



ILPA Quarterly Reporting Standards Initiative

Fees + Expenses Workstream

May 3, 2024



Fees + Expenses Workstream

Agenda



➤ Fees + Expenses Workstream

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SEC Required

ILPA Recommended



Fees + Expenses

Fund Table - View Across Line-Item Level, Account, and Periodicity

- 1 Account Level: Fund-level (**required**) / LP-level and GP-level (**recommended**)
 - 2 Periodicity: QE (**required**) / YTD and ITD (**recommended**)
 - 3 Must include a detailed accounting of the compensation, fees, and other amounts allocated or paid to the investment advisers/related persons by the private fund with a separate line item for each category reflecting the total dollar amount, presented both before and after the application of any offsets, rebates, or waivers
 - 4 Must include a detailed accounting of all fees and expenses allocated to or paid by the private fund with a separate line item for each category reflecting the total dollar amount, presented both before and after the application of any offsets, rebates, or waivers
 - Categories include (but are not limited to): organizational, accounting, legal, administration, audit, tax, due diligence, and travel fees and expenses
- Must include the amount of any offsets or rebates carried forward during the reporting period to subsequent periods to reduce future payments or allocations to the adviser/related persons

Fees + Expenses

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- Fees + Expenses WG
- SEC Required
- ILPA Recommended



Fund Table - View Across Line-Item Level, Account and Periodicity

Compared to Reporting Template

Best Practices Fund II, L.P.	QTD (Oct-15 - Dec-15)	YTD (Jan-15 - Dec-15)	Since Inception (Feb-07 - Dec-15)	QTD (Oct-15 - Dec-15)	YTD (Jan-15 - Dec-15)	Since Inception (Feb-07 - Dec-15)	QTD (Oct-15 - Dec-15)	YTD (Jan-15 - Dec-15)	Since Inception (Feb-07 - Dec-15)
A. Capital Account Statement for LP #5									
A.1 NAV Reconciliation and Summary of Fees, Expenses & Incentive Allocation									
	LP #5's	Allocation of Total	Fund	Total Fund	(incl. GP Allocation)		GP's	Allocation of Total	Fund
Beginning NAV - Net of Incentive Allocation	\$45,067,000	\$38,196,000	\$0	\$2,495,281,787	\$2,163,081,300	\$0	\$339,194,377	\$276,104,050	\$0
Contributions - Cash & Non-Cash	0	5,000,000	35,000,000	0	250,375,000	1,752,625,000	0	375,000	2,625,000
Distributions - Cash & Non-Cash (input positive values)	1,250,000	5,000,000	19,000,000	62,593,750	250,375,000	1,452,175,000	2,593,750	12,875,000	77,175,000
Total Cash / Non-Cash Flows (contributions, less distributions)	(1,250,000)	0	16,000,000	(62,593,750)	0	300,450,000	(2,593,750)	(12,500,000)	(74,550,000)
Net Operating Income (Expense):									
(Management Fees - Gross of Offsets, Waivers & Rebates):	(187,500)	(750,000)	(6,625,000)	(9,375,000)	(37,500,000)	(331,250,000)	0	0	0
Management Fee Rebate	0	0	0	0	0	0	0	0	0
(Partnership Expenses - Total):	(48,000)	(154,780)	(548,429)	(2,328,750)	(4,985,053)	(25,072,055)	0	0	0
(Partnership Expenses - Accounting, Administration & IT)	(1,000)	(2,500)	(27,000)	(50,000)	(128,000)	(1,350,000)	0	0	0
(Partnership Expenses - Audit & Tax Preparatory)	(2,000)	(5,000)	(58,000)	(100,000)	(250,000)	(2,600,000)	0	0	0
(Partnership Expenses - Bank Fees)	0	0	0	0	0	0	0	0	0
(Partnership Expenses - Custody Fees)	(12,500)	(27,500)	(95,000)	(250,000)	(695,000)	(2,900,000)	0	0	0
(Partnership Expenses - Due Diligence)	(20,000)	(40,000)	(95,000)	(1,000,000)	(1,250,999)	(2,555,000)	0	0	0
(Partnership Expenses - Legal)	0	(37,500)	(250,000)	0	(1,875,000)	(12,500,000)	0	0	0
(Partnership Expenses - Organization Costs)	(10,000)	(25,000)	(50,000)	(500,750)	(628,000)	(2,522,500)	0	0	0
(Partnership Expenses - Other Travel & Entertainment)	(2,500)	(7,005)	(12,444)	(128,000)	(147,534)	(599,555)	0	0	0
(Partnership Expenses - Other*)	0	(275)	(985)	0	(10,500)	(45,000)	0	0	0
Total Offsets to Fees & Expenses (applied during period):	82,600	346,500	1,538,521	4,140,600	19,227,400	82,424,249	0	0	0
Offset Categories	% Offset to LP #5								
Advisory Fee Offset	80%	16,000	72,000	185,007	500,000	2,000,000	0	0	0
Broken Deal Fee Offset	80%	8,000	32,000	137,007	320,000	1,600,000	0	0	0
Transaction & Deal Fee Offset	80%	4,000	12,000	129,007	390,000	1,400,000	0	0	0
Directors Fee Offset	100%	600	2,500	37,500	30,000	875,000	0	0	0
Monitoring Fee Offset	100%	30,000	135,000	675,000	1,500,000	6,900,000	0	0	0
Capital Markets Fee Offset	100%	15,000	68,000	335,000	750,000	3,450,000	0	0	0
Organization Cost Offset	80%	8,000	20,000	40,000	400,600	502,400	0	0	0
Placement Fee Offset	100%	0	0	0	0	0	0	0	0
Other Offset*	80%	0	0	0	0	0	0	0	0
Reconciliation for Unapplied Offset Balance (Roll-forward)									
Unapplied Offset Balance (Roll-forward) - Beginning Balance	1,000	5,000	0	250,000	2,500,000	0	0	0	0
Plus: Total Offsets to Fees & Expenses (recognized during period)	81,600	341,500	1,538,521	3,890,600	16,727,400	82,424,249	0	0	0
Less: Total Offsets to Fees & Expenses (applied during period)	82,600	346,500	1,538,521	4,140,600	19,227,400	82,424,249	0	0	0
Unapplied Offset Balance (Roll-forward) - Ending Balance	0	0	0	0	0	0	0	0	0
(Total Management Fees & Partnership Expenses, Net of Offsets & Rebates, Gross of Fee Waiver)	(152,900)	(558,280)	(5,634,908)	(7,563,150)	(23,257,653)	(273,897,806)	0	0	0
Fee Waiver	0	7,500	25,000	0	375,000	1,250,000	0	0	0
Interest Income	500	1,000	10,000	25,038	50,075	500,750	38	75	750
Dividend Income	10,000	32,380	233,508	500,750	2,503,750	17,030,000	750	3,750	30,000
(Interest Expense)	(2,000)	(8,000)	(40,000)	(100,150)	(400,600)	(2,003,000)	(150)	(600)	(3,000)
Other Income/(Expense)*	1,000	3,000	20,000	50,075	150,225	1,001,500	75	225	1,500
Total Net Operating Income / (Expense)	(143,400)	(522,400)	(5,386,400)	(7,087,438)	(20,579,203)	(256,118,556)	713	3,450	29,250
(Placement Fees)	0	0	(40,000)	0	(2,000,000)	0	0	0	0
Realized Gain / (Loss)	1,000,000	3,000,000	15,100,000	50,075,900	145,392,253	887,937,906	2,575,000	12,725,000	175,728,250
Change in Unrealized Gain / (Loss)	1,000,000	5,000,000	20,000,000	62,593,750	250,375,000	1,608,000,000	12,531,160	75,375,000	250,500,000
Ending NAV - Net of Incentive Allocation	\$45,673,600	\$45,673,600	\$45,673,600	\$2,538,269,350	\$2,538,269,350	\$2,538,269,350	\$351,707,500	\$351,707,500	\$351,707,500
Reconciliation for Accrued Incentive Allocation									
Accrued Incentive Allocation - Starting Period Balance	(4,750,000)	(3,750,000)	0	0	0	0	337,500,000	275,000,000	0
Incentive Allocation - Paid During the Period	50,000	250,000	1,250,000	0	0	0	(2,500,000)	(12,500,000)	(75,000,000)
Accrued Incentive Allocation - Periodic Change	(300,000)	(1,500,000)	(6,250,000)	0	0	0	15,000,000	87,500,000	425,000,000
Accrued Incentive Allocation - Ending Period Balance	(5,000,000)	(5,000,000)	(5,000,000)	0	0	0	350,000,000	350,000,000	350,000,000
Ending NAV - Gross of Accrued Incentive Allocation	\$50,673,600	\$50,673,600	\$50,673,600	\$2,538,269,350	\$2,538,269,350	\$2,538,269,350	\$1,707,500	\$1,707,500	\$1,707,500

Greater required detail for before and after the application of any offsets, rebates, or waivers within the levels of **3** fees/expenses allocated to or paid by the fund (line-item), **4** compensation, fees, and other amounts allocated or paid to the investment adviser/related persons by the fund (line-item), and **5** offsets/rebates carried forward with **less required detail** across both **1** account level (fund-level) and **2** periodicity (QTD)

Focus of efforts:

- Identify exhaustive (without being too exhaustive) and mutually exclusive line-item list across **3** fees/expenses paid by the fund and **4** compensation, fees, and other amounts paid to the investment adviser/related persons by the fund
 - For example - Bank Fees split up to separately capture Finance Facilities Fees
- Structure that allows **required 1** account level and **2** periodicity information to be provided alongside **recommended***

Simplified for illustrative purposes

*The recommended YTD and ITD periodicities can only be provided to the same level of line-item detail on a go-forward basis/future funds

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Sample Changes - Partnership Expenses

Looking Directly at ILPA Reporting Template

Current ILPA Reporting Template

- (Partnership Expenses – Accounting, Administration & IT)
- (Partnership Expenses – Audit & Tax Preparatory)
- (Partnership Expenses – Bank Fees)
- (Partnership Expenses – Custody Fees)
- (Partnership Expenses – Due Diligence)
- (Partnership Expenses – Legal)
- (Partnership Expenses – Organization Costs)
- (Partnership Expenses – Other Travel & Entertainment)
- (Partnership Expenses – Other⁺)



Example of Updated ILPA Reporting Template

- (Partnership Expenses – Third-Party Fund Administration)
- (Partnership Expenses – Third-Party Accounting)
- (Partnership Expenses – Third-Party Valuation Services)
- (Partnership Expenses – Third-Party IT Activities)
- (Partnership Expenses – Third-Party Legal)
- (Partnership Expenses – Third-Party Audit)
- (Partnership Expenses – Third-Party Tax Preparation)
- (Partnership Expenses – Taxes)
- (Partnership Expenses – Bank Fees)
- (Partnership Expenses – Credit Facilities - Fees)
- (Partnership Expenses – Credit Facilities - Interest)
- (Partnership Expenses – Interest Expense)
- (Partnership Expenses – Custody Fees)
- (Partnership Expenses – Due Diligence)
- (Partnership Expenses – Broken Deals)
- (Partnership Expenses – Organization Costs)
- (Partnership Expenses – Travel & Entertainment)
- (Partnership Expenses – Insurance)
- (Partnership Expenses – Investigation Fees/Expenses)
- (Partnership Expense – Regulatory, Compliance, and Examination Fees/Expenses)

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Fees + Expenses WG



Sample Changes - Adviser Comp

Looking Directly at ILPA Reporting Template

Current ILPA Reporting Template

(Partnership Expenses – Accounting, Administration & IT)

(Partnership Expenses – Audit & Tax Preparatory)

(Partnership Expenses – Legal)

(Partnership Expenses – Organization Costs)



Example of Updated ILPA Reporting Template

(Adviser Compensation – Fund Administration)

(Adviser Compensation – Valuation Services)

(Adviser Compensation – Audit)

(Adviser Compensation – Tax Preparation)

(Adviser Compensation – Legal)

(Adviser Compensation – Organization Costs)

(Adviser Compensation – IT Activities)

(Adviser Compensation – Investigation Fees/Expenses)

(Adviser Compensation – Regulatory, Compliance, and Examination Fees/Expenses)

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Fees + Expenses WG



Sample Changes - Adviser Comp

Looking Directly at ILPA Reporting Template

Example of Updated ILPA Reporting Template
(Adviser Compensation – Fund Administration)
(Adviser Compensation – Valuation Services)
(Adviser Compensation – Audit)
(Adviser Compensation – Tax Preparation)
(Adviser Compensation – Legal)
(Adviser Compensation – Organization Costs)
(Adviser Compensation – IT Activities)
(Adviser Compensation – Investigation Fees/Expenses)
(Adviser Compensation – Regulatory, Compliance, and Examination Fees/Expenses)



Example of Updated ILPA Reporting Template - Bucketed	Bucketed In This
(Adviser Compensation – Fund Administration)	Fund Administration + Accounting
(Adviser Compensation – Internal Operations)	Valuations + IT Activities + Audit + Tax Preparation
(Adviser Compensation - Legal)	Solo
(Adviser Compensation – Organization Costs)	Solo
(Adviser Compensation – Investigation, Regulatory, Compliance, and Examination)	Investigation Fees/Expenses + Regulatory, Compliance, and Examination Fees/Expenses

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Fees + Expenses

Portfolio Investment Table - Detail within Each Portfolio Investment

- Fees + Expenses WG
- SEC Required
- ILPA Recommended



Compared to Reporting Template

Best Practices Fund II, L.P.		QTD (Oct-15 - Dec-15)	YTD (Jan-15 - Dec-15)	Since Inception (Feb-07 - Dec-15)	QTD (Oct-15 - Dec-15)	YTD (Jan-15 - Dec-15)	Since Inception (Feb-07 - Dec-15)	QTD (Oct-15 - Dec-15)	YTD (Jan-15 - Dec-15)	Since Inception (Feb-07 - Dec-15)
B. Schedule of Fees, Incentive Allocation & Reimbursements Received by the GP & Related Parties, with Respect to the Fund and Portfolio Companies/Investments Held by the Fund										
B.1 Source Allocation:		LP's Allocation of Total Fund			Cumulative LP's Allocation of Total Fund			Affiliated Positions***		
With Respect to the Fund's LPs	Management Fees - Net of Rebates, Gross of Offsets and Waivers	187,500	750,000	6,625,000	9,375,000	37,500,000	331,250,000			
	Partnership Expenses - Paid to GP & Related Parties - Gross of Offsets (Less Total Offsets to Fees & Expenses - applied during period)	1,000	4,000	30,000	50,975	200,300	1,502,250			
With Respect to the Fund's Portfolio Companies/ Invs.	Capitalized Transaction Fees & Exp. - Paid to GP & Related Parties****	(82,500)	(346,500)	(1,538,521)	(4,140,500)	(19,227,400)	(82,424,249)			
	Accrued Incentive Allocation - Periodic Change	0	0	0	0	0	0			
	Total Fees with Respect to Portfolio Companies/Investments	80,000	350,500	1,611,277	3,792,500	17,475,000	86,164,062	\$947,225	\$4,342,500	\$21,334,765
	Advisory Fees****	20,000	30,000	231,259	625,000	2,500,000	11,328,125	156,250	625,000	2,832,031
	Broken Deal Fees****	10,000	40,000	171,259	400,000	2,000,000	10,000,000	100,000	500,000	2,500,000
	Transaction & Deal Fees****	5,000	15,000	161,259	487,500	1,700,000	7,469,875	121,875	437,500	1,665,234
	Directors Fees****	600	2,500	37,500	30,000	875,000	6,875,000	6,800	192,500	1,512,500
	Monitoring Fees****	30,000	135,000	675,000	1,500,000	6,900,000	34,000,000	375,000	1,725,000	8,500,000
	Capital Markets Fees****	15,000	68,000	335,000	750,000	3,450,000	16,500,000	187,500	862,500	4,125,000
	Other Fees****	0	0	0	0	0	0	0	0	0
	Total Reimbursements for Travel & Administrative Expenses****	5,000	15,000	62,200	200,000	600,000	248,800	6,000	19,500	66,500
	Total Received by the GP & Related Parties	\$491,500	\$2,273,000	\$13,039,956	\$24,276,975	\$124,047,900	\$761,740,863	\$955,225	\$4,362,000	\$21,423,265

Greater required detail for before and after the application of any offsets, rebates, or waivers for the compensation, fees and other amounts allocated or paid to the investment adviser/related persons by the portfolio investment (line-item) broken out for each portfolio investment with less required details across the both account level (fund-level) and periodicity (QTD)

Focus of efforts:

- Identify exhaustive (without being too exhaustive) and mutually exclusive line-item list across compensation, fees and other amounts paid to the investment adviser/related persons by the portfolio investment
- Structure to capture breakout for each portfolio investment at the fund-level
- Structure that allows required account level and periodicity information to be provided alongside recommended*

- 1 Account Level: Fund-level (required) / LP-level (recommended)
- 2 Periodicity: QE (required) / YTD and ITD (recommended)
- 3 Must include a detailed accounting of the compensation, fees and other amounts allocated or paid to the investment advisers/related persons by the portfolio investment for each portfolio investment (attributable to the private fund's interest in such portfolio investment) with a separate line item for each category of allocation or payment reflecting the total dollar amount, presented both before and after the application of any offsets, rebates, or waivers
- 4 Categories include (but are not limited to): origination, management, consulting, monitoring, servicing, transaction, administrative, advisory, closing, disposition, directors, trustees or similar fees or payments

Simplified for illustrative purposes

*The recommended YTD and ITD periodicities can only be provided to the same level of line-item detail on a go-forward basis/future funds



Thank You!

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