

Subject: Public Endorsement of the New Fee Reporting Template

Dear ILPA Member/Private Equity Organization,

On January 29, 2016 the ILPA will release a new and improved ILPA Capital Account Statement, known as the ILPA Fee Reporting Template (“the Template”), which now incorporates significantly more information regarding fees and expenses. Ahead of the formal release of the Template, we are requesting your organization’s public endorsement in order to propel widespread adoption of common reporting standards across the private equity industry.

The process to create the Template began in early 2015, spurred by the observation of ILPA’s members that access to consistent information on private equity program costs, i.e., fees and expenses charged by GPs, was impeded by the profusion of LP-created templates and the lack of standardized GP reporting practices. Over the course of 2015, the ILPA consulted with dozens of our member LPs, as well as fund administrators, advisers and other industry participants on ways to create an enhanced and more uniform approach to collecting information on fees and expenses. Nearly 100 organizations were involved in the creation of the resulting ILPA Fee Reporting Template (“Template”), which was subjected to extensive review and testing by several ILPA members and many of their GP fund managers and external advisers and service providers.

The Template is based on the expansion of the ILPA Partner’s Capital Account Statement and includes many notable additional features, specifically:

- Recommended quarterly, year-to-date, and since inception information
- LP-level fees and offset amounts, with optional itemized detail
- LP-level partnership expenses, with optional itemized detail
- Two standardized levels of reporting, tiered to the individual LP organization’s preferred level of detail (summary amounts, or itemized by fixed categories)
- Clarity on common fee and expense definitions
- Sources of GP/related party/affiliate revenue, both subject and not subject to offset, sourced from LPs and portfolio companies
- Detail on carried interest paid and accrued by period

More detailed information on the template can be found in the related guidance accompanying the template and in the PDF detailing the development of recommendations through the ILPA Fee Transparency Initiative.

Your institution’s endorsement of the Template will signal to all industry participants that private equity is advancing inexorably towards enhanced transparency and standardization. Moreover, your adoption of this template in your reporting practices will ease the compliance burden of LPs and GPs alike and create a better functioning asset class.

We recognize that data management systems and internal reporting infrastructure varies widely across institutions, and anticipate that each institution will adopt the elements and definitions within the template, if not the template itself (expressed as a spreadsheet), according to the needs and/or limitations of their current systems architecture.

We request, however, that institutions seeking to adopt the Template respect the need for conformity with the Template either as a whole, or the elements and definitions therein, in order to encourage its broad adoption. Specifically, we ask that institutions integrating the ILPA Template into their reporting requirements or protocols

not rename, combine or delete elements, or revise the definitions as outlined in the Template guidance, so as to minimize the possibility for confusion.

We further expect that, as the elements within the Template become a more standard aspect of both LP and GP reporting systems, suggested revisions or clarifications to terminology or definitions will emerge over time. To that end, ILPA will convene a series of industry discussions over the course of 2016 to examine opportunities for refining the Template, or for further best practices development posed by its implementation.

To publicly endorse the Template, please submit your request to become an Endorsing Organization in writing to the ILPA at ilpaprinciples@ilpa.org, along with the authorization to include your organization's names among the list of endorsers in future communications, including the ILPA website. Those that indicate their endorsement **before January 28, 2016** will be listed within the press release announcing the Template and on the ILPA website. Any authorization received on January 28 or later will be added to the ILPA website and in future releases related to the ILPA's work on reporting standards.

To those of you whose institutions have already given generously of your time and contributions to the Initiative, we are sincerely grateful. To those of you contemplating a public endorsement of the Template, your continued support will be critical to the ILPA's efforts to advance the quality and standardization of reporting within the private equity industry. We welcome your participation in our endeavors to create industry-leading best practices.

Sincerely,

Peter Freire
Chief Executive Officer
Institutional Limited Partners Association (ILPA)