

# The 2009 Preqin Fund Terms Advisor - Sample Pages

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# Executive Summary

The private equity market has experienced a dramatic and well-documented shift between 2008 and 2009, with the changing conditions fundamentally altering LPs' attitudes towards their existing private equity investments and the new opportunities available to them in the fundraising market.

Falling valuations across investment portfolios outside private equity has left some investors over-allocated to the asset class, with many turning to the secondary market in order to reduce their exposure. Others are also considering entering the secondary market in order to reduce exposure to funds for which they will not be able to afford future capital call-ups. For other LPs, the

capital available for new investments is significantly reduced in comparison with previous years and earlier estimations. There has also been talk of consolidation within portfolios, with investors seeking to cut down on the number of partnerships they are dealing with in order to reduce administrative burden.

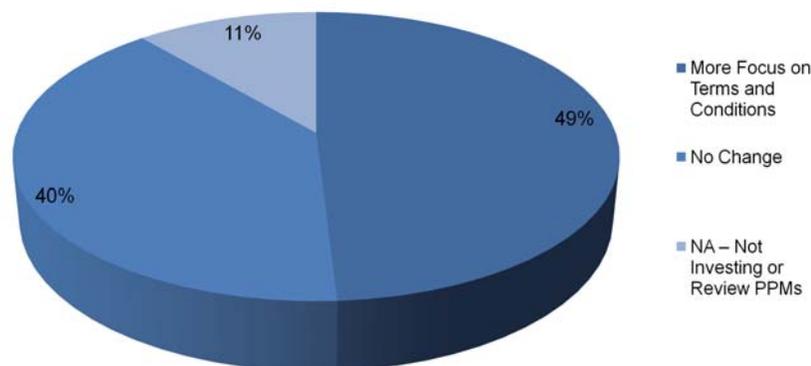
The institutions that do have capital to deploy are faced with a near-record number of fund managers to choose from, with over 1,600 new funds on the road in mid 2009 seeking over \$800 billion between them. The congested fundraising conditions – a hangover from the bumper fundraising days of 2006 to late 2008 when many of these funds launched – have shifted the supply and demand balance firmly towards the supply side, with institutional investors wielding more power than ever before when it comes to the negotiation and consideration of fund terms and conditions.

Fig. A reveals the results of Preqin's survey of 50 leading institutions' attitudes towards terms and conditions carried out in April and May of 2009. The evidence is clear: market conditions have led LPs to become far more sensitive towards fund terms and conditions. A total of 49% of LPs state that terms and conditions have become more important over the past six months, with 40% reporting no change and the remaining 11% currently neither investing nor reviewing PPMs. The result is that investors are not afraid to turn down fund opportunities based on terms and conditions that do not effectively and appropriately align their interests with those of the GP. As Fig. B shows, 53% of investors have dismissed fund opportunities due to the proposed terms and conditions in the past six months.

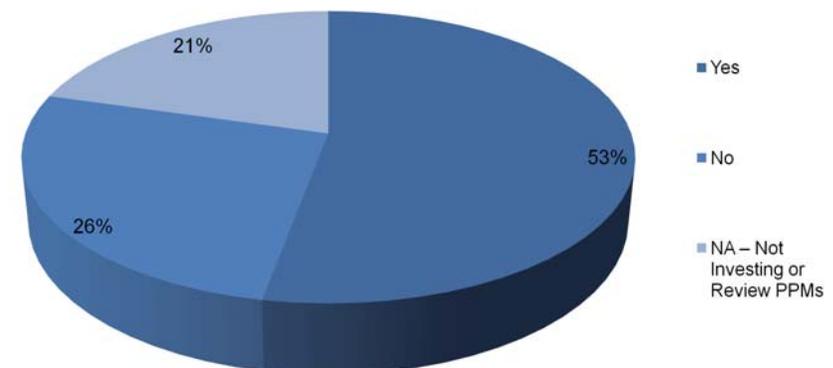
## GPs React

Already there is evidence that GPs are reacting to the changing market conditions. Fig. C displays the

**Fig. A: Changing LP Attitudes Towards Fund Terms and Conditions in the Past Six Months**



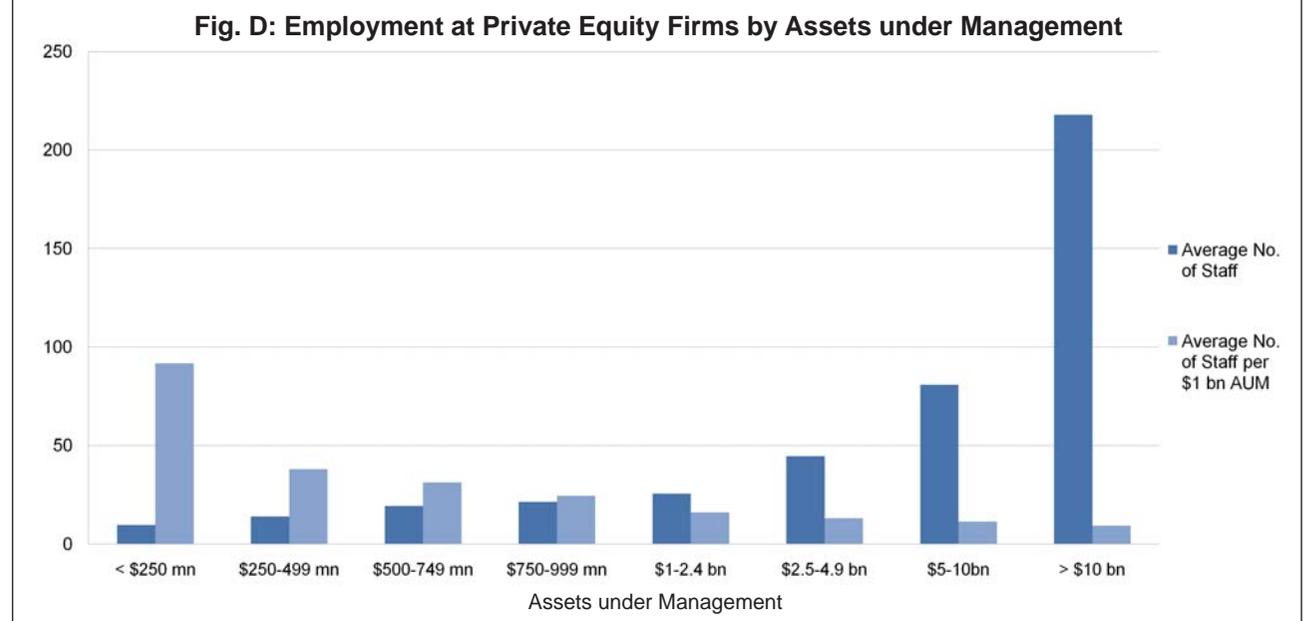
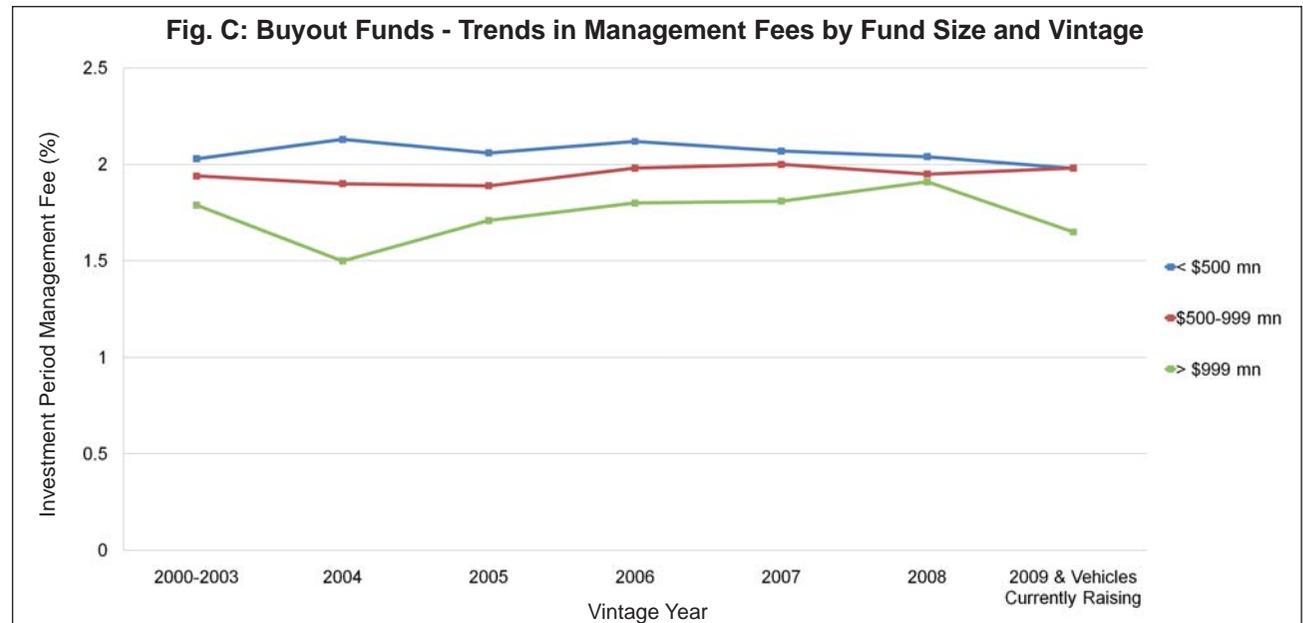
**Fig. B: Proportion of LPs Dismissing New Fund Opportunities Due to Proposed Terms and Conditions in the Past Six Months**



trends of management fee rates for buyout funds split into three different size groupings. The most striking feature to note here is the very large drop in the mean management fee for the most recent funds of size \$1 billion and over. In comparison to 2008 vintage funds, there has been a drop in the average management fee of more than 25 basis points for funds currently in the market and those of a 2009 vintage. Additionally, the management fee of the average buyout fund less than \$500 million in size has fallen below 2% for the first time, and has converged with the average fee of a \$500-999 million fund.

The particularly noticeable drop in management fees for the largest funds reflects that this end of the market has been especially badly hit as credit for leveraged deals has dried up and concerns regarding companies subject to recent mega buyouts continue. LPs are beginning to see an opportunity to realign the balance of interests between themselves and GPs with lower management fees and perhaps place more emphasis on carried interest.

With the increasing average size of buyout funds over the past few years, there have been concerns about the alignment of interests and about profits being driven by management fees rather than performance-related fees. There are clearly economies of scale that GPs can benefit from as fund sizes increase, since the increase in resources required to manage more capital is not linearly proportional to the increase in fund sizes. Fig. D shows this by displaying the average number of staff employed at a private equity firm per \$1 billion in assets under management of the firm. (Total assets were used since more information is available on the total number of employees at each firm than on the number of employees working on each specific fund.) As one



would expect, this figure decreases steadily as the total assets of the firm increases, going from an average of 91.7 employees per \$1 billion for firms that manage less than \$250 million to 9.4 for firms that manage more than \$10 billion.

Given the challenging fundraising environment, some GPs have responded to the suggestion that larger private equity funds could be run on lower percentage management fees by using sliding scale fees, where the management fee decreases on a pro rata proportion of an LP's commitment if the total fund size exceeds a certain amount. While there were many examples of this structure before 2000, subsequently there have been fewer. However, there have been a number of recent examples, and this type of fee structure may continue to increase in popularity again as GPs look to raise capital in a very competitive environment.

### Looking to the Future

With fundraising conditions set to remain competitive, LPs will continue to wield considerable power when negotiating partnership agreements, and will continue to walk away from funds with badly aligned terms and conditions. Investors will also be looking carefully at other areas within their limited partnership agreements, such as their rights in the event of dissatisfaction with the managing partners, their say in the running of the fund, and the proportion of transaction fees, directors' fees and other similar charges levied on underlying companies that will be returned to them. Ensuring that proposed terms and conditions meet with the latest industry standards is a more vital consideration for private equity firms than at any other point in the industry's history.

It is worth mentioning that during Preqin's conversations with investors there were a significant number of respondents stating that they would be concerned if management fees for certain fund types were to be lowered, as they see this capital as essential for the good running of the funds in question. Attitudes towards terms and conditions vary considerably between funds of different type and size, while there is also evidence to suggest that many LPs are happy to pay more for funds that have historically performed the best. Clearly the consideration of terms and conditions is complex, and is dependent upon a number of different factors. To this end, we have produced the 2009 Fund Terms Advisor to be as far reaching and informative as possible, covering all possible different aspects of limited partnership agreements across as many different fund types, sizes and vintage years as possible.

### The 2009 Preqin Fund Terms Advisor

In order to analyse the latest trends and statistics for private equity fund terms and conditions Preqin goes to extraordinary lengths in order to collect as much accurate raw data as possible. Preqin analysts have completed questionnaires directly with hundreds of fund managers over the past four editions of this industry standard publication, and have worked with placement agents and fund of funds managers across the world, gaining access to as many PPMs as possible for all different fund types, geographies and sizes across all recent vintage years. This year has been no exception, with the 2009 Preqin Fund Terms Advisor now displaying analysis based on terms and conditions data for 1,189 separate funds. All major fund types are represented, with analysis and listings data for buyout, venture, real estate, fund of funds, distressed debt, secondaries,

mezzanine, expansion, infrastructure and natural resources all covered.

Listings for these funds (with identities disguised) can be found in the publication, and also on our Fund Terms Online module, which is available to all book purchasers. This data can be downloaded to Excel for further analysis, with other powerful features of this online module including the ability to map the real economic effects of proposed terms and conditions with our online Fund Terms Calculator.

Other key features of this year's Advisor include listings for 997 additional named funds showing the net costs incurred by LPs for each vintage year (unlike the detailed listings of fund terms sourced from PPMs and interviews with fund managers, this summary information on total costs is sourced through the Freedom of Information Act. For the first time we will also be including listings for all law firms active in private equity fund formation, including sample past assignments and contact details. This information is also available in the online module.

We hope that this year's publication continues to provide a valuable service to both sides of the fund management equation, and as ever we welcome any feedback and suggestions that you have.

## Results of LP Survey

The past six months have seen significant changes in the private equity industry. In late 2007 and early 2008, investors had to make rapid commitments to private equity funds just to maintain their levels of exposure to the asset class, due to the considerable rate at which they were receiving distributions from their existing portfolio funds. However, now, in 2009, losses on the public markets and the drying up of private equity distributions have combined to leave investors in a completely different situation – many are overallocated to the asset class, have liquidity requirements that leave them unable to invest at the same rate as they had in the past, or are holding

off entirely from making further commitments at the present time.

With fund managers finding fundraising increasingly challenging in this environment, we surveyed over 50 significant investors in private equity to find out how the changes in the financial markets had affected their views of fund terms and conditions, and whether investors are now able to wield a greater degree of influence over the negotiations of these terms and conditions.

### Do Investors Feel GP and LP Interests are Properly Aligned?

As shown in Fig. 6.1, 69% of LPs feel that GP and LP interests are properly aligned, while 31% of respondents either disagreed or strongly disagreed with this statement. This represents a significant shift from the same time last year when the number of

respondents agreeing that interests were aligned was considerably higher at 82%. Discontent has been growing, leading to a shift in the attitudes of LPs over the past 12 months, and there is clearly much to be done in order to improve relations between GPs and LPs.

Considerable variation can be seen between the views of North American and European LPs, as shown in Fig. 6.2. Whilst 77% of European LPs agreed with the statement, just 50% of North American LPs felt the same way: European investors are generally more satisfied with the alignment of GP and LP interests than their North American counterparts.

The LPs that felt that GP and LP interests were not well aligned proposed a number of different areas in which GPs could make improvements, as shown in Fig. 6.3, with some LPs suggesting multiple areas for change. Most commonly suggested was a change

Fig. 6.1: Do You Feel GP and LP Interests are Properly Aligned?

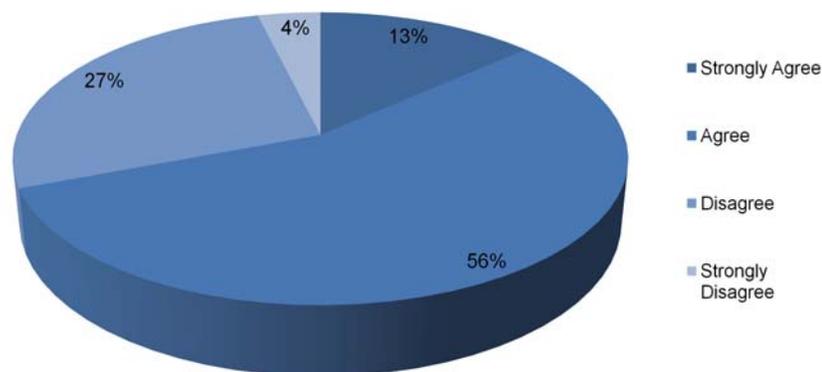
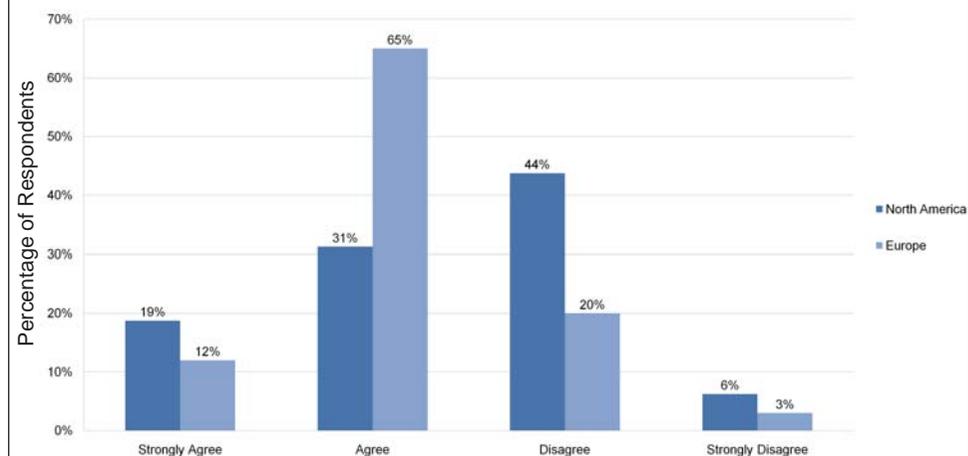


Fig. 6.2: Do You Feel GP and LP Interests are Properly Aligned?



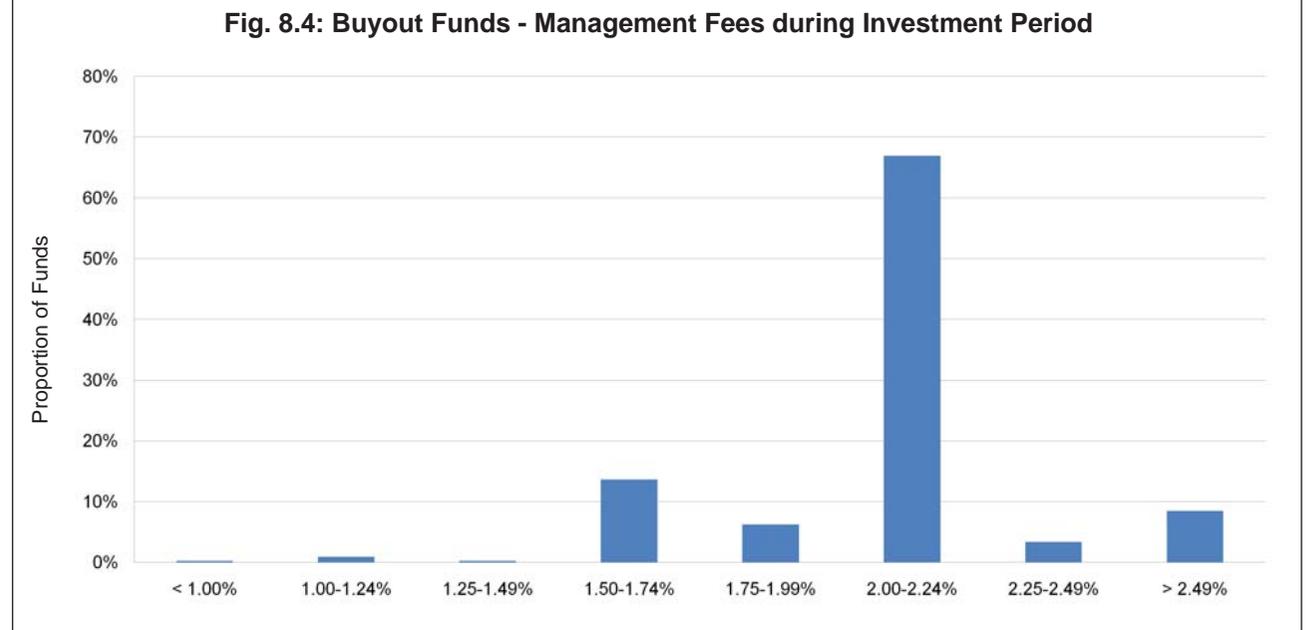
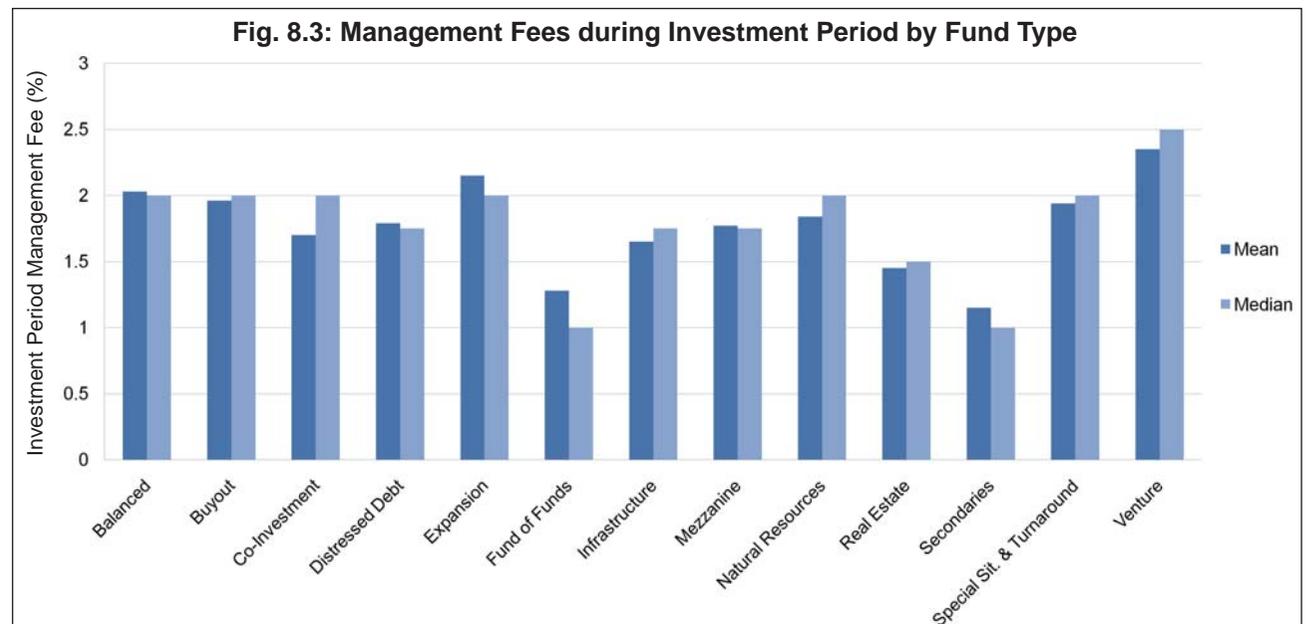
### Management Fees during Investment Period

Management fees during the investment period of a fund are almost invariably charged as a percentage fee applied to the value of commitments made by LPs to the fund. The rationale behind this is that the major part of the GP's workload at this stage is the search for potential investments, which is driven by the aggregate size of commitments to the fund and not the actual amount invested at this point in the fund's life.

As shown in Fig. 8.3, which displays the mean and median management fees for each fund type, venture funds generally charge the highest management fees, with a mean of 2.35% and a median of 2.5%. Primary and secondary fund of funds vehicles charge the lowest management fees, due to the fact that investing in such a vehicle would represent two layers of management fees for the investor: that of the vehicle itself and those of the underlying fund investments in its portfolio. Both secondaries funds and fund of funds have a median management fee of 1%. It should be noted here that this figure represents the 'headline' rate charged to the smallest LPs, and that many of these vehicles will charge lower fees to their larger LPs, which shall be covered later in this chapter. Other fund types with low management fees relative to the rest of the industry include real estate, infrastructure, mezzanine and distressed debt funds.

### Buyout Funds

Buyout funds constitute the largest group of funds in our sample, with management fee data available for 448 funds of this type. As shown in Fig. 8.4, more than two-thirds of buyout funds charge management



| Fund No. | Fund Type   | Vintage | Fund Size        | GP Region | Management Fees - Investment Period | Charge Frequency | Mechanism for Reduction - Post-Investment Period | Reduced Rate - Post-Investment Period  | Fund Geographic Focus |
|----------|-------------|---------|------------------|-----------|-------------------------------------|------------------|--|--|-----------------------|
| Fund 492 | Early Stage | 2005    | USD 100 - 249 mn | US        | 2.25%                               |                  | Same rate, cost basis of unrealized portfolio    | 2.25%  | US                    |
| Fund 493 | Early Stage | 2005    | USD 100 - 249 mn | US        | 2.50%                               | Semi annual      | Same rate, cost basis of unrealized portfolio    | 2.50%  | US                    |
| Fund 494 | Early Stage | 2006    | <USD 50 mn       | US        | 2.50%                               | Semi annual      | Annual percentage reduction in fee charged       |  | US                    |
| Fund 495 | Early Stage | 2006    | <USD 50 mn       | US        | 2.50%                               |                  | Same rate, cost basis of unrealized portfolio    | 2.50%  | US                    |
| Fund 496 | Early Stage | 2006    | USD 50 - 99 mn   | US        | 2.00%                               |                  | Annual percentage reduction in fee charged       | -10.00%  | US                    |
| Fund 497 | Early Stage | 2006    | USD 50 - 99 mn   | US        | 2.50%                               |                  | Basis point reduction                            | 25 (b.p.) floor rate 1.5%.   | US                    |
| Fund 498 | Early Stage | 2006    | USD 50 - 99 mn   | US        | 2.00%                               |                  | Reduced rate                                     | 1.50%  | US                    |
| Fund 499 | Early Stage | 2006    | USD 50 - 99 mn   | US        | 2.50%                               |                  | Reduced rate                                     |  | US                    |
| Fund 500 | Early Stage | 2006    | USD 100 - 249 mn | Europe    | 2.50%                               | Quarterly        | No change  | 2.50%  | Europe                |
| Fund 501 | Early Stage | 2006    | USD 100 - 249 mn | US        | 2.00%                               | Quarterly        | Annual reduction in rate                         | Declines by one-tenth each year  | US                    |
| Fund 502 | Early Stage | 2006    | USD 100 - 249 mn | US        | 2.50%                               |                  | Annual reduction in rate                         | Declines by one-tenth each year. After ten years 1.5% of cost basis of portfolio | US                    |
| Fund 503 | Early Stage | 2006    | USD 100 - 249 mn | US        | 2.25%                               | Quarterly        | Basis point reduction                            | 22.5 (b.p.) floor rate 1.5%  | US                    |
| Fund 504 | Early Stage | 2006    | USD 100 - 249 mn | US        | 2.50%                               | Annual           | Basis point reduction                            | 25 (b.p.)  | US                    |
| Fund 505 | Early Stage | 2006    | USD 100 - 249 mn | US        | 2.50%                               | Semi annual      | Basis point reduction                            | 25 (b.p.) floor rate of 0.75%.   | US                    |
| Fund 506 | Early Stage | 2006    | USD 100 - 249 mn | US        | 2.50%                               | Quarterly        | Fee the same but charged on invested capital     | 2.50%  | US                    |
| Fund 507 | Early Stage | 2006    | USD 100 - 249 mn | US        | 2.00%                               | Quarterly        | Same rate, cost basis of unrealized portfolio    | 2.00%  | US                    |
| Fund 508 | Early Stage | 2006    | USD 250 - 499 mn | US        | 2.50%                               |                  | Annual reduction in rate                         | -10.00%  |                       |

| Carried Interest Basis                  | Carried Interest % | Preferred Return % | No-Fault Divorce Close Yes/No | Percentage Needed | Share of Transaction Fees Rebated to LP | GP Commitments % | Minimum LP Commitment (mn) | Investment Period (Years) | Fund Formation Costs Limit (mn) | Key Man Clause |
|---|--------------------|--------------------|-------------------------------|-------------------|---|------------------|----------------------------|---------------------------|---------------------------------|----------------|
| Whole Fund                              | 20%                |                    | Yes                           |                   |   | 1.00%            |                            |                           |                                 | No             |
| Whole Fund                              | 20%                | 8%                 |                               |                   | 50%                                     | 1.00%            | USD 0.5                    | 6                         | USD 0.5                         |                |
| Whole Fund                              | 20%                | 8%                 | No                            |                   |   |                  | USD 3                      | 5                         |                                 | No             |
| Whole Fund                              | 20%                | 8%                 | Yes                           | 67%               |   |                  | USD 1                      | 5                         | USD 0.5                         |                |
| Whole Fund                              | 20%                |                    |                               |                   | 50%                                     | 4.00%            | USD 5                      |                           | USD 0.5                         |                |
| Whole Fund                              | 20%                |                    | Yes                           | 80%               | 100%                                    | 1.00%            | USD 2                      | 6                         |                                 | Yes            |
| Whole Fund                              | 20%                |                    | Yes                           | 66%               | 50%                                     | 32.00%           | USD 1                      | 5                         | USD 0.45                        |                |
| Whole Fund                              | 20%                |                    |                               |                   |   | 1.00%            | USD 2                      |                           |                                 |                |
| Whole Fund                              | 20%                | 0%                 | Yes                           | 80%               |   |                  |                            |                           |                                 | Yes            |
| Whole Fund                              | 20%                | 5%                 |                               |                   | 100%                                    |                  | USD 2.5                    | 6                         | USD 0.5                         |                |
|   | 20 - 30%           |                    |                               |                   |   | 1.00%            |                            |                           |                                 | Yes            |
| Whole Fund                              | 20%                |                    |                               |                   |   | 1.00%            | USD 5                      | 6                         |                                 |                |
| Whole Fund                              | 20%                |                    | Yes                           | 80%               |   | 1.00%            | USD 2                      |                           | USD 0.6                         | Yes            |
| Fair Value Test Applied to Deal by Deal | 20%                |                    |                               |                   |   |                  | USD 5                      | 4                         | USD 0.35                        |                |
|   | 25%                |                    |                               |                   |   |                  | USD 10                     | 7                         |                                 |                |
| Whole Fund                              | 20%                | 6%                 |                               |                   |   | 2.00%            | USD 0.25                   | 6                         | USD 0.12                        |                |
| Deal by Deal                            | 20 - 25%           |                    | No                            |                   |   | 1.00%            |                            | 5                         | USD 0.6                         |                |

| Fund Name                     | Fund Type         | Fund Vintage | Region Focus | Fund Status | Fund Sizes (mn)<br>(*for Target) | Annualised Total Fees and Costs (% of Commitments) |      |      |      |      |      |      |      |
|-------------------------------|-------------------|--------------|--------------|-------------|----------------------------------|--|------|------|------|------|------|------|------|
|                               |                   |              |              |             |                                  | 2001   | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Kayne Anderson Energy Fund IV | Natural Resources | 2006         | US           | Closed      | 950.0 USD                        |  |      |      |      |      |      | 0.97 |      |
| Lime Rock Partners IV         | Natural Resources | 2006         | US           | Closed      | 765.0 USD                        |  |      |      |      |      | 0.54 | 1.71 | 2.13 |
| Lime Rock Resources           | Natural Resources | 2006         | US           | Closed      | 450.0 USD                        |  |      |      |      | 0.87 | 2.61 | 1.89 | 2.17 |
| Craton Equity Partners I      | Natural Resources | 2007         | US           | Closed      | 191.5 USD                        |  |      |      |      |      |      | 0.93 |      |
| EnCap Energy Capital Fund VII | Natural Resources | 2007         | US           | Closed      | 2,500.0 USD                      |  |      |      |      |      |      | 0.62 |      |
| First Reserve Fund XII        | Natural Resources | 2008         | US           | First Close | 12,000.0 USD*                    |  |      |      |      |      |      |      | 0.27 |
| Lime Rock Partners V          | Natural Resources | 2008         | US           | Closed      | 1,400.0 USD                      |  |      |      |      |      |      |      | 1.42 |
| S.B. Energy Partners I        | Natural Resources | 2008         | US           | First Close |                                  |  |      |      |      |      |      | 1.50 | 1.98 |

## Real Estate

| Fund Name                            | Fund Type   | Fund Vintage | Region Focus | Fund Status | Fund Sizes (mn)<br>(*for Target) | Annualised Total Fees and Costs (% of Commitments) |      |      |      |      |      |      |      |
|--------------------------------------|-------------|--------------|--------------|-------------|----------------------------------|--|------|------|------|------|------|------|------|
|                                      |             |              |              |             |                                  | 2001   | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Whitehall Street V & VI              | Real Estate | 1994         | US           | Closed      |                                  |  |      |      | 0.14 | 0.11 | 0.08 | 0.03 | 0.01 |
| Whitehall Street V-S & VI-S          | Real Estate | 1995         | US           | Liquidated  |                                  |  |      |      |      | 0.16 | 0.10 | 0.06 |      |
| Blackstone Real Estate Partners II   | Real Estate | 1996         | US           | Liquidated  | 1,300.0 USD                      |  |      |      | 0.16 | 0.08 |      |      |      |
| Whitehall Street VII & VIII          | Real Estate | 1996         | US           | Closed      | 323.0 USD                        |  |      |      | 0.44 | 0.22 | 0.16 | 0.10 |      |
| BPG Investment Partnership IV        | Real Estate | 1997         | US           | Closed      | 161.0 USD                        |  |      |      | 0.39 | 0.29 | 0.20 | 0.09 | 0.04 |
| Starwood Opportunity Fund IV         | Real Estate | 1997         | US           | Closed      | 830.0 USD                        |  |      |      | 0.44 | 0.38 | 0.13 | 0.10 | 0.11 |
| Westbrook Real Estate Fund II        | Real Estate | 1997         | US           | Closed      | 743.0 USD                        |  |      |      | 0.15 | 0.13 | 0.12 | 0.07 | 0.04 |
| AREA Real Estate Investment Fund III | Real Estate | 1998         | US           | Closed      | 1,050.0 USD                      |  |      |      | 0.76 | 0.63 | 0.45 | 0.32 | 0.30 |
| Lubert Adler Real Estate Fund II     | Real Estate | 1998         | US           | Closed      | 280.0 USD                        |  |      |      | 0.81 | 0.48 | 0.20 | 0.10 | 0.03 |
| Miller Global Fund III               | Real Estate | 1998         | US           | Liquidated  | 153.0 USD                        |  |      |      | 0.09 | 0.01 |      |      |      |
| Prudential Senior Housing Partners I | Real Estate | 1998         | US           | Liquidated  |                                  |  |      |      | 0.73 | 0.23 | 0.08 | 6.41 |      |
| Starwood Opportunity Fund V          | Real Estate | 1998         | US           | Closed      | 517.0 USD                        |  |      |      | 0.91 | 0.56 |      | 0.34 | 0.12 |
| Westbrook Real Estate Fund III       | Real Estate | 1998         | US           | Closed      | 1,241.0 USD                      |  |      |      | 0.69 | 0.35 | 0.19 | 0.04 | 0.03 |
| Blackstone Real Estate Partners III  | Real Estate | 1999         | US           | Closed      | 1,500.0 USD                      |  |      |      | 0.30 | 0.33 | 0.18 | 0.11 | 0.10 |
| BPG Investment Partnership V         | Real Estate | 1999         | US           | Closed      | 225.0 USD                        |  |      |      | 0.93 | 0.81 | 0.61 | 0.52 | 0.41 |
| DLJ Real Estate Capital Partners II  | Real Estate | 1999         | US           | Closed      | 1,162.0 USD                      |  |      |      |      |      | 0.56 | 0.41 | 0.17 |
| Legg Mason Eastern Retail Holdings   | Real Estate | 1999         | US           | Closed      | 150.0 USD                        |  |      |      | 0.95 | 0.62 |      |      |      |
| Westbrook Real Estate Fund IV        | Real Estate | 2000         | US           | Closed      | 1,250.0 USD                      |  |      |      | 1.05 | 0.72 | 0.35 | 0.28 | 0.14 |

**Bingham McCutchen**Web: [www.bingham.com](http://www.bingham.com)

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**Other Offices:** Boston, Costa Mesa, London, Los Angeles, San Francisco, Washington

Tel: +1 212 705 7000

Email: [info@bingham.com](mailto:info@bingham.com)**Sample Fund Assignments:** NGEN Partners III (500 mn USD, Second Close), Sail Venture Partners II (250 mn USD, Second Close), Dubin Clark Fund III (150 mn USD, Raising), United States Power Fund III (1,350 mn USD, 2007), JM Financial India Fund (225 mn USD, 2007), Bunker Hill Capital (125 mn USD, 2006)

| Contact Name  | Position | Telephone       | Email  |
|---------------|----------|-----------------|--|
| James W. Loss | Partner  | +1 714 830 0626 | <a href="mailto:jim.loss@bingham.com">jim.loss@bingham.com</a> |

**Blake Dawson Waldron**Web: [www.blakedawson.com](http://www.blakedawson.com)

Level 39, 101 Collins Street, Melbourne, VIC, 3000, Australia

**Other Offices:** Brisbane, Perth, Sydney

Tel: +61 (0)3 9679 3000

**Sample Fund Assignments:** Asian Lion Fund (34 mn USD, 2008)

| Contact Name    | Position | Telephone          | Email  |
|-----------------|----------|--------------------|--|
| Mark Stanbridge | Partner  | +61 (0)2 9258 6522 | <a href="mailto:mark.stanbridge@blakedawson.com">mark.stanbridge@blakedawson.com</a> |

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Yrjönkatu 13 A, Helsinki, FI-00120, Finland

Tel: +358 (0)9 615 333

Email: [info@borenus.com](mailto:info@borenus.com)**Sample Fund Assignments:** Nexit Infocom II (100 mn EUR, Third Close), Enfia Infrastructure Fund I (90 mn EUR, 2008), Amanda III Eastern Private Equity (110 mn EUR, 2007), Finn-Thai Technology Fund (20 mn EUR, 2005), CapMan Real Estate I (500 mn EUR, 2005)

| Contact Name | Position               | Telephone           | Email  |
|--------------|------------------------|---------------------|--|
| Paulus Hidén | Head of Fund Formation | +358 (0)9 6153 3436 | <a href="mailto:paulus.hiden@borenus.com">paulus.hiden@borenus.com</a> |

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**Sample Fund Assignments:** Reservoir Venture Partners II (50 mn USD, 2008), Short Vincent Partners II (45 mn USD, 2008), Evolution Investments (20 mn USD, 2007)

| Contact Name   | Position | Telephone       | Email  |
|----------------|----------|-----------------|--|
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**Sample Fund Assignments:** Ant Bridge Asia IV (250 mn USD, Raising), Carta Capital Mezzanine Fund II (80 mn GBP, First Close), South Eastern Europe Fund (350 mn EUR, 2007), LEEF 2007 Fund (2007), LEEF 2006 Fund (2006)

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Tel: +1 212 225 2000

**Sample Fund Assignments:** MBK Partners II (2,500 mn USD, Raising), NC2 (50 mn GBP, Second Close), Citi Infrastructure Partners (3,500 mn USD, 2009), TPG-TAC 2007 Fund (4,500 mn USD, 2008), CCMP Asia Opportunity Fund III (1,200 mn USD, 2008), TPG Partners VI (17,800 mn USD, 2008), DLJ South American Partners (300 mn USD, 2008), Acon-Bastion Partners Fund II (478 mn USD, 2008), TPG Star (1,500 mn USD, 2008), Helios Investors (304 mn USD, 2007)

| Contact Name        | Position | Telephone       | Email  |
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| Michael Gerstenzang | Partner  | +1 212 225 2096 | <a href="mailto:mgerstenzang@cgsh.com">mgerstenzang@cgsh.com</a> |

**Clifford Chance**Web: [www.cliffordchance.com](http://www.cliffordchance.com)

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**Other Offices:** Abu Dhabi, Amsterdam, Bangkok, Barcelona, Beijing, Brussels, Bucharest, Budapest, Düsseldorf, Dubai, Frankfurt, Hong Kong, Kiev, Luxembourg, Madrid, Milan, Moscow, Munich, New York, Paris, Prague, Riyadh, Rome, São Paulo, Shanghai, Singapore, Tokyo

Tel: +44 (0)20 7006 1000

**Sample Fund Assignments:** Abraaj Buyout Fund III (4,000 mn USD, First Close), Barclays Integrated Infrastructure Fund (1,000 mn GBP, Raising), German Shopping Centre Fund (1,200 mn EUR, First Close), Charterhouse Capital Partners IX (4,000 mn EUR, 2009), H21 Infrastructure I (2009), Actis India Real Estate Fund (2009), Portfolio Advisors Real Estate Fund III (150 mn USD, 2008), H21 Growth Opportunities I (174 mn USD, 2008), EQT Infrastructure (1,200 mn EUR, 2008)

| Contact Name | Position                      | Telephone           | Email  |
|--------------|-------------------------------|---------------------|--|
| James Baird  | Head of Global Private Equity | +44 (0)20 7006 1226 | <a href="mailto:james.baird@cliffordchance.com">james.baird@cliffordchance.com</a> |

## Online Fund Terms Advisor

The tables in Chapter 13 show the average benchmark terms and conditions applying to funds of different types and sizes. They also show how these terms (and especially the management fees) vary with the size of the fund. The Online Fund Terms Advisor takes this to the next level, enabling users to:

- **Identify benchmark terms for any fund:** the benefit of the online system is that, rather than getting a series of different management fees that apply to funds of different types, one can simply enter the size of the proposed fund and then directly see the benchmark terms that should apply to a fund of this specific type and size;
- **Assess economic impact:** the online model calculates the total fees and carry payable over the lifetime of the fund, based upon the benchmark terms and a range of assumptions about the fund's gross performance. In other words, the model reduces a complex set of economic terms down to some simple metrics that can be readily compared across different funds:
  - The aggregate fees payable by the LP over the lifetime of the fund, expressed in monetary terms and as a percentage of the LP's commitment to the fund;
  - The resulting net performance of the fund from the LP's perspective, based upon a range of reasonable assumptions on the fund's gross performance, with the results expressed in terms of net multiple and IRR;

- The corresponding implications for the GP, identifying the fees and carry earned over the lifetime of the fund, again based upon a range of reasonable assumptions on the fund's gross performance;
- **Consider the impact of alternative terms:** the user can then also vary the terms away from the indicated benchmarks, and the model will calculate the net effect of these changes on the total lifetime costs and net returns for the LP, as well as the economic implications for the GP.
- **Download fund terms:** If you wish to compare terms at fund level then you can use the online fund terms advisor to select and download fund level terms and conditions information. Funds can be selected based on size, location and type, and the details can then be viewed fund by fund, enabling you to see the variation in management fees, carried interest etc. All data can then be downloaded into MS Excel for your further analysis. Please note the names of funds are not provided.

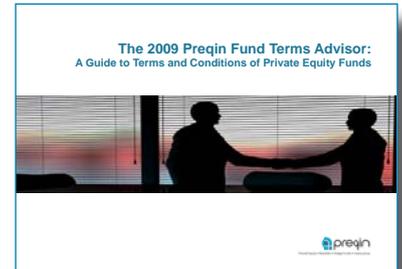
In summary, the online system is designed to help both GP and LP to consider the most appropriate terms for new funds, and to assist them in negotiations. Naturally, it focuses on the economic terms and does not cover non-economic governance factors such as key man provisions, no-fault divorces etc.

**Guidelines for use:** you should have received a user i.d. and password from us; please use these to login at [www.preqin.com](http://www.preqin.com). This will take you to the main products screen, please then click on 'Fund Terms Advisor' to enter the product and follow the on-screen prompts. Please contact [support@preqin.com](mailto:support@preqin.com) if you have any questions.

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With analysis based on the actual terms and conditions of 1,200 private equity funds, the 2009 Preqin Fund Terms Advisor is the most comprehensive guide to private equity terms and conditions ever produced, and is a vital guide for both investors and anyone involved in the fund formation process.

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- Access to Fund Terms Online to assess economic impact of actual proposed terms
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- Listings for over 100 law firms involved in the fund formation process, including contact details and sample previous assignments.



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