

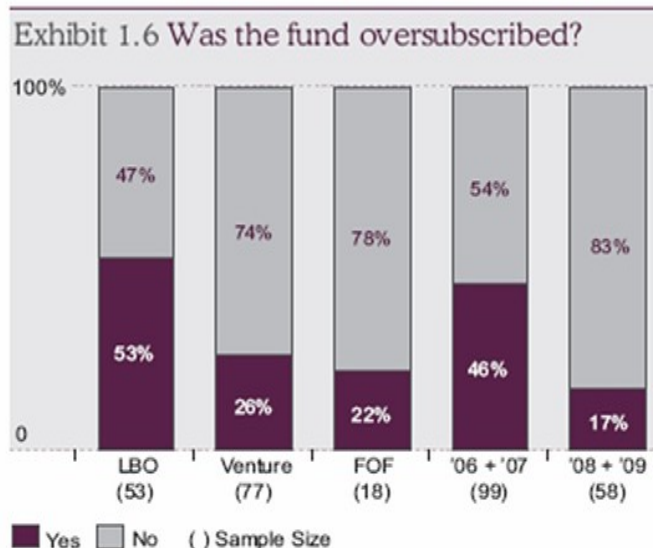
Parsing Terms & Conditions: My, How Things Have Changed

We recently published our latest *Private Equity Partnership Terms & Conditions* report, and over the next few days we'll be bringing you some of the highlights from it in a series of posts.

The *Terms & Conditions* report surveys private equity firms about the clauses included in their partnership agreements that determine how their funds are operated. These clauses cover everything from what management fees the funds charge and what profit split they take to what happens if their investors decide they want to dissolve a fund. Our latest report covers more than 170 funds raised from 2006 through early 2009; [click here](#) for more information.

As we surveyed for this report in early 2009, we were aware that we were entering a radically different fund-raising environment than what the private equity industry had experienced in 2006, 2007 and even 2008.

The financial crisis in the fourth quarter of 2008 more or less brought fund-raising to a halt, as limited partners suddenly found themselves without capital to invest. Our report shows, concretely, just how this has affected general partners.



First off, we asked general partners if their most recent fund was oversubscribed, meaning there was more demand than anticipated. Among respondents who raised funds in the strong fund-raising years of 2006 and 2007, 46% said their funds were oversubscribed. But among 2008 and 2009 funds, only 17% said they were oversubscribed.

Additionally, funds generally have a set period of time to raise capital, but general partners can request more time if they need it. Among 2006 and 2007 funds in our survey, only 20% of respondents sought longer to raise their funds. Among 2008 and 2009 funds, this figure ballooned to 39%.

Statistics like this would indicate that fund managers raising capital might need to take extra steps to attract investors, and the report shows that to be the case, in some respects. In our next post on this topic, we'll take a look at some of the key terms on private equity funds that are showing a shift in favor of limited partners.

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Acknowledgments

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Advisory Board

Thomas Beaudoin, Partner
WilmerHale
60 State St.
Boston, MA 02109

Charles P. Jacobs, Partner
Nixon Peabody LLP
437 Madison Ave.
New York, NY 10022

Larry Jordan Rowe, Partner
Ropes & Gray LLP
One International Place
Boston, MA 02110

Tim Kelly, Partner
Adams Street Partners
One North Wacker Suite 2200
Chicago, IL 60606-2823