INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

Quarterly Reporting Standards
Best Practices

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

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

Kathy Jeramaz-Larson
Executive Director
ILPA

INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

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:

- ILPA Private Equity Principles
- 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:

- Alignment of Interest
- Governance
- 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:

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

Address through November 18, 2012:
Institutional Limited Partners Association
1201 – 55 Yonge Street
Toronto, ON M5E 1J4
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New address beginning November 21, 2012:
Institutional Limited Partners Association
1200 – 55 York Street
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Phone: (416) 941-9393
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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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INSTITUTIONAL LIMITED
PARTNERS ASSOCIATION

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ilpa INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

SECTION I
OVERVIEW

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.

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

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):

- Summary Management Discussion and Analysis Letter
- Financial Package
  - Balance Sheet
  - Period End Schedule of Investments
  - Statement of Operations
  - Statement of Cash Flows
  - Partners' Capital Account Statement
  - Appropriate Footnote Disclosures
- 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.

SECTION II
QUARTERLY PACKAGE GUIDELINES

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)

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.

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
  - Comparitive column should be for most recent audit period
  - Requires comparitive 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

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 targetted 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
    - o 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
    - o 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
    - o 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.

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.

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.

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

- 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

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.

FINANCIAL STATEMENTS

DECEMBER 31, 2010

BEST PRACTICES FUND II, L.P.

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

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
ASSETS		
Investments at Cost	$ 38,000,000	$ 39,000,000
Unrealized Gain / Loss on Investments	3,300,000	2,900,000
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
Total Assets	**$ 51,400,000**	**$ 42,225,000**
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities		
Accounts Payable and Accrued Expenses	$ 2,910,000	$ 4,120,000
Notes/Revolver Payable	50,000	75,000
Payable to Affiliates	7,600,000	725,000
Total Liabilities	**10,560,000**	**4,920,000**
Partners' Capital		
General Partner	443,400	396,050
Limited Partners	40,396,600	36,908,950
Total Partners' Capital	**40,840,000**	**37,305,000**
Total Liabilities and Partners' Capital	**$ 51,400,000**	**$ 42,225,000**

Schedule of Investments

Best Practices Fund II, LP - 12/31/2010									
					Investment Data (Expressed in $)				
Company Name	Security Type	Number of Shares	Fund Ownership % (Fully Diluted)	Initial Investment Date	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
Grand Total:					**45,000,000**	**41,000,000**	**38,000,000**	**41,300,000**	**2,750,000**

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
Income			
Portfolio Interest Income	$ 16,000	$ 64,000	$ 160,000
Portfolio Dividend Income	24,000	96,000	240,000
Other Interest Earned	4,000	16,000	36,000
Total income	**44,000**	**174,000**	**436,000**
Expenses			
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	2,000	8,000	20,000
Total expenses	**304,000**	**1,216,000**	**3,540,000**
Net Operating Income / (Deficit)	**(260,000)**	**(1,042,000)**	**(3,104,000)**
Realized and Unrealized Gain / (Loss) on Investments			
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	0	0	0
Net Realized and Unrealized Gain / (Loss) on Investments	**1,328,152**	**1,553,152**	**5,800,000**
Net Increase / (Decrease) in Partners' Capital Resulting from Operations	**$ 1,068,152**	**$ 511,152**	**$ 2,696,000**

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

Partners' Capital Account Statement

Best Practices Fund II, LP **($)**	LP #5			GP			Total Fund		
	Current Period (Oct. 1, 2010 - Dec. 31, 2010)	**YTD** (Jan. 1, 2010 - Dec. 31, 2010)	**Since Inception** (Feb. 25, 2007 - Dec. 31, 2010)	**Current Period** (Oct. 1, 2010 - Dec. 31, 2010)	**YTD** (Jan. 1, 2010 - Dec. 31, 2010)	**Since Inception** (Feb. 25, 2007 - Dec. 31, 2010)	**Current Period** (Oct. 1, 2010 - Dec. 31, 2010)	**YTD** (Jan. 1, 2010 - Dec. 31, 2010)	**Since Inception** (Feb. 25, 2007 - Dec. 31, 2010)
Beginning Balance	$3,740,700	$3,730,500	$0	$406,070	$396,050	$0	$37,407,000	$37,305,000	$0
Contributions	339,900	339,900	5,000,000	33,990	33,990	500,000	3,399,000	3,399,000	50,000,000
(Distributions)	(10,000)	(40,000)	(1,000,000)	(1,000)	(4,000)	(100,000)	(100,000)	(400,000)	(10,000,000)
Total Cash/Deemed Flows	**329,900**	**299,900**	**4,000,000**	**32,990**	**29,990**	**400,000**	**3,299,000**	**2,999,000**	**40,000,000**
Net Operating Income (Expense):									
(Management Fees)	(25,000)	(100,000)	(300,000)	0	0	0	(250,000)	(1,000,000)	(3,000,000)
(Partnership Expenses)	(5,000)	(20,000)	(50,000)	0	0	0	(50,000)	(200,000)	(500,000)
Interest Income	8,000	32,000	80,000	800	3,200	8,000	80,000	320,000	800,000
Other	400	1,600	4,000	(40)	(160)	(400)	(4,000)	(16,000)	(40,000)
Realized Gain / (Loss)	25,000	100,000	250,000	2,580	10,320	25,800	258,000	1,032,000	2,580,000
Total Net Operating Income (Expense)	**3,400**	**13,600**	**(16,000)**	**3,340**	**13,360**	**33,400**	**34,000**	**136,000**	**(160,000)**
Unrealized Gain / (Loss)	**10,000**	**40,000**	**100,000**	**1,000**	**4,000**	**10,000**	**100,000**	**400,000**	**1,000,000**
Ending NAV	**4,084,000**	**4,084,000**	**4,084,000**	**443,400**	**443,400**	**443,400**	**40,840,000**	**40,840,000**	**40,840,000**
Accrued Potential Incentive Allocation	81,680	81,680	81,680	(816,800)	(816,800)	(816,800)			
Ending NAV After Potential Incentive Allocation	**$4,002,320**	**$4,002,320**	**$4,002,320**	**$1,260,200**	**$1,260,200**	**$1,260,200**	**$40,840,000**	**$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**	**$10,000,000**	**$533,990**	**$533,990**	**$1,000,000**	**$54,399,000**	**$54,399,000**	**$101,000,000**
Less Contributions	(339,900)	(339,900)	(5,000,000)	(33,990)	(33,990)	(500,000)	(3,399,000)	(3,399,000)	(50,000,000)
Plus Recallable Distributions	10,000	10,000	10,000	1,000	1,000	1,000	100,000	100,000	100,000
Ending Unfunded Commitment	**$5,010,000**	**$5,010,000**	**$5,010,000**	**$501,000**	**$501,000**	**$501,000**	**$51,100,000**	**$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.

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)
Gross Management Fees for the period:	**$44,689,725**	**$134,069,175**	**$312,207,525**
Fees:			
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
Total Fees:	**$4,927,058**	**$14,781,174**	**$16,831,587**
Total Management Fee Offsets (100%)	**($4,927,058)**	**($14,781,174)**	**($16,831,587)**
Net Management Fees	**$39,762,667**	**$119,288,001**	**$295,375,938**
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,..0 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.

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

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.

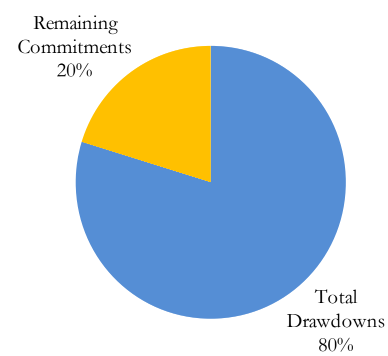
Note 9: Subsequent events
The Partnership has evaluated subsequent events through October 27, 2010, the date which the financial statements were available to be issued. On August 20, 2010, the Partnership renewed the revolving line of credit for $8,000,000 with a maturity of August 20, 2011

SECTION IV
SAMPLE SUPPLEMENTAL MANAGEMENT REPORTS

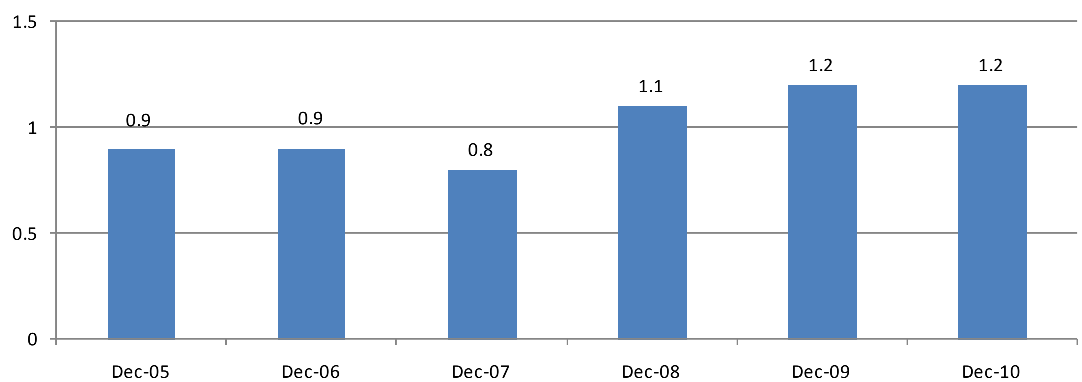
Supplemental Schedule: Portfolio Executive Summary

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)	$85
Total Drawdowns since inception	$68
Remaining Commitments	$17
Total Number of Investments since inception	
Number of Portfolio Companies at December 31, 2010	
Total Distributions	$21
% of total drawdowns	
% of committed capital	
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

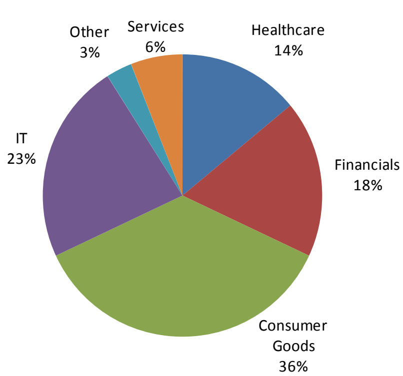


Historical Fund Performance (TVPI)

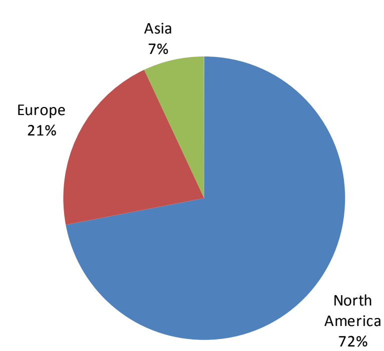


Portfolio Breakdown (By Invested Capital)

By Industry



By Reg



Supplemental Schedule of Investments (Increased transparency):

Best Practices Fund II, L.P.

Best Practices Fund II, LP - 12/31/2010

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 Valution	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	Prior 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	$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	5,200,000	500,000	E	$297,829	$0	$297,829	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	$467,633	2	0.54	0.49	-40%
Company 3	Debt		12%	5.66%	9/15/2007		5,000,000	5,000,000	5,000,000	5,200,000	1,000,000	B	-$145,546	$0	-$145,546	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	$38,417	$192	4	2.00	1.95	35%
Company 5	Equity		80%	5.66%	5/15/2008		4,000,000	4,000,000	4,000,000	0	0	A	$323,439	$323,439	$0	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	$1,693,069	$640,255	6	1.25	1.20	10%
Company 7	Equity		100%	5.66%	11/15/2008		4,000,000	4,000,000	4,000,000	4,500,000	0	L	-$111,989	$0	-$111,989	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	$418,876	4	1.06	1.01	1%
Sub Total Active:							***45,000,000***	***41,000,000***	***38,000,000***	***41,300,000***	***2,750,000***		***3,622,561***	***2,055,311***	***1,567,250***		***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)	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)***	***1,253,152***		***1.50***	***1.50***	***15%***
Grand Total:							**50,000,000**	**46,000,000**	**38,000,000**	**41,300,000**	**10,250,000**		**3,622,561**	**802,159**	**2,820,402**		**1.12**	**1.06**	**3%**

***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 qouted price
F - Valuation based on the closing qouted 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 qouted price plus valuation of warrants
P - Revised company prospects

****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

Portfolio Update and Supplemental Schedules

Portfolio Company Update

Portfolio Company 3 DEAL TEAM: Johnson, Smith, DeMatteis

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:	ZZZ.Z	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%)

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 & 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	Total Invested	Reported Value	Realized Proceeds
Common Units	500	2,500,000	1,200,000	0
Series B Preferred	500	2,500,000	1,500,000	0
Sr. Sec. Note				
@ 7.5%, mtrg 12/31/15	5,000,000	5,000,000	5,200,000	1,000,000
Total		**10,000,000**	**7,900,000**	**1,000,000**

CAPITALIZATION (as of 12/31/10)

Capitalization	Rate	Maturity	Closing	12/31/10	Thrshold
Cash on Hand			2,000,000	2,000,000	
Sr. Sec Note	9%	12/31/14	9,000,000	9,000,000	xEBITDA
Sr. Sec Note	7.5%	12/31/15		5,000,000	xEBITDA
Jr. Note	14%	12/31/12	7,000,000	7,000,000	xEBITDA
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 **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

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

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

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

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.
- **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.
- **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 = Market Capitalization + Interest-Bearing Debt + Preferred Stock - 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.
- **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/or 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.

INSTITUTIONAL LIMITED PARTNERS ASSOCIATION