



# INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

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## *Quarterly Reporting Standards*

*Version 1.1  
Revised in September 2016  
Originally Released in October 2011*

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### New in Version 1.1

- o Reflected new content from the ILPA Reporting Template (released in Jan. 2016)
- o Miscellaneous formatting updates
- o Streamlined the content by removing references to separate ILPA initiatives (which all still available on [ilpa.org](http://ilpa.org))

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*Disclaimer: All interested parties should, subject to applicable laws, respect the confidentiality of information contained in reports provided in connection with investments. The Quarterly Reporting Standards (QRS) reflect the view of the participants involved in the creation thereof as to best practices with respect to fund reporting. However, no limited partner should utilize the QRS as a substitute for its own determination as to what information such limited partner will need or desire with respect to any particular investment. Further, no representation is made that the QRS, when provided by general partners to their investor base, will include all desirable information or will be fully inclusive of all information needed for any limited partner to effectively monitor its investments.*

# SECTION I

## EXECUTIVE SUMMARY

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## Executive Summary

As fiduciaries, Limited Partners (LPs) require a basic level of financial details to inform and guide their Boards, Trustees, Portfolio Managers, and Risk Departments. When periodic reporting from their fund managers (GPs) fall short of these requirements, LPs typically make follow-on inquiries for further detail into their funds and investments.

The ILPA has developed a suite of reporting guidelines that will increase standardization in the private equity industry. This is part of the ILPA's efforts to create greater industry efficiencies, improve the level of disclosure, and reduce the expense of administering and monitoring private equity investments. This document focuses on best practices related to the series of financial statements and supplemental reports that are provided to LPs on a quarterly basis (Quarterly Reporting Package).

These guidelines indicate the minimum amount of disclosures expected by LPs. While the regulatory requirements for each jurisdiction may force GPs to alter these suggested formats, the hope is that the core data will still be preserved in the new format.

Contents of an effective Quarterly Reporting Package include (but aren't limited to):

- Summary Management Discussion and Analysis Letter
- Financial Package
  - Balance Sheet
  - Period End Schedule of Investments
  - Statement of Operations
  - Statement of Cash Flows
  - Partners' Capital Account Statement
  - Appropriate Footnote Disclosures
- Supplemental Management Reports
  - Executive Summary - Firm and Fund Level
  - Supplemental Schedule of Investments
  - Portfolio Company Update (one for each active portfolio company)
  - Reporting Template for Fees, Expenses, & Carried Interest (*released in Jan. 2016*)

Criteria for each of these statements are provided in the next section, followed by sample reports.

In addition to the required components of the package, and in-line with the ILPA Principles, the timing of the package delivery is also important. For draft financials as of a non-audit period-end, the expected delivery is 60 days after quarter-end with a targeted delivery of 45 days. Fund of Funds would be given additional time to aggregate their underlying funds data, with a maximum deadline of 90 days after quarter-end and a targeted delivery of 75 days. Audited financials would add 30 days to the expected and targeted delivery deadlines outlined above.

These best practices in quarterly reporting are designed to augment, not to supersede, IFRS, GAAP, regulatory or tax reporting requirements or limitations.

## SECTION II

# QUARTERLY PACKAGE GUIDELINES

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## Summary Letter

*(Provided quarterly with each package, unaudited)*

A key component of the package, (though not shown later in the sample reports), is the inclusion of a Summary Portfolio Update Letter. This letter should, at a minimum, include:

- Management discussion of key drivers of activity and performance during the quarter that bridges the activity between the two period ends
  - Summary of capital activity (cash flows)
  - Transactions closed or pending
- Explanation of extraordinary movements
- Discussion of material events in portfolio companies (that would impact the fund as a whole) and/or with the General Partner
  - Including portfolio company defaults, LPA breaches, etc.
- Consistent with the ILPA Principles, a discussion of any material changes in risk factors at the *fund level*, including:
  - Concentration risk at fund level
  - Foreign exchange risk at fund level
  - Leverage risk at fund level
  - Realization risk at fund level
  - Extra-financial risks, including environmental, social, and corporate governance risks at the fund level
  - This information should be provided annually, though more immediate reporting may be required for material events

## Balance Sheet

*(Provided quarterly, audited annually)*

Ideally, for the Balance Sheet and all financial statements provided in the package, there should be statements for the fund/vehicle through which the LP has invested, as well as a consolidated statement for the entire fund (to the extent there is consistent ownership), with exceptions only for regulatory and/or tax reasons.

Though all items in the best practices package must adhere to relevant accounting standards, presentation is often left open to some interpretation. To that end, a balance sheet should include the following components:

- Current period end vs. prior audited period end columns
  - Comparative column should be for most recent audit period
  - Requires comparative or prior year end schedule of investments
- Inclusion of receivables and payables to affiliates
- Inclusion of investments at cost and fair value
- Inclusion of fund level debt

Financial Statements should be prepared for the legal entity to which the Investor has committed. In addition, consolidated statements are preferred, when possible, for **insight into the fund's aggregate exposure**.

The schedule of investments allows the General Partner the opportunity to provide Limited Partners the highest levels of transparency.

## Schedule of Investments

*(Provided quarterly, audited annually)*

As part of the quarterly package, a properly detailed schedule of investments should be included. The schedule should be placed after the balance sheet and include valuations that are updated quarterly. If fair value is not available, a separate schedule would be necessary. Please note that the schedule of investments included in the core package is targeted to those items consistent with audited financials. Full transparency is achieved in the use of an unaudited detailed schedule of investments in the Supplemental Management Reports.

Values presented in both the core and supplemental schedule of underlying investments should be at the fund level and reconcile to the balance sheet.

The basic requirements within the core schedule are as follows:

- Full detail on unrealized investments
  - Detail should be at legal entity level, not LP share
- Name of the Investment
  - Name can be omitted if absolutely required, but a unique identifier must be used and be consistent from quarter to quarter; investments should not be grouped
- Debt and Equity positions should be reported separately
  - Include number of shares if applicable
  - Should the investment be structured in a more complicated manner, detail may be moved to the individual Portfolio Company Update
- Fund Ownership % (fully diluted)
- Initial Investment Date
- Numeric Data on each investment to include:
  - Total committed to investment
  - Total invested (historical cost)
  - Current cost
  - Reported Value
  - Realized proceeds

This list is not meant to be all-inclusive or override any IFRS or GAAP requirements.

Limited Partners would prefer to have as much of the package audited as possible, though the need to limit audit expenses is understood. Certain items, such as initial investment date, are not explicitly required under the audit guidelines and can be moved to the detailed schedule of investments in the Supplemental Management Reports. There is no need to repeat disclosure of any items included on at least one of the schedules.

## Statement of Operations

*(Provided quarterly, audited annually)*

The format of the statement of operations is driven heavily by relevant accounting standards. However, there are some best practices often included in this report.

- Show current period, year-to-date and since inception information
  - Since inception information is not required by certain accounting standards; information need not be included in audited package if details are outlined in either the Footnotes or detailed Partner's Capital Account Statement
- Breakout investment income
  - Separate portfolio interest and dividends independent of other interest
- Breakout of expenses
  - Separate fees into their individual components, including management fees, broken deal fees, advisory/director fees, monitoring fees, etc.
- Net operating gain/loss
- Breakout of gains/(losses) on investments
  - Breakout of realized/unrealized gain/loss (independent of F/X, showing F/X independently)

## Statement of Cash Flows

*(Provided quarterly, audited annually)*

The format of the statement of operations is also driven heavily by relevant accounting standards, as well as the investment strategy of the fund. However, there are some best practices often included in this report.

- Show current period, year to date, and since inception information
  - Since Inception information is not required by certain accounting standards; information need not be included in audited package if details are outlined in either the Footnotes or detailed Partner's Capital Account Statement
- Breakout of cash flows from operating activities
- Breakout of cash flows from financing activities
- Cash and cash equivalents
- Supplemental cash flow information
  - Supplemental disclosure could include non-cash related adjustments

Should the General Partner provide a detailed quarterly Partners Capital Account statement as shown within these Best Practices (with the relevant cash flow components), any additional details beyond audit requirements are not necessary.

The formats for the Statement of Operations and the Statement of Cash Flows are heavily depended on the accounting standards of the fund's jurisdiction.



The format used in the sample PCAP (found in another section of this document) matches Sections A.1 & A.2 of the ILPA's Reporting Template for fees, expenses, and carried interest (the "Template"). For the avoidance of doubt, please note that the ILPA is not suggesting that the Template is a substitute for PCAPs. Rather, Sections A.1 & A.2 represent one (of many) potential formats that could be used.

## Partners' Capital Account Statement

*(Provided quarterly to individual Limited Partners)*

A key component of the package is a concise fair value partners' capital account statement ("PCAP"). Should the statement not be in fair value, a supplementary schedule should be provided.

Though not currently subject to accounting standards, the PCAP is paramount to the records of the Limited Partners. The PCAP should encompass the necessary components for a Limited Partner to assess the value of their investments as well as reconcile the proper allocation of flows across the relevant periods.

The key components of a best practice partners' capital statement would include (but are not be limited to):

- Consolidated reporting, if applicable, for all Limited Partner investments, including alternative investment vehicles
- Current period, year-to-date and since inception information
- Breakout of the Total Fund by LP, GP, and Total
  - This sample shows the PCAP for an individual Limited Partner; The same information may be presented in a combined statement of Partners Capital as long as all relevant rows of data are included
- Bridge the prior net asset value to the current net asset value
  - Disclose any adjustments made prior to Beginning Balance
- Components to include:
  - General Partners' balances
  - Accrued carried interest should partnership liquidate
  - Breakout of contributions and distributions for the relevant period
  - Net changes in partners' capital resulting from operations
    - Include breakout of relevant fees and expenses; these items are not always finalized when the Capital Call or Distribution is made
  - Commitments of Limited Partner, General Partner and Total Fund
    - Indicate adjustments, if any, due to expired capital, write-offs, adjustments, etc.
  - Schedule of changes in *individual* unfunded commitment
    - Limited Partners need to have a quarterly reconciliation of their Unfunded Balance. Impacts of cash flows to commitment are not always disclosed in the capital call and distribution process, or are modified at period end.

Please note that these Best Practices are focused on the disclosure requirements needed by the Limited Partners. Any aggregate schedules required as part of an audited statement are not included in these Best Practices samples.

These requested footnotes are not exhaustive, but target key disclosures required of best practices reporting packages.

## Footnotes

*(Relevant footnotes provided quarterly, all footnotes provided annually)*

To fully support the balance sheet and other reporting schedules, a complete and detailed set of footnote disclosures is required.

Footnote disclosures would include (but are not limited to):

### Note 1 - Organization / Fund Details

- Key dates (including formation, termination, extensions, commitment period and follow-on period dates), structure, commitment amounts and other relevant fund details
- Tables may be included if they further understanding of the organizational structure

### Note 2 - Significant Accounting Policies

- Accounting principles, fair value measurement and other relevant details

### Note 3 - Partners' Capital

- Limited Partners' and General Partners' commitments
- Tables may be included if they further understanding of the commitment structure

### Note 4 - Management Fee and Other Fee Breakdown

- Management fees / broken or consumated deal fees / monitoring fees / fee offsets
- Description of "other" fees
- See the ILPA's Reporting Template for fees, expenses, & carried interest for additional guidance on fee disclosures

### Note 5 - Related Party and Other Transactions

- Detail of related party transactions and/or receivables/payables
- Notation of fund level debt and other potential obligations or guarantees

### Note 6: Financial Highlights

- Net IRR at the fund level

### Note 7: Carry Detail

- Fund level carry paid and/or accrued; amount escrowed if applicable
- Detailed description of carry calculation (waterfall)
  - Include table if more appropriate
- See the ILPA's Reporting Template for fees, expenses, & carried interest for additional guidance on carry disclosures

### Note 8: Advisory Board

- List of members (if not against any legal or LPA restrictions)
- Notation of action items or votes taken

### Note 9: Subsequent Events

- Included if material

The items listed above are of key concern to LPs, who would prefer to have these included in the annual audited statements. However, should audit, legal or partnership issues require, certain items, such as Note 8 above, can be provided in the quarterly materials outside the scope of the audited financials.

### Supplemental Management Reports

*(Supplemental reports are unaudited and unless otherwise noted, provided quarterly)*

### Executive Summary – Firm and Fund Level Data

*(Fund Level data provided quarterly, firm level data updated annually)*

Supporting materials to the quarterly reporting package should include an executive summary that highlights the key firm and fund level information (using tables and graphics). This supplemental report is most often used by Limited Partners to convey a high level status of the fund.

The Executive Summary should include the following:

- Firm Data
  - Assets under management
    - Defined as reported value of current investments plus unfunded commitments
  - Active funds
  - Active portfolio companies
- Fund Level Data
  - Total commitments
  - Total drawdowns since inception
    - Gross drawdowns
  - Remaining commitments
  - Total number of investments since inception
  - Total distributions
    - Percentage of total drawdowns
      - Gross distributions as percent of gross drawdowns
    - Percentage of committed capital
      - Gross distributions as percent of total commitments
- Key Valuation Metrics, including
  - TVPI: Total Value to Paid In
  - RVPI: Residual Value to Paid In
  - DPI: Distributions to Paid In
- Historical Fund Performance
  - The provided sample highlights TVPI over time in a graphical depiction. Alternatives would include both TVPI and Net IRR over time.
- Portfolio breakdown by industry and region
  - The provided sample highlights the portfolio breakdown, by invested capital, by industry and region invested.

### Supplemental Schedule of Investments

Please note that the schedule of investments included in the core package is limited to those items consistent with audited financials. This schedule, which covers recommended data points that exceed the items found in the audited statements, is at the fund level, and must tie to the balance sheet.

The supplemental schedule of investments includes the following:

- Full detail on realized and unrealized investments
- Security Type / # of shares (if not reported elsewhere)
- LP Ownership % (fully diluted)
  - This is the only column in this schedule that is Limited Partner specific with the intent of determining the results of opt-outs in the Fund. This information can also be depicted in a separate schedule for ease of reporting. LP ownership can be represented as % of total invested.
- Initial Investment Date (if not reported elsewhere)
- Final Exit Date for realized investments
- Investment Data (at fund level, if not reported elsewhere)
- Valuation Driver
  - Primary driver of valuation methodology such as market multiples, DCF, public market price, etc. Sample list is only an indicator of possible descriptions; Final list at **GP's** discretion.
- Performance Metrics
  - Period change in valuation
  - Period change in cost
  - Unrealized gains/(losses) & accrued interest
  - Movement summary
    - Primary driver of movement, not an indicator of full valuation methodology. Sample list only an indicator of possible descriptions; Final list at GP's discretion.
  - Current period investment multiple
    - Not needed if components are provided
  - Prior period investment multiple
    - Not needed if components are provided
  - Since inception Net IRR

Some General Partners provide much of the above data, as well as the portfolio company data outlined in the attached Appendix, to their Limited Partners on a quarterly basis in a standardized excel template. This template could be used as an alternative to the detailed supplemental reporting package, and would be encouraged to be made available to Limited Partners on a quarterly basis.

Though the Portfolio Company Update sample on page 31 is condensed to one page, additional use of graphs or charts can be added in order to convey the appropriate information.

## Portfolio Company Update

Supporting materials to the Quarterly Reporting Package would include supplementary pages covering the details of each active investment in the portfolio. These pages would be preceded by an executive summary (discussed above) that highlights the key information on the portfolio companies to follow. Information in quarterly reports should be structured consistently with information provided through other channels, such as the annual report, data room or intranet site.

Each page is designed to give the Limited Partner a qualitative and quantitative synopsis on each investment and should include:

- Company Overview
  - Company description and headquarters
    - Note any discrepancy between corporate and tax headquarters
    - Industry (GICS classification)
  - Acquisition details (table or chart)
    - Including initial investment date, multiples, equity breakdown
    - Acquisition thesis
    - Co-Sponsors (incl. individual ownership %, if available)
      - Notwithstanding any non-disclosure restrictions
    - Deal Partners at GP (including titles and Board seat, if any)
  - Current Metrics (table or chart with data as of trailing-twelve months)
    - Including revenue, EBITDA, debt, CAGR
    - Company Assessment (On Plan, Above Plan, Below Plan; regulatory issues notwithstanding)
  - Expectations (notwithstanding prohibitions against forward-looking statements or commercially sensitive information)
    - Cash flow needs or distributions
    - Exit assumptions; date/type
- Financial Tables
  - Investment structure
  - Capitalization table
    - Table format is not rigid, please adjust as appropriate for relevant portfolio company
  - Financial results
    - Table format is not rigid, please adjust as appropriate for relevant portfolio company
  - Calculations: DPI, RVPI, TVPI, DCC, PICC
    - Not needed if all components of calculation are provided elsewhere
- Recent Events and Key Initiatives
  - Staffing changes
  - Key developments (including covenant issues, if any)
  - Achievements, certifications, approvals
- Valuation bridge (including commentary on changes/drivers)
  - How is value add being created in portfolio company over time (Increases to EBITDA, multiples or debt payback)
  - Valuation methodology and assumptions, including a list of comparable companies, if applicable

- Risk Assessment / Update
  - In accordance with the ILPA Principles, a risk assessment should be completed at the Fund level annually, at a minimum. It is expected these portfolio company reports should follow the same guidelines, with qualitative discussion of any material changes in risk factors. Sample portfolio company risks would be determined by the stage and strategy of each investment, but may include:
    - Foreign exchange risk at portfolio company level
    - Leverage risk at portfolio company level
    - Realization risk at portfolio company level
    - Strategy risk at portfolio company level
    - Reputation risk at portfolio company level
    - Extra-financial risks, including environmental, social and corporate governance risks at the fund and portfolio level
    - Additional information may be provided through other channels
    - More immediate reporting may be required for material events

Some General Partners provide much of the above data, as well as the portfolio company data outlined in the attached Appendix, to their Limited Partners on a quarterly basis in a standardized excel template. This template could be used as an alternative to the detailed supplemental reporting package, and would be encouraged to be made available to Limited Partners on a quarterly basis.

## Reporting Template for Fees, Expenses, & Carried Interest

Originally created in January 2016, the ILPA Reporting Template (the “Template”) was developed as a usable reporting format for promoting a more uniform fee and expense disclosure to LPs.

### Template Goals

The Template is organized into two sections (A & B). Each section has a discrete goal, providing LPs with:

- A. The ability to monitor, aggregate, and analyze their direct costs of participating in a given private equity fund (a “Fund”). These values are presented within the framework of a typical partners’ capital account statement, providing valuable context to the reported fees.
- B. A summary of the GP’s sources of economics regarding the Fund and the investments made by the Fund (incl. reimbursements & any fees not subject to offset).

### Template Guidance

The Template, provided as a separate document on [ilpa.org](http://ilpa.org), includes detailed guidance for the recommended reporting frequency, treatment of historical data, definitions, and acceptable alterations. It is strongly recommended that all participants familiarize themselves with this guidance before using the Template. Further details are intentionally withheld from this document, as the Template Guidance is expected to be frequently updated to address continuous industry feedback.

### Partners’ Capital Account Statement

Please note, the format used in the sample Partners’ Capital Account Statement (PCAPs), shown in a different section of this document, matches Sections A.1 & A.2 of the Template. For the avoidance of doubt, please note that the ILPA is not suggesting that the Template is a substitute for PCAPs. Rather, Sections A.1 & A.2 represent one (of many) potential formats that could be used.

Detailed guidance for the Reporting Template, including recommendations for reporting frequency, treatment of historical data, definitions, and acceptable alterations, is provided in a separate document, and can be downloaded from [ilpa.org](http://ilpa.org).

## SECTION III

### SAMPLE REPORTS

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The following sample financial statements and supplemental schedules are indicative of best in class reporting provided by General Partners. As the intent is to show many situations that may arise in a partnership, the numbers do not tie across samples.

It is not the intent of the ILPA to force all General Partners to produce their statements in this exact format. However, it should be used to understand the level of disclosure required by the Limited Partners and as an ideal to which reporting transparency can achieve.



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## FINANCIAL STATEMENTS

DECEMBER 31, 2015

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BEST PRACTICES FUND II, L.P.

*(and all affiliated partnerships)*  
*Financial Statements*  
*December 31, 2015*  
*(Unaudited)*

Balance Sheet

Best Practices Fund II, L.P.

**Statement of Assets, Liabilities and Partners' Capital**

December 31, 2015

(\$ Unaudited)

	Current Period End 12/31/2015	Prior Year End Audited 12/31/2014
<b>ASSETS</b>		
Investments at Cost	\$ 38,000,000	\$ 39,000,000
Unrealized Gain / Loss on Investments	<u>3,300,000</u>	<u>2,900,000</u>
Investments at Fair Value	41,300,000	41,900,000
Cash and Cash Equivalents	8,000,000	250,000
Other Assets	2,000,000	50,000
Receivable from Affiliates	100,000	25,000
<b>Total Assets</b>	<b>\$ 51,400,000</b>	<b>\$ 42,225,000</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 2,910,000	\$ 4,120,000
Notes/Revolver Payable	50,000	75,000
Payable to Affiliates	<u>7,600,000</u>	<u>725,000</u>
Total Liabilities	10,560,000	4,920,000
Partners' Capital		
General Partner	443,400	396,050
Limited Partners	<u>40,396,600</u>	<u>36,908,950</u>
Total Partners' Capital	40,840,000	37,305,000
<b>Total Liabilities and Partners' Capital</b>	<b>\$ 51,400,000</b>	<b>\$ 42,225,000</b>

Schedule of Investments

Please note that this schedule of investments is consistent with the items typically presented in audited financials. However, full transparency is achieved through the use of an unaudited, detailed schedule of investments, which is described in the Supplemental Management Reports (found in a subsequent section of this document).

Best Practices Fund II, LP - 12/31/2015									
Company Name	Security Type	Number of Shares	Fund Ownership % (Fully Diluted)	Initial Investment Date	Investment Data (Expressed in \$)				
					Fund Commitment	Total Invested (A)	Current Cost (B)	Reported Value (C)	Realized Proceeds (D)
Company 1	Equity	1,250,000	55%	3/15/2007	5,000,000	5,000,000	4,500,000	4,700,000	1,000,000
Company 1	Debt	12,789	55%	6/15/2007	5,000,000	5,000,000	5,000,000	5,200,000	500,000
Company 3	Equity		12%	9/15/2007	5,000,000	5,000,000	2,500,000	2,700,000	0
Company 3	Debt		12%	9/15/2007	5,000,000	5,000,000	5,000,000	5,200,000	1,000,000
Company 4	Equity		90%	2/15/2008	5,000,000	5,000,000	5,000,000	10,000,000	0
Company 5	Equity		80%	5/15/2008	4,000,000	4,000,000	4,000,000	0	0
Company 6	Equity		65%	8/15/2008	4,000,000	4,000,000	4,000,000	5,000,000	0
Company 7	Equity		100%	11/15/2008	4,000,000	4,000,000	4,000,000	4,500,000	0
Company 8	Equity		60%	6/15/2010	8,000,000	4,000,000	4,000,000	4,000,000	250,000
Grand Total:					45,000,000	41,000,000	38,000,000	41,300,000	2,750,000

Statement of Operations

Best Practices Fund II, L.P.

## Statement of Operations

For the periods ending December 31, 2015

(\$ Unaudited)

	Current Period (Oct. 1, 2015 - Dec. 31, 2015)	Year-to-Date (Jan. 1, 2015 - Dec. 31, 2015)	Since Inception (Feb. 25, 2007 - Dec. 31, 2015)
Income			
Portfolio Interest Income	\$ 16,000	\$ 64,000	\$ 160,000
Portfolio Dividend Income	24,000	96,000	240,000
Other Interest Earned	<u>4,000</u>	<u>16,000</u>	<u>36,000</u>
Total income	44,000	174,000	436,000
Expenses			
Management Fees, Net	250,000	1,000,000	3,000,000
Broken Deal Fees	20,000	100,000	350,000
Interest	2,000	8,000	20,000
Professional Fees	10,000	35,000	50,000
Bank Fees	15,000	35,000	60,000
Advisory Directors' Fees	5,000	30,000	40,000
Insurance	<u>2,000</u>	<u>8,000</u>	<u>20,000</u>
Total expenses	304,000	1,216,000	3,540,000
Net Operating Income / (Deficit)	(260,000)	(1,042,000)	(3,104,000)
Realized and Unrealized Gain / (Loss) on Investments			
Net Realized Gain / (Loss) on Investments	1,253,152	1,253,152	2,500,000
Net Change in Unrealized Gain / (Loss) on Investments	75,000	300,000	3,300,000
Net Realized Gain / (Loss) due to F/X	<u>0</u>	<u>0</u>	<u>0</u>
Net Realized and Unrealized Gain / (Loss) on Investments	1,328,152	1,553,152	5,800,000
Net Increase / (Decrease) in Partners' Capital Resulting from Operations	\$ 1,068,152	\$ 511,152	\$ 2,696,000

Statement of Cash Flows

Best Practices Fund II, L.P.

Statement of Cash Flows

For the periods ending December 31, 2015

(\$ Unaudited)

	Current Period (Oct. 1, 2015 – Dec. 31, 2015)	Year-to-Date (Jan. 1, 2015 – Dec. 31, 2015)	Since Inception (Feb. 25, 2007 – Dec. 31, 2015)
Cash flows from operating activities:			
Net increase/(decrease) in partners' capital resulting from operations	\$72,642,970	\$290,571,878	\$639,258,133
Adjustments to reconcile net increase/(decrease) in partners' Capital resulting from operations to net cash provided by/(used in) operating activities:			
Net change in unrealized (gain)/loss on investments	(46,336,547)	(185,346,188)	(407,761,613)
Net realized (gain)/loss on investments	(18,662,285)	(74,649,141)	(164,228,110)
Changes in operating assets and liabilities:			
Increase/(decrease) in accounts payable and accrued expenses	(4,757)	(19,030)	(41,865)
(Increase)/decrease in due from affiliates	(65,956)	(263,823)	(580,411)
(Increase)/decrease in due from third party	(9,548)	(38,191)	(84,021)
(Increase)/decrease in due from investment	4,069,485	16,277,940	35,811,469
Purchase of investments	(9,461,947)	(37,847,788)	(83,265,133)
Proceeds from sale of investments	61,218,061	244,872,245	538,718,938
Net cash provided by/(used in) operating activities	63,389,476	253,557,903	557,827,387
Cash flows from financing activities:			
Capital contributions	5,852,529	23,410,118	51,502,259
Distributions	(69,061,071)	(276,244,285)	(601,392,576)
Increase/(decrease) in due to limited partners	41,429	165,718	364,579
Increase/(decrease) in due to affiliates	31,504	126,017	277,238
(Increase)/decrease in due from limited partners	15,993	63,972	140,739
Proceeds from loans	17,333,765	69,335,060	152,537,131
Repayment of loans	(17,793,786)	(71,175,144)	(156,585,317)
Net cash used in financing activities	(63,579,636)	(254,318,545)	(553,155,947)
Net increase/(decrease) in cash and cash equivalents	(190,160)	(760,641)	4,671,440
Cash and cash equivalents, beginning of period	4,861,600	5,432,081	0
Cash and cash equivalents, end of period	\$ 4,671,440	4,671,440	4,671,440
Supplemental cash flow information			
Cash paid for interest for the period ended December 31, 2015	\$ 21,779	87,116	191,656

## Partners' Capital Account Statement

Please note, the format used in the sample Partners' Capital Account Statement ("PCAP") matches Sections A.1 & A.2 of the ILPA's Reporting Template for fees, expenses, and carried interest (the "Template"), which is discussed in other sections of this document. For the avoidance of doubt, please note that the ILPA is not suggesting that the Template is a substitute for PCAPs. Rather, Sections A.1 & A.2 represent one (of many) potential formats that could be used.

	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)
Best Practices Fund II, L.P.									

### 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
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
(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	0	(2,000,000)	0	0	0
Realized Gain / (Loss)		1,000,000	3,000,000	15,100,000	50,075,000	143,142,253	888,187,906	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	\$2,536,019,350	\$2,538,519,350	\$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	\$2,536,019,350	\$2,538,519,350	\$1,707,500	\$1,707,500	\$1,707,500

A.2 Commitment Reconciliation:		LP #5's Allocation of Total Fund			Total Fund (incl. GP Allocation)			GP's Allocation of Total Fund		
Total Commitment		\$50,000,000	\$50,000,000	\$50,000,000	\$2,503,750,000	\$2,503,750,000	\$2,503,750,000	\$3,750,000	\$3,750,000	\$3,750,000
Beginning Unfunded Commitment:		\$18,500,000	\$23,500,000	\$50,000,000	\$926,387,500	\$1,176,762,500	\$2,503,750,000	1,387,500	1,762,500	3,750,000
(Less Contributions)		0	(5,000,000)	(35,000,000)	0	(250,375,000)	(1,752,625,000)	0	(375,000)	(2,625,000)
Plus Recallable Distributions		0	0	4,000,000	0	0	200,300,000	0	0	300,000
(Less Expired/Released Commitments)		0	0	0	0	0	0	0	0	0
+/- Other Unfunded Adjustment		0	0	(500,000)	0	0	(25,037,500)	0	0	(37,500)
Ending Unfunded Commitment		\$18,500,000	\$18,500,000	\$18,500,000	\$926,387,500	\$926,387,500	\$926,387,500	\$1,387,500	\$1,387,500	\$1,387,500

## Footnotes

Best Practices Fund II, L.P.  
Notes to Financial Statements  
December 31, 2015  
(\$ Unaudited)

### Note 1 - Organization / Fund Details

Best Practices Fund II, L.P. (the "Partnership") was formed as a limited partnership pursuant to the laws of the State of Delaware to invest in equity and equity related investments in companies primarily in the United States, generally with enterprise values between \$50 million to over \$2 billion, including, without limitation, the making of investments in debt obligations of companies in anticipation of the exchange or conversion of such obligations into equity securities of such companies. Best Practices Partners II, LLC, a Delaware limited liability company, is the general partner (the "General Partner") of the Partnership and makes investment decisions for the Partnership.

The Partnership commenced operations on January 10, 2007, and will terminate on December 21, 2017 (the tenth anniversary of the Final Closing, which took place on December 21, 2007), unless further extended by the General Partner in its sole discretion for one additional one-year period and may be extended for up to two additional one-year periods by the General Partner with the approval of the Advisory Committee.

### Note 2 - Significant Accounting Principles

The accompanying financial statements are prepared using accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, estimates are made relating to the fair value of investments. Actual results could differ from those estimates.

### Note 3 - Partners' Capital

On October 31, 2008, the Partnership had its Final Closing and obtained total capital commitments from its Partners of \$863,263,457. Pursuant to the Partnership Agreement, the General Partner has committed to provide 0.2% of the total commitments by all Limited Partners.

The Partnership may call capital from the General Partner and Limited Partners (collectively "Partners") to fund Investments, Partnership Expenses, Management Fees, Placement Fees, Start-Up Costs and other Funding Obligations.

Any return of capital from an Investment disposed of within eighteen months of its acquisition may either be retained by the Partnership or, if distributed, added back to available commitments and be subject to recall for future investments. Available Capital is also increased by distributions up to any amounts previously drawn down from the Available Capital with respect to Management Fees, Allocable Contributions, Placement Fees, and Partnership Expenses.

Since inception, the Partnership has called \$283,497,277 from its Partners (representing 32.8% of total committed capital; 67.2% uncalled). Each Partners' Available Capital shall be reduced by the amount of contributions to the Partnership and the AIV, in accordance with the terms of the Partnership Agreement.

As of December 31, 2015, the Partnership has distributed \$97,193,430 to its Partners. The Partnership has added back \$94,723,619 of such distributions to Available Capital. As of September 30, 2015, the Partners have available capital of \$669,898,861. Certain Partners' Available Capital amounts have been adjusted by a total of \$4,590,940, such that all Partners' Available Capital percentages are consistent during the Investment Period. The partners have also contributed \$75,026,726 to the Partnership, and received distributions of \$40,782,411.

Footnotes (Continued)

Best Practices Fund II, L.P.  
 Notes to Financial Statements  
 December 31, 2015  
 (\$ Unaudited)

## Note 4 - Management Fee and Other Fee Breakdown

In accordance with the Partnership Agreement, Management Fees are payable in advance semi-annually on January 1 and July 1. During the Initial Fee Period, the annual Management Fee will be equal to 1% of Limited Partner Commitments up to \$1.5 billion and if the Limited Partner Commitments are greater than \$1.5 billion the sum of \$30 million plus 0.5% of the amount by which the Limited Partner Commitments exceed \$1.5 billion. Following the expiration of the Initial Fee Period the annual Management Fee shall be 0.5% of the aggregate Net Funded Commitment of the Limited Partners. The Management Fee payable with respect to any Management Fee Period and with respect to a Limited Partner will be reduced (but not below zero) by such Limited Partner's Share of 100% of the Partnership's pro-rata share of all Topping and Break-up Fees and Transaction Fees, and such Limited Partner's Share of 100% of the Partnership's pro-rata share of all Advisory Fees received by the Manager or its affiliates.

The Manager may elect to waive the right to receive a portion of the Management Fees on a semi-annual basis provided timely notice is given to the Limited Partners. In the event that the Manager elects to waive receipt of the Management Fee, the amount of Management Fees otherwise payable by the Limited Partners may be used to fund the capital contributions of the General Partner and the Special Limited Partner.

Management Fees and Corresponding offset for the period ending December 31, 2015:

	Current Period (Oct 1, 2015- Dec. 31, 2015)	Year-to-Date (Jan. 1, 2015 - Dec. 31, 2015)	Since Inception (Feb. 25, 2007 - Dec. 31, 2015)
Gross Management Fees for the Period:	\$44,689,725	\$134,069,175	\$312,207,525
Fees:			
Voluntary Fee Waiver	\$375,000	\$1,125,000	\$1,500,000
Advisory Fees	\$500,000	\$1,500,000	\$1,758,000
Broken Deal Fees	\$400,000	\$1,200,000	\$1,400,000
Placement Fees	\$2,284,488	\$6,853,464	\$7,200,000
Transaction Fees	\$1,167,570	\$3,502,710	\$4,123,587
Other Fees	\$200,000	\$600,000	\$850,000
Total Fees:	\$4,927,058	\$14,781,174	\$16,831,587
Total Management Fee Offsets (100%)	(\$4,927,058)	(\$14,781,174)	(\$16,831,587)
Net Management Fees	\$39,762,667	\$119,288,001	\$295,375,938
Deemed Management Fees	\$84,548	\$336,470	\$978,050
Management Fees Returned/Recouped	\$42,223	\$138,290	\$221,805



Best Practices Fund II, L.P.  
 Notes to Financial Statements  
 December 31, 2015  
 (\$ Unaudited)

Note 5 - Related Party Transactions

The Partnership and its affiliates may share certain costs and the Partnership may pay a share of these expenses or payments on behalf of certain affiliates and vice versa, to be later reimbursed to the Partnership or to the affiliate. As of December 31, 2015, the balances of such amounts to be reimbursed to the Partnership total \$100,000 and are included in receivable from affiliates and amounts to be reimbursed to affiliates total \$7,600,000 and are included in payable to affiliates. Affiliates of the General Partner make non-interest bearing advances to the Partnership to pay for expenses associated with the cost of potential acquisitions and/or for the monitoring of its investments. As of December 31, 2015, such advances totaled \$434,631 and are also included in payable to affiliates.

Note 6: Financial Highlights

Financial highlights for the year-to-date ended December 31, 2015 are as follows:

Financial Highlights as of the period ending December 31, 2015 (unless otherwise noted)	
Ratios to average Investor Limited Partners' capital:	
Expenses	-4.90%
Performance carry allocation	-5.00%
Total expenses and performance carry allocation	-9.90%
Net investment gain	0.30%
Internal Rate of Return (inception to December 31, 2015)	20.50%
Internal Rate of Return (inception to December 31, 2014) (prior audited period end)	12.60%

The ratios to average Investor Limited Partners' capital are calculated for the Investor Limited Partners taken as a whole. The computation of such ratios based on the amount of net investment loss and expenses allocated to an individual partner's capital account may vary from these ratios based on the timing of capital transactions. For the purposes of this calculation, expenses and net investment losses for the period ended September 30, 2015, have been annualized.

The Internal Rate of Return ("IRR") is computed using Investor Limited Partners' cash inflows (capital contributions) and outflows (distributions) and the Investor Limited Partners' capital account at the end of the period as of each measurement date. The IRR is presented inception to date and is net of all fees and General Partner carried interest allocations, if any, assuming disposition of assets at the value reported on the Statement of Assets, Liabilities and Partners' Capital.

Best Practices Fund II, L.P.  
Notes to Financial Statements  
December 31, 2015  
(\$ Unaudited)

Note 7: Carry Detail

Carried Interest as of period ending December 31, 2015

	12/31/2015
Carried interest paid since inception through December 31, 2015	\$0
Current period carried interest paid	\$0
Current period carried interest earned	\$0
Current period carried interest accrued	\$29,800,000
Carried interest in escrow	\$0
Potential clawback value	\$0

Distributions

Net proceeds attributable to the Disposition of an Investment in a Portfolio Company, together with any dividends or interest income with respect to such Investment, will be distributed to the Partners participating in such Investment in the following amounts and order:

(i) First, 100% to the Partners in proportion to Capital Contributions with respect to such Investment until proceeds equal the aggregate of the following (to the extent not previously distributed):

- the cost basis of all Investments that have been disposed of and write downs, if any, on Investments not disposed of as of such time;
- the Partners' share of all organizational expenses, Management Fees and other expenses paid by the Partnership and allocated to the Investments referred in the above paragraph;
- a preferred return equal to an 8% internal rate of return compounded annually on the amounts referred to in the above paragraphs;

(ii) Second, (x) 20% to the Partners in proportion to Capital Contributions with respect to such Investment and (y) 80% to the General Partner, until such time as the General Partner has received, pursuant to clause (y), 20% of the sum of the distributions made under the third bullet point of paragraph (i) and under this paragraph; and

(iii) Thereafter, 80% to the Partners in proportion to Capital Contributions with respect to such Investment and 20% to the General Partner.

The 20% allocations to the General Partner in steps (ii) and (iii) above are collectively termed "carried interest".

Allocations of Profits and Losses

All items of income, gain, loss, and deduction will be allocated to the Partners' capital account in a manner generally consistent with the distribution procedures outlined under "Distributions" above. Realized and accrued carried interest on unrealized Investments is presented in the Statement of Changes in Partners' Capital as part of the performance carry allocation.

Because of the inherent uncertainty in the valuation of the Investments, the allocation of profit or loss to the Limited Partners and the performance carry allocation to the General Partner, as reflected within these financial statements may not necessarily represent amounts that might ultimately be allocated and distributed.

Best Practices Fund II, L.P.  
Notes to Financial Statements  
December 31, 2015  
(\$ Unaudited)

Note 7: Carry Detail (cont.)

Other Distributions and Portfolio Investment Distributions

Other Distributions (i) related to a Temporary Investment or Bridge Financing shall be distributed among the Participating Partners in proportion to their Capital Contributions with respect thereto, and (ii) other than those described in clause (i) above shall be distributed among the Partners in proportion to their respective Original Available Capital. Portfolio Investment Distributions shall be apportioned among the Participating Partners in proportion to their Capital Contributions with respect to such Portfolio Investment.

General Partner Giveback Provisions

The General Partner Giveback is equal to the greater of (i) the amount by which the cumulative carried interest distributions with respect to such Limited Partner exceeds 20% of the cumulative net profits earned with respect to such Limited Partner and (ii) an amount such that, upon its distribution to such Limited Partner, the Limited Partner will have received the preferred return, but, in either case, no more than the cumulative carried interest distributions with respect to such Limited Partner (calculated on an aftertax basis).

A General Partner Giveback may arise at the end of the Fiscal Year of the Partnership in which the sixth and eighth anniversaries of the Commencement Date occurs and immediately prior to the termination of the Partnership.

If, at the end of the Fiscal Year in which the sixth anniversary of the Commencement Date occurs, there is a General Partner Giveback obligation, the balance in the Escrow Accounts shall be used to satisfy such obligation. If the balance in the Escrow Accounts is insufficient to satisfy the General Partner Giveback, at the end of the Fiscal Year in which the eighth anniversary of the Commencement Date occurs, and immediately prior to the termination of the Partnership, the General Partner will be obligated to contribute an amount equal to the General Partner Giveback at that time. The General Partner Giveback will be accrued as part of the performance carry allocation. At September 30, 2015, there was an Escrow Account balance of \$294,285 and the General Partner was not in a Giveback position.

Note 8: Advisory Board

As of September 30, 2015, the Advisory Board members include the following: LP1, LP2, LP3, LP4, LP5, and LP6. There were no items presented for a vote during the period.

Note 9: Subsequent events

The Partnership has evaluated subsequent events through February 27, 2016, the date which the financial statements were available to be issued. On January 20, 2016, the Partnership renewed the revolving line of credit for \$8,000,000 with a maturity of August 20, 2016.

## SECTION IV

# SAMPLE SUPPLEMENTAL MANAGEMENT REPORTS

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## Supplemental Schedule: Portfolio Executive Summary

Best Practices Fund II, L.P.

Executive Summary - Firm and Fund Level Data

(\$ Unaudited)

12/31/2015

General Partner:

Assets Under Management:	\$12.7b
Active Funds:	8
Active Portfolio Companies:	212

Best Practices Fund II (BP II):

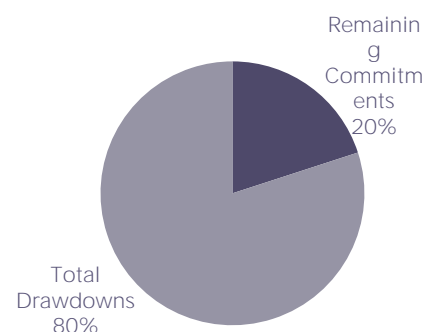
Total Commitments (Commenced at Jan. 5, 2007)	\$858.3m
Total Drawdowns since inception	\$684.7m
Remaining Commitments	\$173.6m

Total Number of Investments since inception	17
Number of Portfolio Companies at December 31, 2015	17

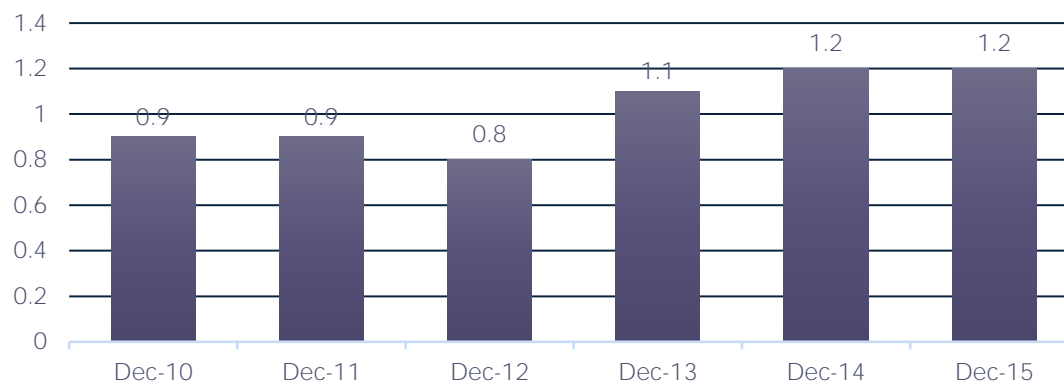
Total Distributions	\$218.5m
% of total drawdowns	32%
% of committed capital	25%

## Key Fund Valuation Metrics

DPI (Distributions to paid-in capital)	0.3x
RVPI (Residual value to paid-in capital)	0.9x
TVPI (Total value to paid-in capital)	1.2x

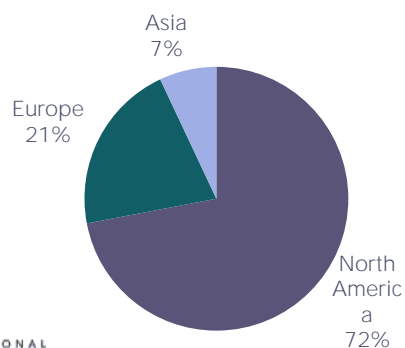


## Historical Fund Performance (TVPI)

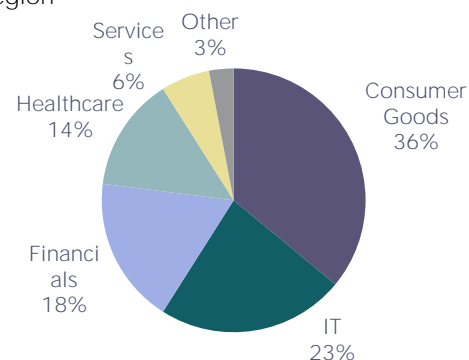


## Portfolio Breakdown (By Invested Capital)

## By Industry



## By Region



## Supplemental Schedule of Investments (Increased transparency):

Best Practices Fund II, LP - 12/31/2015																			
Company Name	Security Type	Number of Shares	Fund Ownership % (Fully Diluted)	LP Ownership % (Fully Diluted)	Initial Investment Date	Final Exit Date	Investment Data (Expressed in \$)					Valuation Driver*	Period Change in Valuation	Period Change in Cost	Unrealized Gains/(losses) Accrued Interest	Movement Summary**	Inv. Multiple: (C+D)/A		Security Type IRR (SI)
							Fund Commitment	Total Invested (A)	Current Cost (B)	Reported Value (C)	Realized Proceeds (D)						Current Quarter	Prior Quarter	
Company 1	Equity	1,250,000	55%	5.66%	3/15/2007		5,000,000	5,000,000	4,500,000	4,700,000	1,000,000	L	\$0	\$0	\$0	1	1.14	1.09	5%
Company 1	Debt	12,789	55%	5.66%	6/15/2007		5,000,000	5,000,000	5,000,000	5,200,000	500,000	E	\$297,829	\$0	\$297,829	2	1.14	1.09	10%
Company 3	Equity		12%	5.66%	9/15/2007		5,000,000	5,000,000	2,500,000	2,700,000	0	E	\$468,019	\$386	\$467,633	2	0.54	0.49	-40%
Company 3	Debt		12%	5.66%	9/15/2007		5,000,000	5,000,000	5,000,000	5,200,000	1,000,000	B	-\$145,546	\$0	(\$145,546)	3	1.24	1.19	15%
Company 4	Equity		90%	5.66%	2/15/2008		5,000,000	5,000,000	5,000,000	10,000,000	0	H	\$38,609	\$38,417	\$192	4	2.00	1.95	35%
Company 5	Equity		80%	5.66%	5/15/2008		4,000,000	4,000,000	4,000,000	0	0	A	\$323,439	\$323,439	\$0	5	0.00	0.00	-100%
Company 6	Equity		65%	5.66%	8/15/2008		4,000,000	4,000,000	4,000,000	5,000,000	0	M	\$2,333,324	\$1,693,069	\$640,255	6	1.25	1.20	10%
Company 7	Equity		100%	5.66%	11/15/2008		4,000,000	4,000,000	4,000,000	4,500,000	0	L	-\$111,989	\$0	\$111,989	2	1.13	1.08	3%
Company 8	Equity		60%	5.66%	6/15/2010		8,000,000	4,000,000	4,000,000	4,000,000	250,000	P	\$418,876	\$0	\$418,876	4	1.06	1.01	1%
Sub Total Active:							45,000,000	41,000,000	38,000,000	41,300,000	2,750,000		3,622,561	2,055,311	1,567,250		1.07	1.01	2%
Company 2	Equity				4/15/2007	12/28/2010	5,000,000	5,000,000	0	0	7,500,000		0	(1,253,152)	1,253,152	7	1.50	1.50	15%
Sub Total Liquidated:							5,000,000	5,000,000	0	0	7,500,000		0	(1,253,152)	1,253,152		1.50	1.50	15%
Grand Total:							50,000,000	46,000,000	38,000,000	41,300,000	10,250,000		3,622,561	802,159	2,820,402		1.12	1.06	3%

## \*Valuation Driver:

- A - Investment held at cost
- B - Valuation has been reduced due to significant deterioration in the company's performance and potential
- C - Valuation has been adjusted to the value paid by a sophisticated unrelated new investor
- D - Valuation at a later round of financing (no new unrelated investor)
- E - Valuation based on the closing quoted price
- F - Valuation based on the closing quoted price with a discount for lock up restrictions
- G - Follow-on costs of a written down investment
- H - Future realization proceeds
- I - Valuation based on fairness option in relation to proposed merger
- J - Realization
- K - Valuation based on recent transaction multiples
- L - Valuation based on recent market multiples
- M - Valuation based on recent market and transaction multiples
- N - Valuation based on expert third party
- O - Valuation based on closing quoted price plus valuation of warrants
- P - Revised company prospects

## \*\*Movement Summary:

- 1 - No change
- 2 - Change in public market value
- 3 - Deterioration in performance and potential
- 4 - Future realization proceeds
- 5 - Follow-on financing
- 6 - New investment
- 7 - Investment write-off
- 8 - Realized investment

## Portfolio Company Update (used for each investment):

Portfolio Company 3				DEAL TEAM: Johnson, Smith	
Investment Date:	9/15/2007	Fund Ownership %:	12%	Investment Commitment	\$10.0m
Industry:	Healthcare	Investor Group Ownership %:	75%	Invested Capital	\$10.0m
Headquarters:	Brooklyn, NY	Management Ownership %:	25%	Realized Proceeds	\$2.0m
EV at Closing	\$60.0m	Board Representation:	2 of 8	Reported Value	\$12.0m
Ticker Symbol:	ZZZ.Z	Board Members:	Jenson, Smith	Investment Multiple	0.9x
				Gross IRR (All Security Types)	15%

## INVESTMENT BACKGROUND CO-SPONSORS (Ownership %): ABC I, LP (38%); XYZ Capital (15%); Individuals (10%)

Company 3, located in Brooklyn, NY, is a top eldercare referral services company that provides move-ins for the senior housing industry. Founded in 1992, the company provides free personalized information about eldercare facility options to tens of thousands of families each month. To do so, Company 3 generates leads primarily from online marketing sources and converts them to move-ins through its nationwide network of 750 eldercare advisors.

On September 15, 2007, BP led a consortium, which completed the acquisition of Company 3 for a total effective consideration of \$60 million excluding third-party transaction fees. BP II invested \$5 million for a 12% equity stake in a transaction that included \$19m of debt. In October 2009, BP II provided \$5.0 million of debt as part of a restructuring, following a covenant breach.

## INVESTMENT THESIS / EXPECTATIONS RECENT EVENTS &amp; KEY INITIATIVES

- Steady Growth: Organic revenue growth of 6.5% for the five years prior to BP II's investment versus 5% for the industry
- Fragmented industry presents opportunity for sizeable, bolt-on acquisitions at accretive multiples
- Expectations: Exit via IPO or strategic sale within 24 months
- Management: New CEO started on November 1, 2015, and has implemented a 100-day plan including a new budget process
- Sales Growth: Signed a new five-year contract with major eldercare facility which will drive sales growth in 2011

## INVESTMENT STRUCTURE (as of 12/31/15) CAPITALIZATION (as of 12/31/15)

Investment Structure	Units/Par	Total Invested	Reported Value	Realized Proceeds	Capitalization	Rate	Maturity	Closing	12/31/15	Threshold
Common Units	500	2,500,000	1,200,000	0	Cash on Hand			2,000,000	2,000,000	
Series B Preferred	500	2,500,000	1,500,000	0	Sr. Sec Note	9%	12/31/19	9,000,000	9,000,000	xEBITDA
Sr. Sec. Note					Sr. Sec Note	7.5%	12/31/20		5,000,000	xEBITDA
@ 7.5%, mtrg 12/31/20	5,000,000	5,000,000	5,200,000	1,000,000	Jr. Note	14%	12/31/17	7,000,000	7,000,000	xEBITDA
Total		10,000,000	7,900,000	1,000,000	Drawn Revolver	L+150	12/31/16	5,000,000	2,320,000	
					Total Net Debt			19,000,000	21,320,000	
					Equity			41,000,000	30,520,000	
					Enterprise Value			60,000,000	51,840,000	

## FINANCIAL RESULTS COMPANY ASSESSMENT

	At Closing	12/31/12	12/31/13	12/31/14	12/31/15	
Revenue	50,000,000	50,000,000	45,000,000	40,000,000	42,000,000	[ ] Above Plan
YOY % Growth	8%	7%	-10%	-11%	5%	
LTM EBITDA	6,500,000	6,500,000	6,700,000	6,100,000	6,300,000	[ ] On Plan
YOY % Growth	7%	9%	4%	-12%	4%	
EBITDA Margin	13%	13%	15%	15%	15%	[ ] Below Plan
TEV	60,000,000	60,000,000	60,840,000	47,840,000	51,840,000	
TEV Multiple	9.2x	9.2x	9.1x	7.8x	8.2x	
Total Leverage	19,000,000	18,500,000	18,720,000	21,100,000	21,320,000	
Total Leverage Multiple	2.9x	2.8x	2.8x	3.5x	3.4x	

## VALUATION METHODOLOGY

To value our interest in Company 3, we analyzed Company 3 on both a multiple of EBITDA basis and a discounted cash flow approach. For the multiple of EBITDA approach, we used an 8.3x multiple on LTM EBITDA as of YE 2014. We kept Company A's multiple flat to last quarter as a result of the wide range and inter quarter volatility valuation multiples for the trading comparables. To determine the discount rate, we calculated the WACC using the industry comparables as guidelines. Using the discount rate of 11% and with exit multiples ranging from 7.5x to 8.5x, we calculated a total equity value in the range of \$102.2 million to \$154.6 million. This analysis implies a mid-point value of \$128.4 million or \$77.6 million in equity value for the Fund. Evaluating Company A using these two methodologies implied a valuation range of \$32.9 million to \$77.6 million for the Fund's interest in Company A. Given this analysis, the increase in multiples and positive EBITDA trends in the business, we believe it is appropriate to value Company A at \$42.5 million or 55% of cost.

## RISK ASSESSMENT/UPDATE

Given the declining amount of eldercare referrals in our target region coupled with rising online marketing prices, the company's covenant headroom remains tight and will be an area of significant focus over the coming months.

## Reporting Template for Fees, Expenses, &amp; Carried Interest

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>A. Capital Account Statement for LP #5</b>										
<b>A.1 NAV Reconciliation and Summary of Fees, Expenses &amp; Incentive Allocation</b>		<b>LP #5's Allocation of Total Fund</b>			<b>Total Fund (incl. GP Allocation)</b>			<b>GP's Allocation of Total Fund</b>		
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)	(55,000)	(550,000)	(695,000)	(2,900,000)	0	0	0
(Partnership Expenses - Due Diligence)		(20,000)	(50,000)	(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)	(147,554)	(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
<u>Offset Categories</u>		<u>% Offset to LP #5*</u>								
Advisory Fee Offset		80%	16,000	72,000	185,007	500,000	2,000,000	9,062,500	0	0
Broken Deal Fee Offset		80%	8,000	32,000	137,007	320,000	1,600,000	8,000,000	0	0
Transaction & Deal Fee Offset		80%	4,000	12,000	129,007	390,000	1,400,000	5,968,749	0	0
Directors Fee Offset		100%	600	2,500	37,500	30,000	875,000	6,875,000	0	0
Monitoring Fee Offset		100%	30,000	135,000	675,000	1,500,000	6,900,000	34,000,000	0	0
Capital Markets Fee Offset		100%	15,000	68,000	335,000	750,000	3,450,000	16,500,000	0	0
Organization Cost Offset		80%	8,000	20,000	40,000	400,600	502,400	2,018,000	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	0	(2,000,000)	0	0	0
Realized Gain / (Loss)		1,000,000	3,000,000	15,100,000	50,075,000	143,142,253	888,187,906	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	\$2,536,019,350	\$2,538,519,350	\$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	\$2,536,019,350	\$2,538,519,350	\$1,707,500	\$1,707,500	\$1,707,500



## Reporting Template for Fees, Expenses, &amp; Carried Interest (cont.)

<i>A.2 Commitment Reconciliation:</i>	<i>LP #5's Allocation of Total Fund</i>			<i>Total Fund (incl. GP Allocation)</i>			<i>GP's Allocation of Total Fund</i>		
Total Commitment	\$50,000,000	\$50,000,000	\$50,000,000	\$2,503,750,000	\$2,503,750,000	\$2,503,750,000	\$3,750,000	\$3,750,000	\$3,750,000
Beginning Unfunded Commitment:	\$18,500,000	\$23,500,000	\$50,000,000	\$926,387,500	\$1,176,762,500	\$2,503,750,000	1,387,500	1,762,500	3,750,000
(Less Contributions)	0	(5,000,000)	(35,000,000)	0	(250,375,000)	(1,752,625,000)	0	(375,000)	(2,625,000)
Plus Recalable Distributions	0	0	4,000,000	0	0	200,300,000	0	0	300,000
(Less Expired/Released Commitments)	0	0	0	0	0	0	0	0	0
+/- Other Unfunded Adjustment	0	0	(500,000)	0	0	(25,037,500)	0	0	(37,500)
Ending Unfunded Commitment	\$18,500,000	\$18,500,000	\$18,500,000	\$926,387,500	\$926,387,500	\$926,387,500	\$1,387,500	\$1,387,500	\$1,387,500

<i>A.3 Miscellaneous** (input positive values):</i>	<i>LP #5's Allocation of Total Fund</i>			<i>Total Fund (incl. GP Allocation)</i>			<i>GP's Allocation of Total Fund</i>		
Incentive Allocation - Earned (period-end balance)****	\$1,250,000	\$1,250,000	\$1,250,000	\$0	\$0	\$0	\$75,000,000	\$75,000,000	\$75,000,000
Incentive Allocation - Amount Held in Escrow (period-end balance)****	\$250,000	\$250,000	\$250,000	\$0	\$0	\$0	\$15,000,000	\$15,000,000	\$15,000,000
Returned Clawback****	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Transaction Fees & Exp. - Paid to Non-Related Parties****	\$50,000	\$200,000	\$1,000,000	\$2,503,750	\$10,015,000	\$50,075,000			
Distributions Relating to Fees & Expenses****	\$2,500	\$10,000	\$58,000	\$125,188	\$500,750	\$2,904,350			
Fund of Funds: Gross Fees, Exp. & Incentive Allocation paid to the Underlying Funds****	\$1,951	\$7,806	\$24,626	\$97,720	\$390,879	\$1,233,161			

*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*

<i>B.1 Source Allocation:</i>		<i>LP #5's Allocation of Total Fund</i>			<i>Cumulative LPs' Allocation of Total Fund</i>			<i>Affiliated Positions***</i>		
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	1,000	4,000	30,000	50,075	200,300	1,502,250			
	(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)			
	Capitalized Transaction Fees & Exp. - Paid to GP & Related Parties****	0	0	0	0	0	0			
	Accrued Incentive Allocation - Periodic Change	300,000	1,500,000	6,250,000	15,000,000	87,500,000	425,000,000			
With Respect to the Fund's Portfolio Companies/ Invs.	Total Fees with Respect to Portfolio Companies/Investments:	80,600	350,500	1,611,277	3,792,500	17,475,000	86,164,062	\$947,225	\$4,342,500	\$21,334,765
	Total Reimbursements for Travel & Administrative Expenses****	5,000	15,000	62,200	200,000	600,000	248,800	8,000	19,500	88,500
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

\*Current offset percentages for the specific LP; As offset calculations may change over the life of the Fund, the current offset percentages may not be applicable for calculating the non-QTD offset balances

\*\*Content in A.3 aims to provide users with additional context on the balances provided in other sections; Some of the balances in A.3 represent a sub-total for an amount provided in another section; Balances in this section should be entered as a positive amount, even though similar balances in other sections may typically be presented as a negative amount; To prevent double-counting, or other miscalculations, users should avoid netting balances in A.3 with amounts in other sections

\*\*\*Balances in this section represent fees & reimbursements received by the GP/Manager/Related Parties with respect to the Fund's investments that are not allocable to the Total Fund (i.e. allocated to ownership interests of LP co-investors & other vehicles managed-by/affiliated-with the GP/Manager/Related Party); To avoid double-counting, LP # 5's Allocation of Total Fund should not reflect any pro-rata share of these positions; Balances in this section, plus the balances in the "Cumulative LPs' Allocation of Total Fund" section, should equal the total fees/reimbursements received by the GP/Manager/Related Parties With Respect to the Fund's Portfolio Companies/Invs.

\*\*\*\*Allocation for individual LPs, the Total Fund and all remaining positions may need to be estimated on a pro-rata basis

\*A description should be provided in the footnote section for any amount(s) listed in this row for the year-to-date period

*Shaded/Italicized/Grouped Content Represents Level-2 Data*

*Footnotes for any YTD (Total Fund) expenses, fees & offsets (including any "other" balances)*  
Partnership Expenses - Other (\$10,500) = Insurance (\$8,000) + Partnership-Level Taxes (\$2,500)

## SECTION IV APPENDIX

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## Appendix I: Portfolio Company Checklist

The list below outlines the portfolio company metrics used in the recommended reports. Please refer to the package criteria above for the proper use and context of each item.

### STANDARD SCHEDULE OF INVESTMENTS\*

(For Unrealized Investments)

- Company Name
- Security Type (Debt/Equity)
- Number of Shares
- Fund Ownership % (Fully Diluted)
- Initial Investment Date
- Fund Commitment
- Total Invested
- Current Cost
- Reported Value
- Realized Proceeds

### SUPPLEMENTAL SCHEDULE OF INVESTMENTS

(In addition to the items in the Standard Schedule of Investments for all Realized & Unrealized Investments)

- LP Ownership % (Fully Diluted)
- Final Exit Date
- Valuation Policy
- Period Change in Valuation
- Period Change in Cost
- Unrealized Gains/(Losses) & Accrued Interest
- Movement Summary
- Current Quarter Investment Multiple
- Prior Quarter Investment Multiple
- Since Inception IRR

### COMPANY PROFILE

(Unrealized Investments only)

- Summary Company Data
  - Company Name
  - Initial Investment Date
  - Industry
  - Headquarters
  - Company Description
  - Fund Ownership %
  - Investor Group Ownership %
  - Enterprise Valuation at Closing
  - Securities Held
  - Ticker Symbol
  - Investor Group Members
  - Management Ownership %
  - Board Representation
  - Board Members
  - Investment Commitment
  - Invested Capital
  - Reported Value
  - Realized Proceeds
  - Investment Multiple
  - Gross IRR (All Security Types)
- Investment Background
- Initial Investment Thesis
- Exit Expectations
- Recent Events & Key Initiatives
- Company Assessment
- Valuation Methodology
- Risk Assessment / Update

### DETAILED COMPANY DATA

(Unrealized Investments only)

- Financial Results
  - YOY % Growth
  - LTM EBITDA (pro-forma)
  - YOY % Growth
  - EBITDA Margin
  - Total Enterprise Value (TEV)
  - TEV Multiple
  - Total Leverage
  - Total Leverage Multiple
- Investment Structure (of Fund Investment only)
  - Units/Par
  - Total Invested
  - Reported Value
  - Realized Proceeds
- Capitalization (of entire company)
  - Rate
  - Maturity
  - At Closing
  - At Period End
  - Covenant Threshold
  - Covenant Headroom (Period End)
  - Total Net Debt
  - Equity
  - Enterprise Valuation

\*Included in the Audit; some items may shift to the unaudited schedules due to audit, tax or regulatory complications.



INSTITUTIONAL  
**LIMITED PARTNERS**  
ASSOCIATION