

CLIENT MEMORANDUM

ILPA Finalizes Fee Reporting Template for Private Equity

February 1, 2016

AUTHORS

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On January 29, 2016, the Institutional Limited Partners Association (ILPA) released its finalized Fee Reporting Template for private equity firms.¹ This follows the proposed template released in October 2015² and a consultation period with limited partners, general partners, industry trade groups, consultants and advisors. The final Fee Reporting Template also comes with the backdrop of significant regulatory focus on private equity fees and expenses over the past year³ as well as institutional investor and political pressure for more transparency regarding costs associated with private equity investment programs generally.

¹ See New ILPA Fee Reporting Template, available [here](#)

² See Willkie Farr & Gallagher LLP Client Memorandum, “ILPA Proposes Template for Reporting of Private Equity Fees and Expenses” (Oct. 26, 2015), available [here](#)

³ See Willkie Farr & Gallagher LLP Client Memorandum, “SEC Brings Additional Enforcement Actions Related to Private Equity Fees and Expenses” (Nov. 9, 2015), available [here](#), Willkie Farr & Gallagher LLP Client Memorandum, “SEC Enforcement Action Related to Private Equity Fees and Expenses” (Oct. 8, 2015), available [here](#) and Willkie Farr & Gallagher LLP Client Memorandum, “Private Equity – Broken Deal Expenses” (July 2, 2015), available [here](#)

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The ILPA is comprised of over 300 member organizations globally and represents over \$1 trillion in private assets under management. The Fee Reporting Template is released with the endorsement of numerous institutional limited partners including significant public pension plans, as well as selected private equity sponsors and third parties, in an effort to promote more uniform reporting practices for the industry.

The Fee Reporting Template details at the investor level all amounts collected by fund managers from limited partners and portfolio companies, including management fees, fees paid with respect to investments (advisory fees, broken deal fees, transaction fees, directors fees, monitoring fees, capital markets fees and other similar fees), fund expenses across numerous categories, management fee offsets, incentive allocation/carried interest (which will need to be viewed in the context of the private equity J-curve) and amounts received through related parties or parallel vehicles. The template is organized into two sections: Section A – Capital Account Statement for the LP and Section B – Schedule of Fees, Incentive Allocation & Reimbursements Received by the GP and Related Parties. Data is presented as Level 1 for a higher level summary, and Level 2 for additional detail and itemization, with an acknowledgment that Level 2 data may be on an as-requested basis from limited partners. The materials also include a supplemental fund-of-funds template to be provided to investors in such vehicles on special request, and standardized definitions. The template acknowledges that the definition of “Related Parties” will be linked to specific language in a fund’s limited partnership agreement, but then further recommends a broad definition for funds going forward.

The template is intended to be provided to limited partners on a quarterly basis, as a supplement to a fund’s financial statements. ILPA acknowledges that the template will likely require meaningful revisions to certain general partner reporting practices and that transition to the template reporting (including system modifications) may take up to a year or longer. The Suggested Guidance that accompanies the template notes specifically that individual investor balances are subject to accounting complexities, including for opt-outs and other special arrangements, and will result in approximations for certain amounts. The template is intended to apply on a prospective basis to future funds, to active/current vintage funds where feasible, but not retroactively to older funds. In response to comments from general partners, the proposal to include amounts on a trailing-twelve-month (TTM) basis has been replaced by year-to-date (YTD) values.

While ILPA continues to note that “no template or best practice can fit all the needs of every LP, or reflect the operational realities of every fund or GP,” they do strongly encourage limited partners, general partners and other industry participants to endorse and implement this reporting format. ILPA cites support and input from numerous limited partner and general partner constituents, which suggests that the Fee Reporting Template may see more industry acceptance than ILPA’s prior standardization efforts. Private equity sponsors can expect investor requests to adopt the Fee Reporting Template, which ILPA notes could also benefit general partners by reducing the need to process numerous, bespoke fee reporting requests from limited partners.

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