE CRITERIA

Though the Portfolio Company sample on page 31 is condensed to one page, additional use of graphs or charts can be added in order to convey the appropriate information.

### Portfolio Company Update

Supporting materials to the Quarterly Reporting package would include supplementary pages covering the details of all active investments in the portfolio. These pages would be preceded by an executive summary (discussed above) that highlights the key information on the portfolio companies to follow. Information in quarterly reports should be structured consistently with information provided through other channels, such as the annual report, data room or intranet site.

Each page is designed to give the Limited Partner a qualitative and quantitative synopsis on each investment and should include:

- Company Overview
  - Company description and headquarters
    - Please note discrepancy between Corporate and Tax headquarters, if any
    - Industry (GICS classification)
  - Acquisition details (table or chart)
    - Including initial investment date, multiples, equity breakdown
    - Acquisition thesis
    - Co-Sponsors (including individual ownership % if readily available)
      - Notwithstanding any non-disclosure restrictions
    - Deal partners at GP (including titles and Board seat, if any)
  - Current metrics (table or chart of trailing-twelve months information)
    - Including revenue, EBITDA, debt, CAGR
    - Company Assessment (On Plan, Above Plan, Below Plan; regulatory issues notwithstanding)
  - Expectations (notwithstanding prohibitions against forward-looking statements or commercially sensitive information)
    - Cash flow needs or distributions
    - Exit assumptions; date/type
- Financial Tables
  - Investment structure
  - Capitalization table
    - Table format is not rigid, please adjust as appropriate for relevant portfolio company
  - Financial results
    - Table format is not rigid, please adjust as appropriate for relevant portfolio company
  - Calculations: DPI, RVPI, TVPI, DCC, PICC
    - Not needed if all components of calculation are provided elsewhere
- Recent Events and Key Initiatives
  - Staffing changes
  - Key developments (including covenant issues, if any)
  - Achievements, certifications, approvals
- Valuation bridge (including commentary on changes/drivers)
  - How is value add being created in portfolio company over time (Increases to EBITDA, multiples or debt payback)
  - Valuation methodology and assumptions; including a list of comparable companies if applicable

## ILPA BEST PRACTICES

## PACKAGE CRITERIA

- Risk Assessment / Update
  - In accordance with ILPA Principles V 2.0, a risk assessment should be completed at the Fund level annually, at a minimum. It is expected these portfolio company reports should follow the same guidelines, with qualitative discussion quarterly of any material changes in risk factors. Sample portfolio company risks would be determined by the stage and strategy of each investment, but may include:
    - Foreign exchange risk at portfolio company level
    - Leverage risk at portfolio company level
    - Realization risk at portfolio company level
    - Strategy risk at portfolio company level
    - Reputation risk at portfolio company level
    - Extra-financial risks, including environmental, social and corporate governance risks at the fund and portfolio level
    - Additional information may be provided through other channels
    - More immediate reporting may be required for material events

Some General Partners provide much of the above data, as well as the portfolio company data outlined in the attached Appendix, to their Limited Partners on a quarterly basis in a standardized excel template. This template could be used as an alternative to the detailed supplemental reporting package, and would be encouraged to be made available to Limited Partners on a quarterly basis.

## **SECTION III**

### **SAMPLE QUARTERLY PACKAGE**

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The following sample financial statements and supplemental schedules are indicative of best in class reporting provided by General Partners. As the intent is to show many situations that may arise in a partnership, the numbers do not tie across samples.

It is not the intent of the ILPA to force all General Partners to produce their statements in this exact format. However, it should be used to understand the level of disclosure required by the Limited Partners and as an ideal to which reporting transparency can achieve.

ILPA BEST PRACTICES

SAMPLE QUARTERLY PACKAGE

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**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

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**BEST PRACTICES FUND II, L.P.**

**(and all affiliated partnerships)  
Financial Statements  
December 31, 2010  
(Unaudited)**

## ILPA BEST PRACTICES

## SAMPLE QUARTERLY PACKAGE

Balance Sheet

Best Practices Fund II, L.P.  
 Statement of Assets, Liabilities and Partners' Capital  
 December 31, 2010  
 (\$ Unaudited)

	Current Period End 12/31/2010	Prior Year End Audited 12/31/2009
<b>ASSETS</b>		
Investments at Cost	\$ 38,000,000	\$ 39,000,000
Unrealized Gain / Loss on Investments	<u>3,300,000</u>	<u>2,900,000</u>
Investments at Fair Value	41,300,000	41,900,000
Cash and Cash Equivalents	8,000,000	250,000
Other Assets	2,000,000	50,000
Receivable from Affiliates	100,000	25,000
<b>Total Assets</b>	<b>\$ 51,400,000</b>	<b>\$ 42,225,000</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 2,910,000	\$ 4,120,000
Notes/Revolver Payable	50,000	75,000
Payable to Affiliates	<u>7,600,000</u>	<u>725,000</u>
<b>Total Liabilities</b>	<b>10,560,000</b>	<b>4,920,000</b>
Partners' Capital		
General Partner	443,400	396,050
Limited Partners	<u>40,396,600</u>	<u>36,908,950</u>
<b>Total Partners' Capital</b>	<b>40,840,000</b>	<b>37,305,000</b>
<b>Total Liabilities and Partners' Capital</b>	<b>\$ 51,400,000</b>	<b>\$ 42,225,000</b>

## ILPA BEST PRACTICES

## SAMPLE QUARTERLY PACKAGE

Schedule of Investments

Best Practices Fund II, LP - 12/31/2010									
Company Name	Security Type	Number of Shares	Fund Ownership % (Fully Diluted)	Initial Investment Date	Investment Data (Expressed in \$)				
					Fund Commitment	Total Invested (A)	Current Cost (B)	Reported Value (C)	Realized Proceeds (D)
Company 1	Equity	1,250,000	55%	3/15/2007	5,000,000	5,000,000	4,500,000	4,700,000	1,000,000
Company 1	Debt	12,789	55%	6/15/2007	5,000,000	5,000,000	5,000,000	5,200,000	500,000
Company 3	Equity		12%	9/15/2007	5,000,000	5,000,000	2,500,000	2,700,000	0
Company 3	Debt		12%	9/15/2007	5,000,000	5,000,000	5,000,000	5,200,000	1,000,000
Company 4	Equity		90%	2/15/2008	5,000,000	5,000,000	5,000,000	10,000,000	0
Company 5	Equity		80%	5/15/2008	4,000,000	4,000,000	4,000,000	0	0
Company 6	Equity		65%	8/15/2008	4,000,000	4,000,000	4,000,000	5,000,000	0
Company 7	Equity		100%	11/15/2008	4,000,000	4,000,000	4,000,000	4,500,000	0
Company 8	Equity		60%	6/15/2010	8,000,000	4,000,000	4,000,000	4,000,000	250,000
<b>Grand Total:</b>					<b>45,000,000</b>	<b>41,000,000</b>	<b>38,000,000</b>	<b>41,300,000</b>	<b>2,750,000</b>



## ILPA BEST PRACTICES

## SAMPLE QUARTERLY PACKAGE

Statement of Operations

Best Practices Fund II, L.P.

Statement of Operations

For the periods ending December 31, 2010

(\$ Unaudited)

	Current Period (Oct. 1, 2010 – Dec. 31, 2010)	Year-to-Date (Jan. 1, 2010 - Dec. 31, 2010)	Since Inception (Feb. 25, 2007 - Dec. 31, 2010)
<b>Income</b>			
Portfolio Interest Income	\$ 16,000	\$ 64,000	\$ 160,000
Portfolio Dividend Income	24,000	96,000	240,000
Other Interest Earned	<u>4,000</u>	<u>16,000</u>	<u>36,000</u>
<b>Total income</b>	<b>44,000</b>	<b>174,000</b>	<b>436,000</b>
<b>Expenses</b>			
Management Fees, Net	250,000	1,000,000	3,000,000
Broken Deal Fees	20,000	100,000	350,000
Interest	2,000	8,000	20,000
Professional Fees	10,000	35,000	50,000
Bank Fees	15,000	35,000	60,000
Advisory Directors' Fees	5,000	30,000	40,000
Insurance	<u>2,000</u>	<u>8,000</u>	<u>20,000</u>
<b>Total expenses</b>	<b>304,000</b>	<b>1,216,000</b>	<b>3,540,000</b>
<b>Net Operating Income / (Deficit)</b>	<b>(260,000)</b>	<b>(1,042,000)</b>	<b>(3,104,000)</b>
<b>Realized and Unrealized Gain / (Loss) on Investments</b>			
Net Realized Gain / (Loss) on Investments	1,253,152	1,253,152	2,500,000
Net Change in Unrealized Gain / (Loss) on Investments	75,000	300,000	3,300,000
Net Realized Gain / (Loss) due to F/X	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Realized and Unrealized Gain / (Loss) on Investments</b>	<b>1,328,152</b>	<b>1,553,152</b>	<b>5,800,000</b>
<b>Net Increase / (Decrease) in Partners' Capital Resulting from Operations</b>	<b>\$ 1,068,152</b>	<b>\$ 511,152</b>	<b>\$ 2,696,000</b>

## ILPA BEST PRACTICES

## SAMPLE QUARTERLY PACKAGE

Statement of Cash Flows

Best Practices Fund II, L.P.

Statement of Cash Flows

For the periods ending December 31, 2010

(\$ Unaudited)

	Current Period (Oct. 1, 2010 – Dec. 31, 2010)	Year-to-Date (Jan. 1, 2010 - Dec. 31, 2010)	Since Inception (Feb. 25, 2007 - Dec. 31, 2010)
<b>Cash flows from operating activities:</b>			
Net increase/(decrease) in partners' capital resulting from operations	\$72,642,970	\$290,571,878	\$639,258,133
Adjustments to reconcile net increase/(decrease) in partners' capital resulting from operations to net cash provided by/(used in) operating activities:			
Net change in unrealized (gain)/loss on investments	(46,336,547)	(185,346,188)	(407,761,613)
Net realized (gain)/loss on investments	(18,662,285)	(74,649,141)	(164,228,110)
Changes in operating assets and liabilities:			
Increase/(decrease) in accounts payable and accrued expenses	(4,757)	(19,030)	(41,865)
(Increase)/decrease in due from affiliates	(65,956)	(263,823)	(580,411)
(Increase)/decrease in due from third party	(9,548)	(38,191)	(84,021)
(Increase)/decrease in due from investment	4,069,485	16,277,940	35,811,469
Purchase of investments	(9,461,947)	(37,847,788)	(83,265,133)
Proceeds from sale of investments	61,218,061	244,872,245	538,718,938
Net cash provided by/(used in) operating activities	<u>63,389,476</u>	<u>253,557,903</u>	<u>557,827,387</u>
<b>Cash flows from financing activities:</b>			
Capital contributions	5,852,529	23,410,118	51,502,259
Distributions	(69,061,071)	(276,244,285)	(601,392,576)
Increase/(decrease) in due to limited partners	41,429	165,718	364,579
Increase/(decrease) in due to affiliates	31,504	126,017	277,238
(Increase)/decrease in due from limited partners	15,993	63,972	140,739
Proceeds from loans	17,333,765	69,335,060	152,537,131
Repayment of loans	(17,793,786)	(71,175,144)	(156,585,317)
Net cash used in financing activities	<u>(63,579,636)</u>	<u>(254,318,545)</u>	<u>(553,155,947)</u>
Net increase/(decrease) in cash and cash equivalents	(190,160)	(760,641)	4,671,440
Cash and cash equivalents, beginning of period	4,861,600	5,432,081	0
Cash and cash equivalents, end of period	<u>\$ 4,671,440</u>	<u>4,671,440</u>	<u>4,671,440</u>
<b>Supplemental cash flow information</b>			
Cash paid for interest for the period ended December 31, 2010	\$ 21,779	87,116	191,656

ILPA BEST PRACTICES

SAMPLE QUARTERLY PACKAGE

Partners' Capital Account Statement

	LP #5		GP		Total Fund	
	Current Period (Oct. 1, 2010 - Dec. 31, 2010)	YTD (Jan. 1, 2010 - Dec. 31, 2010)	Current Period (Oct. 1, 2010 - Dec. 31, 2010)	YTD (Jan. 1, 2010 - Dec. 31, 2010)	Current Period (Oct. 1, 2010 - Dec. 31, 2010)	YTD (Jan. 1, 2010 - Dec. 31, 2010)
<b>Best Practices Fund II, L.P.</b> <b>(2)</b>						
Beginning Balance	\$3,740,700	\$3,730,500	\$406,070	\$396,050	\$37,407,000	\$37,305,000
Contributions (Distributions)	339,900 (10,000)	339,900 (40,000)	33,990 (1,000)	33,990 (4,000)	3,399,000 (100,000)	3,399,000 (100,000)
Total Cash/Deemed Flows	339,900	299,900	32,990	29,990	3,299,000	2,999,000
Net Operating Income (Expense):						
(Management Fees)	(25,000)	(100,000)	0	0	(250,000)	(1,000,000)
(Partnership Expenses)	(5,000)	(20,000)	0	0	(50,000)	(200,000)
Interest Income	8,000	32,000	800	3,200	80,000	320,000
Other	400	1,600	(40)	(160)	(4,000)	(16,000)
Realized Gain / (Loss)	25,000	100,000	2,580	10,320	258,000	1,032,000
Total Net Operating Income (Expense)	3,400	13,600	3,340	13,360	34,000	136,000
Unrealized Gain / (Loss)	10,000	40,000	1,000	4,000	100,000	400,000
Ending NAV	4,084,000	4,084,000	443,400	443,400	40,840,000	40,840,000
Accrued Potential Incentive Allocation	81,680	81,680	(816,800)	(816,800)		
Ending NAV After Potential Incentive Allocation	\$4,002,320	\$4,002,320	\$1,260,200	\$1,260,200	\$40,840,000	\$40,840,000
Total Commitment		\$10,000,000		\$1,000,000		\$101,000,000
Beginning Unfunded Commitment	\$5,339,900	\$5,339,900	\$533,990	\$533,990	\$54,399,000	\$54,399,000
Less Contributions	(339,900)	(339,900)	(33,990)	(33,990)	(3,399,000)	(3,399,000)
Plus Recalable Distributions	10,000	10,000	1,000	1,000	100,000	100,000
Ending Unfunded Commitment	\$5,010,000	\$5,010,000	\$501,000	\$501,000	\$51,100,000	\$51,100,000

**Footnotes**

**Best Practices Fund II, L.P.**  
**Notes to Financial Statements**  
**December 31, 2010**  
**(\$ Unaudited)**

**Note 1 - Organization / Fund Details**

Best Practices Fund II, L.P. (the "Partnership") was formed as a limited partnership pursuant to the laws of the State of Delaware to invest in equity and equity related investments in companies primarily in the United States, generally with enterprise values between \$50 million to over \$2 billion, including, without limitation, the making of investments in debt obligations of companies in anticipation of the exchange or conversion of such obligations into equity securities of such companies. Best Practices Partners II, LLC, a Delaware limited liability company, is the general partner (the "General Partner") of the Partnership and makes investment decisions for the Partnership.

The Partnership commenced operations on January 10, 2007, and will terminate on December 21, 2017 (the tenth anniversary of the Final Closing, which took place on December 21, 2007), unless further extended by the General Partner in its sole discretion for one additional one-year period and may be extended for up to two additional one-year periods by the General Partner with the approval of the Advisory Committee.

**Note 2 - Significant Accounting Principles**

The accompanying financial statements are prepared using accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, estimates are made relating to the fair value of investments. Actual results could differ from those estimates.

**Note 3 - Partners' Capital**

On October 31, 2008, the Partnership had its Final Closing and obtained total capital commitments from its Partners of \$863,263,457. Pursuant to the Partnership Agreement, the General Partner has committed to provide 0.2% of the total commitments by all Limited Partners.

The Partnership may call capital from the General Partner and Limited Partners (collectively "Partners") to fund Investments, Partnership Expenses, Management Fees, Placement Fees, Start-Up Costs and other Funding Obligations.

Any return of capital from an Investment disposed of within eighteen months of its acquisition may either be retained by the Partnership or, if distributed, added back to available commitments and be subject to recall for future investments. Available Capital is also increased by distributions up to any amounts previously drawn down from the Available Capital with respect to Management Fees, Allocable Contributions, Placement Fees, and Partnership Expenses.

Since inception, the Partnership has called \$283,497,277 from its Partners (representing 32.8% of total committed capital; 67.2% uncalled). Each Partners' Available Capital shall be reduced by the amount of contributions to the Partnership and the AIV, in accordance with the terms of the Partnership Agreement.

As of December 31, 2010, the Partnership has distributed \$97,193,430 to its Partners. The Partnership has added back \$94,723,619 of such distributions to Available Capital. As of September 30, 2010, the Partners have available capital of \$669,898,861. Certain Partners' Available Capital amounts have been adjusted by a total of \$4,590,940, such that all Partners' Available Capital percentages are consistent during the Investment Period. The partners have also contributed \$75,026,726 to the Partnership, and received distributions of \$40,782,411.

## ILPA BEST PRACTICES

## SAMPLE QUARTERLY PACKAGE

**Footnotes (Continued)**

**Best Practices Fund II, L.P.**  
**Notes to Financial Statements**  
**December 31, 2010**  
**(\$ Unaudited)**

**Note 4 - Management Fee and Other Fee Breakdown**

In accordance with the Partnership Agreement, Management Fees are payable in advance semi-annually on January 1 and July 1. During the Initial Fee Period, the annual Management Fee will be equal to 1% of Limited Partner Commitments up to \$1.5 billion and if the Limited Partner Commitments are greater than \$1.5 billion the sum of \$30 million plus 0.5% of the amount by which the Limited Partner Commitments exceed \$1.5 billion. Following the expiration of the Initial Fee Period the annual Management Fee shall be 0.5% of the aggregate Net Funded Commitment of the Limited Partners. The Management Fee payable with respect to any Management Fee Period and with respect to a Limited Partner will be reduced (but not below zero) by such Limited Partner's Share of 100% of the Partnership's pro-rata share of all Topping and Break-up Fees and Transaction Fees, and such Limited Partner's Share of 100% of the Partnership's pro-rata share of all Advisory Fees received by the Manager or its affiliates.

The Manager may elect to waive the right to receive a portion of the Management Fees on a semi-annual basis provided timely notice is given to the Limited Partners. In the event that the Manager elects to waive receipt of the Management Fee, the amount of Management Fees otherwise payable by the Limited Partners may be used to fund the capital contributions of the General Partner and the Special Limited Partner.

**Management Fees and Corresponding offset for the period ending December 31, 2010:**

	Current Period (Oct 1, 2010- Dec. 31, 2010)	Year-to-Date (Jan. 1, 2010 - Dec. 31, 2010)	Since Inception (Feb. 25, 2007 - Dec. 31, 2010)
<b>Gross Management Fees for the period:</b>	<b>\$44,689,725</b>	<b>\$134,069,175</b>	<b>\$312,207,525</b>
<b>Fees:</b>			
Voluntary Fee Waiver	\$375,000	\$1,125,000	\$1,500,000
Advisory Fees	\$500,000	\$1,500,000	\$1,758,000
Broken Deal Fees	\$400,000	\$1,200,000	\$1,400,000
Placement Fees	\$2,284,488	\$6,853,464	\$7,200,000
Transaction Fees	\$1,167,570	\$3,502,710	\$4,123,587
Other Fees	\$200,000	\$600,000	\$850,000
<b>Total Fees:</b>	<b>\$4,927,058</b>	<b>\$14,781,174</b>	<b>\$16,831,587</b>
<b>Total Management Fee Offsets (100%)</b>	<b>(\$4,927,058)</b>	<b>(\$14,781,174)</b>	<b>(\$16,831,587)</b>
<b>Net Management Fees</b>	<b>\$39,762,667</b>	<b>\$119,288,001</b>	<b>\$295,375,938</b>
Deemed Management Fees	\$84,548	\$336,470	\$978,050
Management Fees Returned/Recouped	\$42,223	\$138,290	\$221,805

**Note 5 - Related Party Transactions**

The Partnership and its affiliates may share certain costs and the Partnership may pay a share of these expenses or payments on behalf of certain affiliates and vice versa, to be later reimbursed to the Partnership or to the affiliate. As of December 31, 2010, the balances of such amounts to be reimbursed to the Partnership total \$100,000 and are included in receivable from affiliates and amounts to be reimbursed to affiliates total \$7,600,000 and are included in payable to affiliates. Affiliates of the General Partner make non-interest bearing advances to the Partnership to pay for expenses associated with the cost of potential acquisitions and/or for the monitoring of its investments. As of December 31, 2010, such advances totaled \$434,631 and are also included in payable to affiliates.

## ILPA BEST PRACTICES

## SAMPLE QUARTERLY PACKAGE

Footnotes (Continued)

Best Practices Fund II, L.P.  
Notes to Financial Statements  
December 31, 2010  
(\$ Unaudited)

**Note 6: Financial Highlights**

Financial highlights for the year-to-date ended December 31, 2010 are as follows:

Financial Highlights as of the period ending December 31, 2010 (unless otherwise noted)	
Ratios to average Investor Limited Partners' capital:	
Expenses	-4.90%
Performance carry allocation	-5.00%
Total expenses and performance carry allocation	-9.90%
Net investment gain	0.30%
Internal Rate of Return (inception to December 31, 2010)	20.50%
Internal Rate of Return (inception to December 31, 2009) (prior audited period end)	12.60%

The ratios to average Investor Limited Partners' capital are calculated for the Investor Limited Partners taken as a whole. The computation of such ratios based on the amount of net investment loss and expenses allocated to an individual partner's capital account may vary from these ratios based on the timing of capital transactions. For the purposes of this calculation, expenses and net investment losses for the period ended September 30, 2010, have been annualized.

The Internal Rate of Return ("IRR") is computed using Investor Limited Partners' cash inflows (capital contributions) and outflows (distributions) and the Investor Limited Partners' capital account at the end of the period as of each measurement date. The IRR is presented inception to date and is net of all fees and General Partner carried interest allocations, if any, assuming disposition of assets at the value reported on the Statement of Assets, Liabilities and Partners' Capital.

**Note 7: Carry Detail**

Carried Interest as of period ending December 31, 2010

	12/31/2010
Carried interest paid since inception through December 31, 2010	\$0
Current period carried interest paid	\$0
Current period carried interest earned	\$0
Current period carried interest accrued	\$29,800,000
Carried interest in escrow	\$0
Potential clawback value	\$0

**ILPA BEST PRACTICES****SAMPLE QUARTERLY PACKAGE****Distributions**

Net proceeds attributable to the Disposition of an Investment in a Portfolio Company, together with any dividends or interest income with respect to such Investment, will be distributed to the Partners participating in such Investment in the following amounts and order:

(i) First, 100% to the Partners in proportion to Capital Contributions with respect to such Investment until proceeds equal the aggregate of the following (to the extent not previously distributed):

- the cost basis of all Investments that have been disposed of and write downs, if any, on Investments not disposed of as of such time;
- the Partners' share of all organizational expenses, Management Fees and other expenses paid by the Partnership and allocated to the Investments referred in the above paragraph;
- a preferred return equal to an 8% internal rate of return compounded annually on the amounts referred to in the above paragraphs;

(ii) Second, (x) 20% to the Partners in proportion to Capital Contributions with respect to such Investment and (y) 80% to the General Partner, until such time as the General Partner has received, pursuant to clause (y), 20% of the sum of the distributions made under the third bullet point of paragraph (i) and under this paragraph; and

(iii) Thereafter, 80% to the Partners in proportion to Capital Contributions with respect to such Investment and 20% to the General Partner.

The 20% allocations to the General Partner in steps (ii) and (iii) above are collectively termed "carried interest".

**Allocations of Profits and Losses**

All items of income, gain, loss, and deduction will be allocated to the Partners' capital account in a manner generally consistent with the distribution procedures outlined under "Distributions" above. Realized and accrued carried interest on unrealized Investments is presented in the Statement of Changes in Partners' Capital as part of the performance carry allocation.

Because of the inherent uncertainty in the valuation of the Investments, the allocation of profit or loss to the Limited Partners and the performance carry allocation to the General Partner, as reflected within these financial statements may not necessarily represent amounts that might ultimately be allocated and distributed

**Other Distributions and Portfolio Investment Distributions**

Other Distributions (i) related to a Temporary Investment or Bridge Financing shall be distributed among the Participating Partners in proportion to their Capital Contributions with respect thereto, and (ii) other than those described in clause (i) above shall be distributed among the Partners in proportion to their respective Original Available Capital. Portfolio Investment Distributions shall be apportioned among the Participating Partners in proportion to their Capital Contributions with respect to such Portfolio Investment.

**General Partner Giveback Provisions**

The General Partner Giveback is equal to the greater of (i) the amount by which the cumulative carried interest distributions with respect to such Limited Partner exceeds 20% of the cumulative net profits earned with respect to such Limited Partner and (ii) an amount such that, upon its distribution to such Limited Partner, the Limited Partner will have received the preferred return, but, in either case, no more than the cumulative carried interest distributions with respect to such Limited Partner (calculated on an aftertax basis).

A General Partner Giveback may arise at the end of the Fiscal Year of the Partnership in which the sixth and eighth anniversaries of the Commencement Date occurs and immediately prior to the termination of the Partnership.

If, at the end of the Fiscal Year in which the sixth anniversary of the Commencement Date occurs, there is a General Partner Giveback obligation, the balance in the Escrow Accounts shall be used to satisfy such obligation. If the balance in the Escrow Accounts is insufficient to satisfy the General Partner Giveback, at the end of the Fiscal Year in which the eighth anniversary of the Commencement Date occurs, and immediately prior to the termination of the Partnership, the General Partner will be obligated to contribute an amount equal to the General Partner Giveback at that time. The General Partner Giveback will be accrued as part of the performance carry allocation. At September 30, 2010, there was an Escrow Account balance of \$294,285 and the General Partner was not in a Giveback position.

**Note 8: Advisory Board**

As of September 30, 2010, the Advisory Board members include the following: LP1, LP2, LP3, LP4, LP5, and LP6. There were no items presented for a vote during the period.

**Note 9: Subsequent events**

The Partnership has evaluated subsequent events through October 27, 2010, the date which the financial statements were available to be issued. On August 20, 2010, the Partnership renewed the revolving line of credit for \$8,000,000 with a maturity of August 20, 2011

**SECTION IV**  
**SAMPLE SUPPLEMENTAL MANAGEMENT REPORTS**

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ILPA BEST PRACTICES

SUPPLEMENTAL MANAGEMENT REPORTS

Supplemental Schedule: Portfolio Executive Summary

**Best Practices Fund II, L.P.**  
**Executive Summary – Firm and Fund Level Data**  
 (\$ Unaudited)

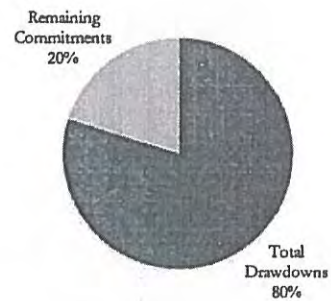
12/31/2010

**General Partner:**

Assets Under Management	\$12.7b
Active Funds:	8
Active Portfolio Companies:	212

**Best Practices Fund II (BP II):**

Total Commitments (Commenced at May 5, 2006)	\$858.3m
Total Drawdowns since inception	\$684.7m
Remaining Commitments	\$173.6m



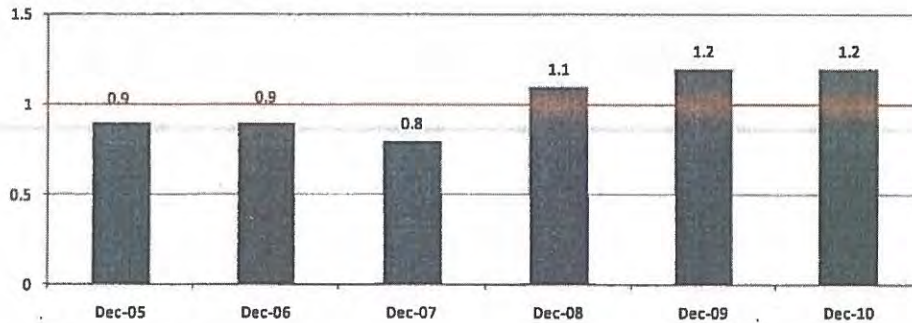
Total Number of Investments since inception	17
Number of Portfolio Companies at December 31, 2010	17

Total Distributions	\$218.5m
% of total drawdowns	32%
% of committed capital	25%

**Key Fund Valuation Metrics**

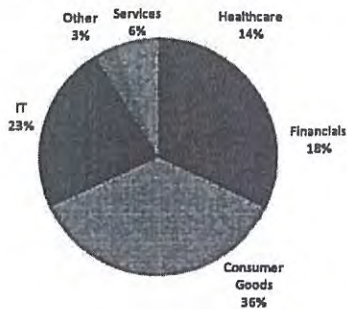
DPI (Distributions to paid-in capital)	0.3x
RVPI (Residual value to paid-in capital)	0.9x
TVPI (Total value to paid-in capital)	1.2x

**Historical Fund Performance (TVPI)**

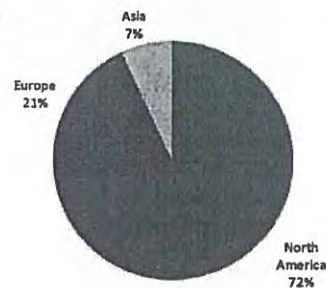


**Portfolio Breakdown (By Invested Capital)**

**By Industry**



**By Region**



ILPA BEST PRACTICES

SUPPLEMENTAL MANAGEMENT REPORTS

Supplemental Schedule of Investments (Increased transparency):

Best Practices Fund II, L.P.

Company Name	Security Type	Number of Shares	Fund Ownership % (Fully Diluted)	LP Ownership % (Fully Diluted)	Initial Investment Date	Final Exit Date	Investment Data (Expressed in \$)				Valuation Driver*	Period Change in Valuation	Period Change in Cost	Unrealized gains/(losses) & accrued interest	Movement Summary**	Inv Multiple: (C-D)/A		Security Type IRR (SI)
							Fund Commitment	Total Invested (A)	Current Cost (B)	Reported Value (C)						Realized Proceeds (D)	Current Quarter	
Company 1	Equity	1,250,000	55%	5.66%	3/15/2007		5,000,000	5,000,000	4,500,000	4,700,000	1,000,000	L	\$0	\$0	1	1.14	1.09	5%
Company 1	Debt	12,789	55%	5.66%	6/15/2007		5,000,000	5,000,000	5,000,000	5,000,000	500,000	E	\$297,829	\$0	2	1.14	1.09	10%
Company 3	Equity		12%	5.66%	9/15/2007		5,000,000	5,000,000	2,500,000	2,700,000	0	E	\$468,019	\$386	2	0.54	0.49	-40%
Company 3	Debt		17%	5.66%	9/15/2007		5,000,000	5,000,000	5,200,000	1,000,000	0	B	-\$145,546	\$0	3	1.24	1.19	15%
Company 4	Equity		90%	5.66%	2/15/2008		5,000,000	5,000,000	5,000,000	10,000,000	0	H	\$38,609	\$192	4	2.00	1.95	35%
Company 5	Equity		80%	5.66%	2/15/2008		4,000,000	4,000,000	4,000,000	0	0	A	\$323,439	\$323,439	5	0.00	0.00	-100%
Company 6	Equity		65%	5.66%	8/15/2008		4,000,000	4,000,000	4,000,000	5,000,000	0	M	\$2,333,324	\$1,692,069	6	1.25	1.20	10%
Company 7	Equity		100%	5.66%	11/15/2008		8,000,000	4,000,000	4,000,000	4,000,000	0	L	-\$111,989	\$0	2	1.13	1.08	3%
Company 8	Equity		60%	5.66%	6/15/2010		8,000,000	4,000,000	4,000,000	4,000,000	250,000	P	\$418,876	\$0	4	1.06	1.01	1%
Sub Total Above:							45,000,000	41,000,000	38,000,000	41,300,000	2,250,000		3,622,561	2,651,311		1.07	1.01	2%
Company 2	Equity				4/15/2007	12/28/2010	5,000,000	5,000,000	0	0	7,500,000		0	(1,253,152)	7	1.50	1.50	15%
Sub Total Liquidated:							5,000,000	5,000,000	0	0	7,500,000		0	(1,253,152)		1.50	1.50	15%
General Total:							50,000,000	46,000,000	38,000,000	41,300,000	10,250,000		3,622,561	802,159		1.12	1.06	3%

\*\*Movement Summary:

- 1 - No Change
- 2 - Change in public market value
- 3 - Deterioration in performance and potential
- 4 - Future realization proceeds
- 5 - Follow-on financing
- 6 - New investment
- 7 - Investment write-off
- 8 - Realized investment

\*Valuation Driver:

- A - Investment held at cost
- B - Valuation has been reduced due to significant deterioration in the company's performance and potential
- C - Valuation has been adjusted to the value paid by a sophisticated unrelated new investor
- D - Valuation at a later round of financing (no new unrelated investor)
- E - Valuation based on the closing quoted price
- F - Valuation based on the closing quoted price with a discount for lock up restrictions
- G - Follow-on costs of a written down investment
- H - Future realization proceeds
- I - Valuation based on fairness option in relation to proposed merger
- J - Realization
- K - Valuation based on recent transaction multiples
- L - Valuation based on recent market multiples
- M - Valuation based on recent market and transaction multiples
- N - Valuation based on expert third party opinion
- O - Valuation based on closing quoted price plus valuation of warrants
- P - Revised company prospect

## ILPA BEST PRACTICES

## SUPPLEMENTAL MANAGEMENT REPORTS

## Portfolio Update and Supplemental Schedules

## Portfolio Company Update

Portfolio Company 3		DEAL TEAM: Johnson, Smith, DeMattes			
Investment Date:	9/15/2007	Fund Ownership %:	12%	Investment Commitment	\$10.0m
Industry:	Healthcare	Investor Group		Invested Capital	\$10.0m
Headquarters:	Brooklyn, NY	Ownership %:	75%	Realized Proceeds	\$2.0m
EV at Closing	\$60.0m	Management Ownership %	25%	Reported Value	\$12.0m
Ticker Symbol:	ZZZZ	Board Representation:	2 of 8	Investment Multiple	0.9x
		Board Members:	Jenson, Smith	Gross IRR (All Security Types)	15%

INVESTMENT BACKGROUND	CO-SPONSORS:(Ownership %): ABC I, LP (38%); XYZ Capital (15%); Individuals (10%)
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Company 3, located in Brooklyn, NY, is a top eldercare referral services company that provides move-ins for the senior housing industry. Founded in 1992, the company provides free personalized information about eldercare facility options to tens of thousands of families each month. To do so, Company 3 generates leads primarily from online marketing sources and converts them to move-ins through its nationwide network of 750 eldercare advisors.

On September 15, 2007, BP led a consortium, which completed the acquisition of Company 3 for a total effective consideration of \$60 million excluding third-party transaction fees. BP II invested \$5 million for a 12% equity stake in a transaction that included \$19m of debt. In October 2009, BP II provided \$5.0 million of debt as part of a restructuring, following a covenant breach.

## INVESTMENT THESIS / EXPECTATIONS

- Steady Growth: Organic revenue growth of 6.5% for the five years prior to BP II's investment versus 5% for the industry
- Fragmented industry presents opportunity for sizeable, bolt-on acquisitions at accretive multiples
- Expectations: Exit through IPO or strategic sale within 24 months

## RECENT EVENTS &amp; KEY INITIATIVES

- Management: New CEO started on November 1, 2010, and has implemented a 100 day plan including a new budget process
- Sales Growth: Signed a new five-year contract with major eldercare facility which will drive sales growth in 2011

## INVESTMENT STRUCTURE (as of 12/31/10)

Investment Structure	Units/Par	INVESTMENT STRUCTURE (as of 12/31/10)			CAPITALIZATION (as of 12/31/10)					
		Total Invested	Reported Value	Realized Proceeds	Capitalization	Rate	Maturity	Closing	12/31/10	Threshold
Common Units	500	2,500,000	1,200,000	0	Cash on Hand			2,000,000	2,000,000	
Series B Preferred	500	2,500,000	1,500,000	0	Sr. Sec Note	9%	12/31/14	9,000,000	9,000,000	xEBITDA
Sr. Sec. Note					Sr. Sec Note	7.5%	12/31/15	5,000,000	5,000,000	xEBITDA
@ 7.5%, mtrg 12/31/15	5,000,000	5,000,000	5,200,000	1,000,000	Jr. Note	14%	12/31/12	7,000,000	7,000,000	xEBITDA
Total		10,000,000	7,900,000	1,000,000	Drawn Revolver	L+150	12/31/11	5,000,000	2,320,000	
					Total Net Debt			19,000,000	21,320,000	
					Equity			41,000,000	30,520,000	
					Enterprise Value			60,000,000	51,840,000	

## FINANCIAL RESULTS

	FINANCIAL RESULTS					COMPANY ASSESSMENT
	At Closing	12/31/07	12/31/08	12/31/09	12/31/2010.	
Revenue	50,000,000	50,000,000	45,000,000	40,000,000	42,000,000	[ ] Above Plan
YOY % Growth	8%	7%	-10%	-11%	5%	
LTM EBITDA	6,500,000	6,500,000	6,700,000	6,100,000	6,300,000	[ ] On Plan
YOY % Growth	7%	9%	4%	-12%	4%	
EBITDA Margin	13%	13%	15%	15%	15%	[ ] Below Plan
TEV	60,000,000	60,000,000	60,840,000	47,840,000	51,840,000	
TEV Multiple	9.2x	9.2x	9.1x	7.8x	8.2x	
Total Leverage	19,000,000	18,500,000	18,720,000	21,100,000	21,320,000	
Total Leverage Multiple	2.9x	2.8x	2.8x	3.5x	3.4x	

## VALUATION METHODOLOGY

To value our interest in Company 3, we analyzed Company 3 on both a multiple of EBITDA basis and a discounted cash flow approach. For the multiple of EBITDA approach, we used an 8.3x multiple on LTM EBITDA as of YE 2009. We kept Company A's multiple flat to last quarter as a result of the wide range and inter quarter volatility valuation multiples for the trading comparables. To determine the discount rate, we calculated the WACC using the industry comparables as guidelines. Using the discount rate of 11% and with exit multiples ranging from 7.5x to 8.5x, we calculated a total equity value in the range of \$102.2 million to \$154.6 million. This analysis implies a mid-point value of \$128.4 million or \$77.6 million in equity value for the Fund. Evaluating Company A using these two methodologies implied a valuation range of \$32.9 million to \$77.6 million for the Fund's interest in Company A. Given this analysis, the increase in multiples and positive EBITDA trends in the business, we believe it is appropriate to value Company A at \$42.5 million or 55% of cost.

## RISK ASSESSMENT/UPDATE

Given the declining amount of eldercare referrals in our target region coupled with rising online marketing prices, the company's covenant headroom remains tight and will be an area of significant focus over the coming months.

**SECTION IV**  
**APPENDICES**

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## Appendix 1: Quarterly Portfolio Company Reporting Checklist

The list below outlines the metrics to disclose in Best Practices transparency. Please refer to the package criteria above for the proper use and context of each item.

### STANDARD SCHEDULE OF INVESTMENTS\*

(For Unrealized Investments)

- Company Name
- Security Type (Debt/Equity)
- Number of Shares
- Fund Ownership % (Fully Diluted)
- Initial Investment Date
- Fund Commitment
- Total Invested
- Current Cost
- Reported Value
- Realized Proceeds

### SUPPLEMENTAL SCHEDULE OF INVESTMENTS

(In addition to the items in the Standard Schedule of Investments for all Realized and Unrealized Investments)

- LP Ownership % (Fully Diluted)
- Final Exit Date
- Valuation Policy
- Period Change in Valuation
- Period Change in Cost
- Unrealized Gains/(Losses) & Accrued Interest
- Movement Summary
- Current Quarter Investment Multiple
- Prior Quarter Investment Multiple
- Since Inception IRR

### COMPANY PROFILE

(Unrealized Investments only)

- Summary Company Data
  - Company Name
  - Initial Investment Date
  - Industry
  - Headquarters
  - Company Description
  - Fund Ownership %
  - Investor Group Ownership %
  - Enterprise Valuation at Closing
  - Securities Held
  - Ticker Symbol
  - Investor Group Members
  - Management Ownership %
  - Board Representation
  - Board Members
  - Investment Commitment
  - Invested Capital
  - Reported Value
  - Realized Proceeds
  - Investment Multiple
  - Gross IRR (All Security Types)
- Investment Background
- Initial Investment Thesis
- Exit Expectations
- Recent Events & Key Initiatives
- Company Assessment
- Valuation Methodology
- Risk Assessment / Update

### DETAILED COMPANY DATA

(Unrealized Investments only)

- Financial Results
  - YOY % Growth
  - LTM EBITDA (pro-forma)
  - YOY % Growth
  - EBITDA Margin
  - Total Enterprise Value (TEV)
  - TEV Multiple
  - Total Leverage
  - Total Leverage Multiple
- Investment Structure (of Fund Investment only)
  - Units/Par
  - Total Invested
  - Reported Value
  - Realized Proceeds
- Capitalization (of entire company)
  - Rate
  - Maturity
  - At Closing
  - At Period End
  - Covenant Threshold
  - Covenant Headroom (Period End)
  - Total Net Debt
  - Equity
  - Enterprise Valuation

\* Included in the Audit; some items may shift to the unaudited schedules due to audit, tax or regulatory complications.

## Appendix 2: Glossary

Please note that the definitions below are those commonly used in Limited Partnership Agreements. Please refer to each fund's individual agreement to determine the proper definition applicable.

- **AIV** – Alternative Investment Vehicle
- **Carried Interest** – A bonus entitlement accruing to an investment fund's management company. Carried interest becomes payable once the investors have achieved repayment of their original investment in the fund, plus a defined hurdle rate, if applicable. (Varies according to each unique Limited Partnership Agreement)
- **Carried Interest Accrued** – The amount of carried interest payable accrued for payment to the General Partner.
- **Carried Interest Earned** – The amount of carried interest earned by the General Partner, regardless of payment
- **Carried Interest in Escrow** – The amount of carried interest in escrow as of the current period.
- **Carried Interest Paid** – The amount of carried interest paid as of the current period.
- **Clawback Provision** – Guarantees that the stated profit allocation defined in the LPA is met at the end of a partnership's term with respect to the Limited Partners.
- **Commitment Period** – The period of time within which the fund can make investments as established in the LPA for the fund.
- **Contributions** – The total capital that a Limited Partner paid into the fund.
- **Current Period** – The current three month quarterly period.
- **Deemed Management Fee** – The amount of the management fee waived
- **Distributed to Committed Capital (DCC)** – The ratio of total distributions to Limited Partners to date to the total committed capital of the fund.
- **Distributions** – Cash and/or securities paid out to the Limited Partners from the limited partnership.
- **Distributions to Paid-In (DPI)** – The ratio of money distributed by Limited Partners to the fund to contributions.
- **Dollar Value Add** – Current fair market value plus distributions since inception, less invested capital.
- **Formation Date** – The date a fund registers as a limited partnership.
- **Final Exit Date** – The date an underlying holding has been sold or fully realized.
- **Follow-on Investment Period** – The period defined in the LPA whereby a fund can complete follow-on investments in underlying holdings.
- **Fund Commitment \ Investment Commitment** – A Limited Partner's obligation to provide a certain amount of capital to a private equity fund for investments.
- **General Partner** – The managing partner in a private equity management company who has unlimited personal liability for the debts and obligations of the limited partnership and the right to participate in its management. The General Partner is the intermediary between investors with capital and businesses seeking capital to grow.
- **Gross IRR** – The IRR based upon the performance of the investments, not taking into account management fees or carried interest.
- **Gross Management Fee** – The total amount of management fees paid by a Limited Partner, excluding management fee offsets.
- **Headquarters** – The geographic location of a portfolio company's main corporate office.
- **Hurdle Rate** – The internal rate of return that a fund must achieve before its General Partners or managers may receive an increased interest in the proceeds of the fund.
- **Initial Investment Date** – The date a fund completed its first contribution of capital to an underlying holding.
- **Investment Multiple** – Calculation performed by adding the reported value and the distributions received and subsequently dividing that amount by the total capital contributed.
- **Internal Rate of Return (IRR)** – The discount rate at which the present value of future cash flows of an investment equals the cost of the investment. It is determined when the net present value of the cash outflows (the cost of the investment) and the cash inflows (returns on the investment) equal zero, with the discount rate equal to the IRR.
- **Limited Partner** – The investors in a limited partnership. Limited Partners are not involved in the day-to-day management of the partnership and generally cannot lose more than their capital contribution.
- **LPA** – Limited partnership agreement.
- **Management Fee** – The management fee is used to provide the partnership with resources such as investment and clerical personnel, office space and administrative services required by the partnership.

- **Management Fee Offsets** – The extent to which monitoring, transaction and other portfolio company related expenses paid to the General Partner are offset against management fees.
- **Net IRR** – The dollar-weighted internal rate of return, net of management fees and carried interest generated by an investment in the fund. This return considers the daily timing of all cash flows and cumulative fair stated value, as of the end of the reported period.
- **Net Management Fee** – Management fee net of management fee offsets.
- **Partnership Expenses** – Expenses borne by the partnership including costs associated with the organization of the partnership, the purchase, holding or sale of securities, and legal and auditing expenses.
- **Paid-In Capital (PICC)** – The ratio of contributions to date measured against its committed capital. Contributions are net of any distributions that increase committed capital.
- **Potential Clawback Value** – The amount of clawback payable by the General Partner if the fund was liquidated. A clawback obligation represents the General Partner's promise that, over the life of the fund, the managers will not receive a greater share of the fund's distributions than they bargained for. When triggered, the clawback will require that the General Partner return to the fund's Limited Partners an amount equal to what is determined to be excess distributions.
- **Realized Investment** – An underlying investment of a fund that has been exited.
- **Realized Proceeds** – Cash and/or securities received by partner.
- **Recallable** – The total amount of distributions that may be recalled by the fund at a future date.
- **Reported\Remaining Value** – The current fair stated value for each of the investments, as reported by the General Partner of the fund.
- **Residual Value to Paid-In (RVPI)** – The ratio of the current value of all remaining investments within a fund to the total contributions of Limited Partners to date. Contributions are net of any distributions that increase committed capital.
- **Since Inception** – The time period from the fund's formation date to the current period.
- **Termination Date** – The date defined in the LPA whereby a fund must cease operations and liquidate its investments
- **Total Enterprise Value (TEV)** – A valuation measurement used to compare companies with varying levels of debt. It is calculated as follows:  $TEV = \text{Market Capitalization} + \text{Interest-Bearing Debt} + \text{Preferred Stock} - \text{Excess Cash}$ .
- **Total Invested\Invested Capital** – The total amount of called capital which has actually been invested in companies. In practice, this will be equal to the amount of called capital less amounts which have been used to pay fees, or which are awaiting investment.
- **Total Value** – A Limited Partner's total market value plus any capital distributions received.
- **Total Value to Paid-In (TVPI)** – The ratio of the current value of remaining investments within a fund plus the total value of all distributions to Limited Partners to date to the total contributions of Limited Partners to date. Contributions are net of any distributions that increase committed capital.
- **Unfunded Commitment** – Money that has been committed to an investment but not yet transferred to the General Partner.
- **Unrealized Investment** – An underlying holding that is still active.
- **Valuation** – Method of ascribing value to a company. In private equity, methods used include discounted cash flow, comparables and adjusted present value.
- **Vintage Year** – The year of fund formation and its first takedown of capital. By placing a fund into a particular vintage year, the Limited Partner can compare the performance of a given fund with all other similar types of funds formed in that particular year.
- **Year-to-Date** – The calendar year that runs January 1 through December 31.