



New continuation fund guidance sets parameters for well-run transaction

ILPA's latest industry resource created to assist all market participants

May 11, 2023 (Washington, D.C.) Today ILPA released new guidance on continuation funds, unique transactions which have become a prominent feature of the private equity industry.

As these transactions have become more prevalent in the market, Limited Partners and General Partners have struggled to define a shared set of expectations for how these deals should operate.

ILPA's guidance, [Continuation Funds: Considerations for Limited Partners and General Partners](#), was created with input from LPs, GPs and other industry experts steeped in the complexities of these transactions. It provides clear parameters for a well-run transaction, promoting greater alignment and transparency so that LPs can make more-informed decisions throughout the process, but also for the benefit of all market participants.

"LPs have grown increasingly frustrated with certain aspects of continuation funds, such as lack of a true status quo option and the unrealistic timeframes for making important roll or sell decisions given the re-underwriting and asset diligence that needs to be carried out," said ILPA Senior Director of Industry Affairs Neal Prunier. "This guidance and ongoing education and engagement on this topic will help LPs and the entire market navigate the challenges associated with these complex, and now common, transactions."

The full document outlines principles on how, when and to what capacity LPs should be engaged in the process, in addition to providing recommendations on achieving consistency around disclosures and the structure, from timing and legal considerations to the economics.

Guidance Highlights

- Continuation fund **transactions should maximize value for existing investors**; rolling LPs should be no worse off than if a transaction had not occurred
- A **true status quo option should always be offered** as part of a continuation fund transaction—with no change in management fees, no change in carried interest, full roll of carried interest and side letters applying to the new vehicle
- The **GP should present the rationale for a continuation fund** transaction to the LPAC and should have explored alternative options for the selected asset
- The **LPAC should vote to waive conflicts of interest** associated with the process of the transaction; GPs should bring all conflicts to the LPAC, whether or not conflicts are precleared as per the LPA

Get the Full Guidance: [Continuation Funds: Considerations for Limited Partners and General Partners](#)

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About ILPA

With more than 600 member institutions representing over \$2T USD of private equity assets under management, the Institutional Limited Partners Association (ILPA) is the only global organization dedicated exclusively to advancing the interests of LPs and their beneficiaries. Our members include public and private pensions, insurers, endowments and foundations, family offices, development finance institutions, and sovereign wealth funds. Our policy agenda is focused on strengthening the private equity asset class through strong governance, alignment of interests and transparency.