

Capital Call & Distribution Template Cover Letter & Description Letter

Best Practices and Sample Documents

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SECTION 1

Executive Summary



Executive Summary

Background

The ILPA Capital Call & Distribution Template (the “Capital Call & Distribution Template”) was first developed in 2011 to promote more uniform practices in the private equity industry related to issuing capital call and distribution notices.

Since 2011, the industry has seen substantial change, including greater scrutiny of transaction and cash flow data, materially increased expectations for transparency and wider adoption of technology solutions to support investment administration and oversight. In response, ILPA led a collaborative, industry-wide effort to replace the 2011 template with an updated version, released in September 2025. It was rebuilt to align with the updated ILPA Reporting Template and newly released ILPA Performance Template and features a more user-friendly design that can be used to capture details to support reporting with the Performance Template.

The updated Capital Call & Distribution Template is intended to supplement the capital call and distribution notices issued by GPs. For LPs, these notices form the foundation for initial monitoring and fiduciary reporting duties, enabling them to account for capital movements and meet governance obligations. The core elements of an effective notice include:

- **Cover Letter** – A brief narrative of the transaction.
- **Description Letter** – A more detailed explanation of the transaction.
- **Capital Call & Distribution Template** – A tool to capture and present the accounting details provided within the notice in a consistent manner.

This guidance focuses specifically on the Cover Letter and Description Letter portions of the capital call and distribution notice. By standardizing these components, GPs can improve clarity, reduce follow-up questions and enhance transparency, while enabling LPs to accurately interpret and account for various transactions and cash flows. Clear, well-structured narrative sections not only complement the standardized accounting data provided in the template, but also strengthen LP-GP communication and promote greater efficiency across the private equity reporting process.



The Capital Call & Distribution Template was developed to promote more uniform practices in the private equity industry related to issuing capital call and distribution notices.

SECTION 2

Sample Cover Letter & Description Letter **Guidance**



Sample Cover Letter & Description Letter Guidance

Notice Content & Transparency

Using an abbreviated cover letter and a more detailed description, GPs should provide a narrative to best explain the purpose of the Notice. Specific guidelines for the narrative based on the capital use/notice type include:

For Capital Calls to Finance Purchases, Follow-on Investments:

- Name of company/investment (if not disclosed, state the reason)
- Description of company/investment, including: geography, industry, use of capital and the strategy of the deal (i.e., a buyout, a growth/expansion transaction, a distressed for control deal, etc.)
- Deal parameters, such as: anticipated closing date of purchase, other parties involved in the deal, total financing amount (all parties and GP-specific amount), terms of the financing, type of security purchased, total enterprise value of the deal, company TTM EBITDA, debt versus equity used to complete the transaction, transaction expenses and/or fees generated, GP net contributed to the company/investment once closed
- Deemed/notional capital contribution amount included in the call (if applicable)
- Describe and date any amendments or waivers to the LPA that were needed to facilitate this investment (if applicable)

For Capital Calls Used to Pay Management Fees, Partnership Expenses, Placement Agent Fees:

- Expense to be covered, presented in accordance with the categories found in the updated ILPA Reporting Template
- Calculation of amount and methodology
- Reduction or offset amounts
- Management fee waivers, including any expenses paid to the GP prior to applying the waiver
- Whether inside or outside of commitment

For Capital Calls Used to Repay Outstanding Subscription Facility Balances or Subscription Facility Interest:

- Total size and outstanding balance of the facility, including undrawn amounts
- Fund drawdown limit
- Name of the lender
- Maturity date of the facility
- Expense to be covered, such as interest rate/amount, fee type/amount
- The current or previous use of the proceeds from the line (i.e., to bridge capital calls, accelerate distributions, etc.)

For Cash Distributions:

- Name of company/investment (If not disclosed, state the reason)
- Amount and Description of distribution (i.e., sale, dividend recap, income, etc.)
- For a sale, date of transaction, type of purchaser/buyer, proceeds held in escrow and the Fund's potential portion of the escrow, transaction description (total amount, pricing, etc.)
- For partially exited investments, the amount distributed to date and the cost basis of the remaining investment; For fully exited investments, the Fund investment's total MOIC and gross IRR
- Amount of carry accrued and/or paid to the GP (Fund-level); how much, if any, of the carry is held in escrow?
- Aggregate breakdown of ROC/gain/income (Fund-level)
- Whether any portion of the distribution is recallable

For Stock Distributions:

- Name of company/investment
- Security Name, Ticker, CUSIP
- Shares distributed, historical cost of shares, current value of shares, basis for value, as defined in LPA
- Shares distributed to GP in consideration for carried interest distribution and supporting calculation
- Settlement location for shares, contact information for settlement location
- Restrictions on sale of shares

For Distributions from a NAV-Based Facility

- Total size and outstanding balance of the facility, including undrawn amounts
- Fund drawdown limit
- Name of the lender
- Key economic terms such as the interest rate, maturity date of the facility and any repayment requirements
- Whether any portion of the distribution is recallable

Additionally, all notices should include:

- Clear references to specific/relevant sections of the LPA, where applicable
- Detailed payment instructions (i.e., bank information, contact information, etc.)

ILPA recognizes that some GPs may wish to disclose additional information beyond what is included in these reporting guidelines. There is no intention by ILPA to limit such disclosure.

SECTION 3

Sample Cover Letter & Description Letter



Sample Cover Letter

[Fund Letter Head/Footer: GP Name, GP Address, GP Phone, GP Logo]

To: [LP Contact(s), LP Contact Information]

From: [GP Contact, GP Contact phone number, GP Contact email address]

RE: [Fund legal name]

Date of Notice: [Date]

Date Notice is Due: [Date]

.....

[Net amount due to/from the specific LP addressed by this notice]

[Account of Fund and detailed wiring instructions]

[Purpose of Call/Distribution, broken down by components making up the call/distribution. Each component shall have at minimum the following:

- Amount and intended use. Narrative that is sufficient to identify the use (for example, for Purchases or Investments, the Narrative should include the name of the company, the geography/industry, a brief description of the transaction anticipated, the Fund invested amount pre and post transaction.)
- LPA clause under which the component applies and/or is derived.]

[Net amount due from/to all Partners for this notice (i.e., the sum of the components above)]

[Signature block]



Sample Description Letter

[Fund Letter Head/Footer: GP Name, GP Address, GP Phone, GP Logo]

To: [LP Contact(s), LP Contact Information]

From: [GP Contact, GP Contact phone number, GP Contact email address]

RE: [Fund legal name]

Date of Notice: [Date]

Date Notice is Due: [Date]

.....

Investment Fund II, L.P. (the Fund) is calling \$#### as a net contribution for an investment, management fees and expenses, offset by a cash distribution. Please refer to the attached schedule for a breakdown of the components of the amount, and to the narrative below for a description of the components referred to in this notice.

Your portion of the call is **\$1,750,000**. After this notice, you will have contributed 40% of your commitment of \$50,000,000, and your unfunded commitment will be \$30,000,000. You have received \$10,000,000 in distributions, of which \$5,000,000 is considered Recallable Capital per Section 3.3 of the LPA. Please refer to the Schedule for further details.

Please wire your funds to:

Due Date	1/14/2025
Amount Due	\$1,750,000
Bank Name	Private Equity Bank
Bank Contact	Jane Doe, (213) 987-9876
Bank Address	1234 Wilshire Blvd., Los Angeles, CA 90024
ABA #	023 334 023
Credit To	Investment Fund II, L.P.
Account #	445632189

The Fund is calling \$75,000,000 for an investment in ABC Company. ABC is a manufacturer of widgets located in Akron, Ohio and will use the capital to expand into the Canadian market. The deal is expected to close on 2/15/2025, and is expected to consist of a total financing of \$150,000,000, with \$15,000,000 coming from the Bank of Ohio in the form of a senior secured note and the remaining \$60,000,000 coming from investment partner Midwest Fund. Both the Fund and the Midwest Fund will receive participating preferred stock with a 1x liquidation preference and a cumulative 8% dividend.

ABC Company has a TTM EBIDTA of \$50,000,000 and a total enterprise value (post money valuation) of \$400,000,000. At the close of the transaction, the Fund will have a total invested capital of \$100,000,000 in ABC Company, including \$25,000,000 of junior debt from a prior round.

The Fund will incur \$3,000,000 for gross Q1 Management Fees. The Fund received \$1,000,000 in monitoring fees during the past quarter, of which 50% are offset against the called fee, thus the net capital call for Management Fees is \$2,500,000. Your calculations are presented in the attached Schedule, and adhere to the terms of Section 8.1 of the LPA.

The Fund is distributing \$40,000,000 in proceeds received from FGH Company, which was sold to strategic buyer, StratCo, in an all-cash transaction that closed on 12/15/2024. StratCo priced the transaction at 5.5x TTM EBITDA, for a total cash sale price of \$400,000,000. Additionally, \$80,000,000 was placed into escrow related to a potential earn-out if FGH Company meets certain milestones (the Fund's portion could be up to \$8,000,000). Including this distribution, the Fund's investment in FGH Company has returned 3.0x MOIC with an IRR of 25%. One third of this amount is return of capital, and the remainder is an investment gain. Pursuant to the waterfall outlined in Section 4.1(b) of the LPA, the GP is not currently taking any carried interest on this deal.

The Fund is also distributing 500,000 common shares received from IJK Company, which went public on the New York Stock Exchange on 11/15/2024. The shares are common stock, ticker symbol IJK. The shares have a current value of \$5,000,000, or \$10/share, computed as defined in Section 4.4(d) of the LPA as the average value over the last 10 trading days. The shares are governed by a 6-month lock-up provision that expires on 5/15/2025. The settlement location for the shares is CustodianCo, 123 Custodian Blvd, New York, NY, 10001, contact: John C. Doe at (212) 321-3210, jdoe@custodianco.com. The cost basis of the distributed shares is \$4,000,000 or \$8.00/share. Pursuant to the waterfall outlined in Section 4.1(b) of the LPA, the GP is not currently taking any carried interest on this deal. The value does not affect the cash amounts listed above.

Best Regards,

James Q. Partner



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