

***REPORTING AND
PERFORMANCE
MEASUREMENT GUIDELINES***



**Private Equity
Industry Guidelines Group**

March 1, 2005

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

Table of Contents

	<u>Paragraph</u>
I. Overview	1-9
- Introduction	1-3
- Process	4-6
- Impact of FOIA	7-9
II. Reporting and Performance Measurement – Suggested data elements	10-24
- Introduction	10-16
- Fund Level Information	17-20
- Capital Accounts	21
- Performance Measurement	22-24
- Other disclosures	25
	<u>Page</u>
III. Appendix I – Example reporting	10
- Fund Overview	11
- Current Portfolio Summary	12
- Realizations	13
- Capital Account – Current Period	14
- Capital Account – Inception to date	15
- Fees	16
IV. Appendix II – Portfolio Company Information	17
- Introduction	17
- Suggested data elements	17-18
- Example reporting	19
V. Appendix III – Material differences from EVCA and BVCA Guidelines	20
VI. Appendix IV – PEIGG Background	21
VII. Appendix V – PEIGG Members	22

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

I. Overview

Introduction

1. As the U.S. private equity industry (defined as venture, buyout, mezzanine, and other investments in private companies) has grown and matured, its participants have become increasingly interested in improving the consistency and transparency of information exchanged by participants.
2. The interest stems from a desire on behalf of both managers (i.e. general partners) and investors (i.e. limited partners) to improve the information sharing process. Managers have a duty to provide information that allows investors to monitor and evaluate their investment. Investors have a fiduciary responsibility to understand their investments, which requires obtaining and analyzing various data elements on a periodic basis. Additionally, as private equity becomes a more significant portion of portfolios, Boards and investment officers are requesting more information on their investments. The extent of information required by investors varies due to a variety of factors including type of organization, reporting structure, staff size/availability and level of sophistication among others. Receiving consistent information in a common format would alleviate the demands placed on investment staffs as they attempt to analyze their portfolios.
3. Managers, however, are faced with the difficulties of responding to this desire for increased information. Oftentimes, information requests come in the form of “one-off” requests seeking information that is either not typically included in a manager’s report, or may be presented in a format that is inconsistent with how the investor reports such data. Such requests place a tremendous burden on the financial and accounting staffs of managers. The problem becomes especially acute as the number of investors in a fund increases.

Process

4. The Private Equity Industry Guidelines Group (“PEIGG”) has undertaken an effort to establish a set of standard guidelines for the content, format and delivery of fund information that seeks to increase reporting consistency and transparency while at the same time improving operating efficiency in the transfer of information among market participants.
5. As part of its effort to develop and promote best practices in reporting and performance measurement, PEIGG solicited feedback from industry participants (managers, investors and advisors) in the form of a web-based survey and through various exposure drafts issued to the public.
6. In order to facilitate the adoption of consistent global practices and leverage the work of other organizations in this area, PEIGG used the existing EVCA and BVCA reporting guidelines as a foundation. PEIGG is grateful to the EVCA and BVCA for their leadership in this area and wish to thank both organizations for allowing PEIGG to utilize their Guidelines in developing its framework. Certain modifications have been suggested to the EVCA and BVCA example reports. The material modifications are summarized in Appendix III.

**PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT
GUIDELINES**

Impact of FOIA

7. Overlying the information sharing process is the impact of Freedom of Information Act (“FOIA”) requests. While the extent to which industry participants have been impacted by the release of fund level performance data is debatable, PEIGG and its members strongly believe that additional disclosures to the public as a result of these FOIA requests would have far reaching negative consequences.
8. The potential issues arising from additional disclosures beyond fund level performance are significant for both managers and investors. However, neither PEIGG nor any other industry participants are able to determine where the FOIA debate will go in the future. As a result, these Guidelines were developed to set forth best practices in reporting and performance measurement, assuming the current state of disclosure. That is, detailed portfolio company (as outlined in Appendix II) and other similar information would be kept confidential and would not be disclosed beyond the manager and the investor.
9. Within their respective organizations, managers and investors should make their own judgments regarding their level of comfort in disclosing/receiving confidential information.

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

II. Reporting And Performance Measurement – Suggested data elements

Introduction

10. The objective of these Guidelines is to promote best practices and to improve the quality and consistency of reporting to investors, thereby enabling investors to make better economic decisions. PEIGG recognizes that not all firms are able to provide this information in a reasonably efficient and cost effective manner. In such cases, managers should work in conjunction with their investors to determine a mutually agreed upon level of reporting and disclosure. PEIGG also recognizes that some private equity firms will wish to disclose additional information beyond that specified below, and there is no intention that these Guidelines should restrict such disclosure.
11. The Guidelines are not intended in any way to modify the provisions of the fund agreement relating to the subject matter hereof. To the extent the Guidelines are adopted by a manager and an investor and in one or more respects the Guidelines are inconsistent with the fund agreement, the fund agreement would govern (absent a specific amendment thereto).
12. PEIGG acknowledges that there are certain items that are not addressed by the Guidelines, such as capital calls, distribution notices, interim and annual financial statements, offering memoranda and other sales documents. For guidance on capital call and distribution notice reporting, managers and investors should refer to other industry best practice guidelines such as those issued by the Institutional Limited Partners Association.
13. The interim and annual financial statements of private equity funds depend on the structure of the fund and are governed by various legal and regulatory provisions as well as generally accepted accounting principles (as applicable). However, interim and annual financial statements are expected to comply with U.S. or local generally accepted accounting principles, as applicable.
14. While the Guidelines do not address the offering memorandum or other sales documents, the methodologies and assumptions underlying such documents are expected to be consistent with other reports prepared by the manager.
15. The reporting provisions are set out below, under the headings Fund Level Information, Capital Accounts, Performance Measurement and Other Disclosures. The Performance Measurement section addresses the methodologies and assumptions used in calculating and disclosing Internal Rates of Return (IRR), Investment Multiples and Benchmarks. The Other Disclosures section contains information managers should consider in preparing offering memorandums and other sales documents.
16. Appendix I contains example reports illustrating how the reporting provisions might be incorporated into reports to investors. Appendix II outlines the potential data elements and provides example reporting formats for disclosure of company level information, should investors and managers choose to disclose such information. Appendix III highlights the material differences between the PEIGG Guidelines and those previously issued by the EVCA and BVCA.

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

Fund Level Information

17. The manager should provide investors with certain fund level information on a quarterly basis including a fund overview, summary of the current portfolio and realized investments. Fund level performance measures, such as IRR and return multiples should be presented net of actual management fees, expenses, carried interest and estimated carried interest on unrealized investments. Portfolio company performance measures, to the extent disclosed, should be presented on a gross basis. A discussion of the recommended fund level disclosures is presented below.
18. Fund level information should be provided to investors quarterly and should be presented on an aggregate basis including all underlying and alternative investment vehicles.
 - 18.1. Date of first and final closings
 - 18.2. Vintage year
 - 18.3. Total commitments (amount and currency)
 - 18.4. Fund's domicile
 - 18.5. Legal structure
 - 18.6. Investment focus by stage, geography and sector
 - 18.7. Material amendments or changes to limited partnership agreements
 - 18.8. Changes in valuation methodologies
 - 18.9. Differences between valuations used for financial reporting versus the offering memorandum (note that the valuation guidelines issued by PEIGG encourage consistent application of fair value across different documents)
 - 18.10. Changes in portfolio or fund strategy
 - 18.11. Changes in investment type
 - 18.12. Significant events within the firm, including personnel turnover, change in control, new hires, etc.
 - 18.13. Criminal and civil violations as well as any pending material lawsuits for partners and the firm
 - 18.14. Transaction, consulting deal or other fees or compensation received by the fund or the manager - Amounts should be disclosed in total for the fund/manager and by company or transaction
 - 18.15. Guarantees made by the fund on behalf of portfolio companies, including debt guarantees and contingent liabilities

**PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT
GUIDELINES**

19. Managers are encouraged to provide a summary of the remaining investments on a quarterly basis. The following information should be disclosed in a summary of the portfolio:

- 19.1. Company name
- 19.2. Company status (public, private, etc.)
- 19.3. Date (month and year) of initial investment
- 19.4. Industry and sub-sector (NAIC or SIC code)
- 19.5. Current stage (seed, early-stage, later-stage, expansion, buyout) and stage at purchase
- 19.6. Current percent of equity held
- 19.7. Cost as of report date
- 19.8. Fair value as of report date. Valuations of unrealized investments should be determined in accordance with appropriate industry valuation guidelines, such as those issued by PEIGG.
- 19.9. Investment multiple (Fair value divided by cost)
- 19.10. Gross IRR
- 19.11. Currency denomination
- 19.12. Currency spot rate
- 19.13. Unrealized gains/losses from currency translation should be accounted for as a separate item by security so as not to confuse translation gains and losses with investment gains and losses.

20. A summary of the realized and partially realized investments should include the following information for each realized investment:

- 20.1. Company name
- 20.2. Cost of investment
- 20.3. Cash flows for realized and partially realized investments and the unrealized value
- 20.4. Proceeds
- 20.5. Realized gain/loss

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

Capital Accounts

21. The manager should include a detailed capital account in their investor report that includes the change in an investor's equity and capital contributions from inception to date and for the current reporting period. The capital account statement should at a minimum provide information for the individual limited partner along with subtotals for all limited partners, the general partner and total capital. The statement should separately identify the following for each individual partner:

- 21.1. Committed capital
- 21.2. Beginning capital account balance
- 21.3. Capital contributions, net of recallable distributions
- 21.4. Management fees
- 21.5. Net investment income or loss
- 21.6. Realized gain or losses
- 21.7. Unrealized gains or losses
- 21.8. Distributions
- 21.9. Transfers
- 21.10. Carried interest paid or allocated (including any pending clawback payment)
- 21.11. Ending capital account balance
- 21.12. Remaining unfunded commitment

Performance Measurement

22. The following should be considered in calculating IRRs:

- 22.1. Calculate using monthly cash flows
- 22.2. Cash flows from the use of bridge loans and fund level debt should be presented on a levered and unlevered basis with interest removed for the pro forma calculation
- 22.3. Returns should be dollar weighted as time weighted rates of return can distort the manager's track record
- 22.4. Calculation should be made using traditional IRR calculation defined as XIRR function in Excel
- 22.5. Calculation should include realized, partially realized, unrealized and accrued income
- 22.6. Valuation of unrealized investments should be determined in accordance with appropriate industry valuation guidelines, such as those issued by PEIGG

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

- 22.7. Partially realized and unrealized values should be included in the last time period versus adding an additional time period for their inclusion
- 22.8. PEIGG encourages managers and investors to work together to determine the extent and frequency of IRR disclosure. Examples of gross IRRs that may be useful to investors include:
 - 21.8.1. Industry
 - 21.8.2. Geography (based on the home country of the investment)
 - 21.8.3. Stage of company
 - 21.8.4. Lead partner responsible for managing the investment
 - 21.8.5. Control versus non-control investments – Control is defined as the ability to hire and fire senior management and control the sale decision
- 23. The manager should disclose the following return multiples:
 - 23.1. The fund's cash on cash return multiple on a quarterly basis
 - 23.2. Gross multiple (company level) - Include realized, partially realized, unrealized, accrued income, etc. divided by invested capital on a quarterly basis
 - 23.3. Net multiple to LPs (fund level) - Numerator of above reduced by actual management fees, expenses and carried interest as well as estimated carried interest on unrealized investments
- 24. The manager should utilize private and/or public equity benchmarks that parallel investment style. The benchmark return should also be a dollar weighted return. Differences in the benchmark construction relative to funds/composites should be disclosed.

Other Disclosures

- 25. Managers are encouraged to disclose the following additional items as applicable:
 - 25.1. Changes in portfolio or fund strategy
 - 25.2. Changes in investment type
 - 25.3. Criminal and civil violations
 - 25.4. Transaction, consulting, deal or other fees or compensation received by the fund. Amounts should be disclosed in total for the fund and by company or transaction
 - 25.5. Employee/partner retention (turnover)

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

APPENDIX I – EXAMPLE REPORTING

The following example reports illustrate how the Reporting and Performance Measurement Guidelines (“Guidelines”) might be incorporated into reports to investors. The following reports are included:

- Fund Overview
- Current Portfolio Summary
- Realizations
- Capital Account – Current Period
- Capital Account – Inception to date
- Fees

The example reports are for illustrative purposes only and do not represent a real fund. As noted previously, the Guidelines do not address the interim and annual financial statements of private equity funds, since these depend on the structure of the fund and are governed by various legal and regulatory provisions as well as generally accepted accounting principles (as applicable).

Additionally, the Guidelines are not intended in any way to modify the provisions of the fund agreement relating to the subject matter hereof. To the extent the Guidelines are adopted by a manager and an investor and in one or more respects the Guidelines are inconsistent with the fund agreement, the fund agreement would govern (absent a specific amendment thereto).

Within their respective organizations, managers and investors should make their own judgments regarding their level of comfort in disclosing/receiving confidential information.

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT
GUIDELINES

FUND OVERVIEW

First closing	June 30, 1997
Final closing	November 30, 1997
Vintage year	1997
Total commitments (amount and currency)	\$1,250,000,000
Fund's domicile	United States-Delaware
Legal structure	One general partner and fourteen limited partners. Management company: "The Buyout Company Ltd."
Investment focus by stage	Early stage, development capital and buyout investments
Investment focus by geography	United States
Investment focus by sector	Retail and business services

CURRENT PORTFOLIO SUMMARY

	Date of initial investment	Geography (country or state if US fund)	Industry	NAIC / SIC Code	Current stage	Current % equity holding	Cost as of report date	FV as of report date	Investment multiple (FV/Cost) as of report date	Gross IRR	Currency denomination	Currency spot rate
Publicly-traded												
Company Y	Sep-1998	California	Service	1234	Public	15.3%	20.0	85.0	4.3	196.0%	USD	N/A
Company U	Jun-1997	California	Retail	1236	Public	12.6%	22.0	34.0	1.6	18.0%	USD	N/A
Company W	Oct-1997	Arizona	Automotive	1240	Public	9.4%	40.0	58.0	1.5	18.0%	USD	N/A
Privately-held												
Company H	Jul-1997	Washington	Retail	1236	Expansion	9.6%	23.0	11.0	0.5	-26.0%	USD	N/A
Company I	Sep-1997	Illinois	Service	1234	Expansion	6.2%	37.0	40.0	1.1	3.0%	USD	N/A
Company J	Dec-1997	Illinois	Communications	1345	Expansion	33.0%	27.0	44.0	1.6	26.0%	USD	N/A
Company K	Jan-1998	New York	Healthcare	1350	Expansion	12.2%	22.0	11.0	0.5	-29.0%	USD	N/A
Company L	Feb-1998	New York	Communications	1345	Early stage	31.7%	31.0	31.0	1.0	0.0%	USD	N/A
Company T	Feb-1998	Virginia	Communications	1345	Early stage	28.0%	28.0	40.0	1.4	21.0%	USD	N/A
Company M	May-1998	Texas	Industrial products	1290	Expansion	16.1%	30.0	52.0	1.7	44.0%	USD	N/A
Company N	Oct-1998	Florida	Software	1400	Early stage	40.9%	12.0	6.0	0.5	43.0%	USD	N/A
Company A	Jan-1999	Utah	Healthcare	1350	Early stage	37.5%	31.0	23.0	0.8	-26.0%	USD	N/A
Company B	Jan-1999	Texas	Communications	1345	Early stage	39.0%	29.0	22.0	0.8	-24.0%	USD	N/A
Company C	Mar-1999	UK	Automotive	1240	Expansion	12.0%	36.0	36.0	1.0	22.0%	GBP	0.55
Company D	Jun-1999	France	Service	1234	Expansion	14.0%	33.0	33.0	1.0	10.0%	Euro	0.81
Company E	Oct-1999	Germany	Retail	1236	Expansion	18.0%	41.0	41.0	1.0	2.0%	Euro	0.81
Company F	Dec-1999	UK	Healthcare	1350	Early stage	23.0%	28.0	28.0	1.0	8.0%	GBP	0.55
Total							490.0	595.0	1.2			

Notes

This schedule should be prepared and distributed to the fund's investors on a quarterly basis.

Valuations used in computing gross IRR should be performed in accordance with appropriate industry valuation guidelines, such as those issued by PEIGG.

Unrealized gains or losses from currency translation should be accounted for as a separate item by security so as not to confuse translation gains and losses with changes in valuation.

"Current stage" refers to the companies current position in its life cycle. Publicly-traded companies should be classified as "Public". Privately-held venture investments should be classified as either: Seed, Early-stage, Expansion or Later-stage. Privately-held buyout investments should be classified as "Buyout".

REALIZATIONS

REALIZATIONS	Cost	Proceeds	Realized gain/loss	Multiple to Cost	Gross IRR	Comments
For the period being measured						
Total realizations						
Company X	12.5	25.0	12.5	2.0	41.0%	Strategic buyer
Partial realizations						
Company Y	4.2	25.0	20.8	6.0	422.0%	Initial public offering
Subtotal realizations	16.7	50.0	33.3	3.0	87.0%	
Current and previous realizations						
Total realizations						
Company X	12.5	25.0	12.5	2.0	41.0%	Strategic buyer
Company Z	20.0	40.0	20.0	2.0	63.0%	Private equity group
Company W	30.0	50.0	20.0	1.7	28.0%	Private equity group
Partial realizations						
Company Y	4.2	25.0	20.8	6.0	422.0%	Initial public offering
Company T	14.0	15.0	1.0	1.1	4.0%	Secondary offering
Company U	19.3	45.0	25.7	2.3	34.0%	Secondary offering
Subtotal realizations	100.0	200.0	100.0	2.0	39.0%	
Current portfolio summary						
	Cost	Proceeds/ Valuations	Realized and unrealized gain/loss	Multiple to Cost	Gross IRR	
Subtotal current portfolio	490.0	595.0	105.0	1.2	14.0%	
Grand total realized and current portfolio	590.0	795.0	205.0	1.4	20.0%	

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

CAPITAL ACCOUNT – CURRENT PERIOD

Investor name or number*	Capital account balance at 12/31/02	Net capital contributions**	Management fees	Net investment income (loss) excluding management fees	Net realized gain (loss)	Change in unrealized gain or loss	Distributions	Carried interest distributions	Transfers	Capital account balance at 12/31/03
Limited Partners										
Investor No. 1	10.0	3.0	(0.2)	(0.6)	1.0	0.9	(3.5)	-	-	10.6
Investor No. 2	150.0	44.6	(3.0)	(8.9)	14.9	13.4	(52.0)	-	(20.0)	138.9
Investor No. 3	20.0	5.9	(0.4)	(1.2)	2.0	1.8	(6.9)	-	-	21.2
Investor No. 4	55.0	16.3	(1.1)	(3.3)	5.4	4.9	(19.1)	-	-	58.3
Investor No. 5	170.0	50.5	(3.4)	(10.1)	16.8	15.1	(58.9)	-	-	180.1
Investor No. 6	75.0	22.3	(1.5)	(4.5)	7.4	6.7	(26.0)	-	-	79.5
Investor No. 7	100.0	29.7	(2.0)	(5.9)	9.9	8.9	(34.7)	-	-	105.9
Investor No. 8	125.0	37.1	(2.5)	(7.4)	12.4	11.1	(43.3)	-	-	132.4
Investor No. 9	50.0	14.9	(1.0)	(3.0)	5.0	4.5	(17.3)	-	20.0	73.0
Investor No. 10	50.0	14.9	(1.0)	(3.0)	5.0	4.5	(17.3)	-	-	53.0
Investor No. 11	25.0	7.4	(0.5)	(1.5)	2.5	2.2	(8.7)	-	-	26.5
Investor No. 12	55.0	16.3	(1.1)	(3.3)	5.4	4.9	(19.1)	-	-	58.3
Investor No. 13	40.0	11.9	(0.8)	(2.4)	4.0	3.6	(13.9)	-	-	42.4
Investor No. 14	75.0	22.3	(1.5)	(4.5)	7.4	6.7	(26.0)	-	-	79.5
Total Limited Partners	1,000.0	297.0	(19.8)	(59.4)	99.0	89.1	(346.5)	-	-	1,059.4
General Partner										
XYZ Buyout Co.	10.0	3.0	(0.2)	(0.6)	1.0	0.9	(3.5)	(2.0)	-	8.6
Total Partnership Investments	1,010.0	300.0	(20.0)	(60.0)	100.0	90.0	(350.0)	(2.0)	-	1,068.0

*At a minimum, the manager should provide information for the individual limited partner along with subtotals for all limited partners, the general partner and total capital.

**Contributions should be presented net of recallable distributions

CAPITAL ACCOUNT – INCEPTION TO DATE

Investor name or number*	Net capital contributions**	Management fees	Net investment income (loss) excluding management fees	Net realized gain (loss)	Unrealized gain or loss	Distributions	Carried interest distributions	Transfers	Capital account balance at 12/31/03	Remaining unfunded commitment
Limited Partners										
Investor No. 1	19.6	(0.8)	(0.7)	(0.7)	2.4	(9.1)	-	-	10.6	10.1
Investor No. 2	293.3	(11.9)	(11.1)	(11.1)	36.4	(136.6)	-	(20.0)	138.9	152.2
Investor No. 3	39.1	(1.6)	(1.5)	(1.5)	4.9	(18.2)	-	-	21.2	20.3
Investor No. 4	107.5	(4.4)	(4.1)	(4.1)	13.3	(50.1)	-	-	58.3	55.8
Investor No. 5	332.4	(13.5)	(12.6)	(12.6)	41.2	(154.9)	-	-	180.1	172.5
Investor No. 6	146.7	(5.9)	(5.6)	(5.6)	18.2	(68.3)	-	-	79.5	76.1
Investor No. 7	195.5	(7.9)	(7.4)	(7.4)	24.3	(91.1)	-	-	105.9	101.5
Investor No. 8	244.4	(9.9)	(9.3)	(9.3)	30.3	(113.9)	-	-	132.4	126.9
Investor No. 9	97.8	(4.0)	(3.7)	(3.7)	12.1	(45.5)	-	20.0	73.0	50.7
Investor No. 10	97.8	(4.0)	(3.7)	(3.7)	12.1	(45.5)	-	(55.0)	(2.0)	50.7
Investor No. 11	48.9	(2.0)	(1.9)	(1.9)	6.1	(22.8)	-	30.0	56.5	25.4
Investor No. 12	107.5	(4.4)	(4.1)	(4.1)	13.3	(50.1)	-	25.0	83.3	55.8
Investor No. 13	78.2	(3.2)	(3.0)	(3.0)	9.7	(36.4)	-	-	42.4	40.6
Investor No. 14	146.7	(5.9)	(5.6)	(5.6)	18.2	(68.3)	-	-	79.5	76.1
Total Limited Partners	1,955.4	(79.2)	(74.3)	(74.3)	242.6	(910.9)	-	-	1,059.4	1,014.9
General Partner										
XYZ Buyout Co.	19.6	(0.8)	(0.7)	(0.7)	2.4	(9.1)	(2.0)	-	8.6	10.1
Total Partnership Investments	1,975.0	(80.0)	(75.0)	(75.0)	245.0	(920.0)	(2.0)	-	1,068.0	1,025.0

*At a minimum, the manager should provide information for the individual limited partner along with subtotals for all limited partners, the general partner and total capital.

**Contributions should be presented net of recallable distributions

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT
GUIDELINES

FEEES

Year ended December 31, 2003 (\$ million)	
Advisory fees	5.0
Director/monitoring fees	0.5
Broken deal fees	0.5
Broken deal costs	(2.0)
Net fees	4.0
Credit against Mgt fee = 50%	2.0
Management fees for the period	15.0
Less 50% credit	(2.0)
Net management fees	13.0
Carried interest paid	2.0
Carried interest earned	-
Potential clawback value	2.0

Note

Details regarding compensation received by the fund (transaction, consulting, deal or other fees) should be disclosed in total for the fund and by company or transaction.

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

APPENDIX II – PORTFOLIO COMPANY INFORMATION

PEIGG recognizes that some private equity firms will wish to disclose and some investors will desire additional information beyond that discussed above. There is no intention that these Guidelines should restrict such disclosure.

Both managers and investors should be aware that the potential issues arising from disclosure of portfolio company level information are significant. Within their respective organizations, managers and investors should make their own judgments regarding their level of comfort in disclosing/receiving portfolio company level information.

Further, PEIGG recognizes that not all firms are able to provide portfolio company level information in a reasonably efficient and cost effective manner. Where necessary, managers should work in conjunction with their investors to determine the appropriate form and extent of portfolio company level reporting and disclosure.

PEIGG has identified potential data elements and example reporting formats for disclosure of portfolio company level information, should investors and managers choose to disclose such information.

Portfolio Company Information

1. The following information should be disclosed for portfolio company investments at the time of the initial investment. The information should be updated annually with material changes highlighted in the fund overview/update on a quarterly basis. When an investment is liquidated, a final Portfolio Company report should be provided to memorialize the details of the investment. Refer to page 19 for an example Portfolio Company Report.
 - 1.1. Company name
 - 1.2. Brief company description
 - 1.3. Summary investment thesis
 - 1.4. Company contact details (city, state, country)
 - 1.5. Company website
 - 1.6. Name of Chief Executive Officer
 - 1.7. A list of major co-investors in the deal
 - 1.8. Current status of company and management - Update on the company including management. Summary description should summarize the MD&A of the company, including review of the current year and goals for the upcoming year.
 - 1.9. Date (month and year) of initial investment and exit from portfolio
 - 1.10. Industry and sub-sector (NAIC or SIC code)
 - 1.11. Company status (public, private, etc.)
 - 1.12. Name of partner/principal/personnel of the manager responsible for the investment
 - 1.13. Names and number of board seats held compared to the total board seats

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

APPENDIX II – PORTFOLIO COMPANY INFORMATION

- 1.14. Significant accounting policies - Describe whether financial statements are prepared in accordance with GAAP, IAS or other
- 1.15. Income statement items, as appropriate
 - 1.15.1. Revenue
 - 1.15.2. EBITDA
- 1.16. Balance sheet items, as appropriate
 - 1.16.1. Cash
 - 1.16.2. Debt – Includes short and long-term debt and capitalized leases
 - 1.16.3. Preferred stock – Includes convertible and redeemable preferred stock
 - 1.16.4. Total shareholders' equity
 - 1.16.5. Total paid-in capital
- 1.17. Other metrics as appropriate, including:
 - 1.17.1. Cash burn rate - Average annual rate projected over the next 12 months based on net cash outflows
 - 1.17.2. Capital expenditures
- 1.18. Total enterprise value at time of investment (post-money value if venture) along with supporting calculations
- 1.19. Current total enterprise value (post-money value if venture) along with supporting calculations. Valuations of unrealized investments should be determined in accordance with appropriate industry valuation guidelines, such as those issued by PEIGG.
- 1.20. Securities by round (investments and dispositions) - Total dollar amount invested categorized by type of security held (i.e. common stock, preferred stock). Description should specify date of round, other investors and amount raised.
- 1.21. Common equivalents - Shares outstanding multiplied by conversion rate (i.e. fully diluted)
- 1.22. Current ownership percentage - Fully diluted as converted ownership (discuss management incentives vested or unvested).
- 1.23. Cost basis of securities held
- 1.24. Current valuation of securities held, including a summary of how the valuation was derived
- 1.25. Current stage of company - Specify whether company is in the seed, early-stage, later stage, etc.
- 1.26. Currency - Indicate the portfolio company currency denomination and the method of currency conversion

The following example report illustrates how the portfolio company information might be incorporated into a report to investors.

APPENDIX II – PORTFOLIO COMPANY INFORMATION

Legal and trading name (including any change)	Company J
Description of the business (include key markets, products and services)	Develops wireless communication services
Industry and sub-sector	Telecommunications - Wireless
Location of head office or management (City, State and Country)	Los Angeles, CA
Company website	www.companvi.com
Chief Executive Officer	John Smith
Development stage	Expansion
Company status (public or private)	Private
Fund's role in the investment (lead, co-lead)	Co-Lead
Board representation (if any by the fund)	Two representatives out of seven total Board Members - Jim Smith and David Jones
Fund Partner responsible for investment	Jim Smith
Other significant co-investors	ABC Capital, XYZ Partners
Type of holding	Preferred shares and warrants
Total enterprise value at time of investment (post-money value if venture)	\$81 million (5x TTM EBITDA)
Current total enterprise value (post-money value if venture)	\$133 million (7x TTM EBITDA)
Percentage ownership	33%
Common equivalents (fully diluted)	24,985,732
Cost basis of securities held	\$26.7 million
Current valuation of securities held	\$43.9 million
Significant accounting policies (US GAAP, IAS, other)	US GAAP

Income statement highlights \$ million	Investment date TTM	12/31/01 Actual	12/31/02 Actual	12/31/03 Actual
Sales	82	103	128	179
EBITDA	16	20	23	27
EBIT	8	11	11	13
Net Income	4	5	4	5

Securities ownership	Date	Shares	Cost	Fair value
Series D	Jan-97	22,985,732	26,715,980	43,875,689
Common warrant	Jan-97	2,000,000	-	-
Total Equity		24,985,732	26,715,980	43,875,689

Balance sheet highlights - \$ million	As of investment date	12/31/03 Actual	12/31/03 Actual
Cash	103	128	179
Debt	20	23	27
Preferred Stock	11	11	13
Paid-in Capital	11	11	13
Total Equity	5	4	5

Other metrics - \$ million	Investment date TTM	12/31/02 Actual	12/31/03 Actual
Cash burn rate	103	128	179
Capital expenditures	20	23	27
Other 1	11	11	13
Other 2	11	11	13
Other 3	5	4	5

Significant events	A new generation of software is used which has significantly increased revenues
Post investment events, including exit plans	Potential public offering on NASDAQ in the next quarter
Assessment versus plan	On Plan

Summary investment thesis

Company performance (summary review of current year performance and goals for upcoming year)

PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT GUIDELINES

APPENDIX III – MATERIAL DIFFERENCES FROM EVCA AND BVCA GUIDELINES

As noted in the overview, these Guidelines incorporate the provisions of the European Private Equity and Venture Capital Association (EVCA) and the British Venture Capital Association (BVCA). Material departures from the EVCA and BVCA Guidelines are noted below:

- Investment Summary – This schedule has been deleted. Selected items from this schedule have been incorporated into the revised Fund Overview and Capital Account schedules.
- Cash Flow and IRR Calculations – The contents of this schedule have been incorporated into a revised Capital Account schedule.
- Portfolio Companies – This schedule was expanded to include additional disclosures of portfolio company information related to securities ownership and valuation, balance sheet highlights, other performance metrics, summary investment thesis, and a company performance overview.
- Stock Distribution – Consistent with the BVCA Guidelines, this schedule has been deleted.
- Capital Account – The form and content of the schedule has been revised. Additionally, separate schedules were created for current period and inception to date information.

**PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT
GUIDELINES**

APPENDIX IV – PEIGG BACKGROUND

Background on the Private Equity Industry Guidelines Group (PEIGG)

The Private Equity Industry Guidelines Group (PEIGG) was formed in February 2002, and is comprised of a volunteer group of industry-wide representatives who have come together to debate and establish a set of reporting guidelines for the industry. Its mission is to promote increased reporting consistency and transparency while at the same time improving operating efficiency in the transfer of information among market participants by establishing a set of standard Guidelines for the content, formatting and delivery of information. The Group is believed to be the first broad-based alliance, comprised of general partners, limited partners and service providers participating in both the venture and buyout segments of the private equity industry in the U.S. and overseas. The Group has created subcommittees to address key issues in private equity reporting, including valuation, underlying portfolio company reporting, performance reporting, and financial reporting. No member of the PEIGG or any other person involved with the preparation of these Guidelines shall have any responsibility or liability whatsoever to any person in connection with or relating to anything contained in or omitted from these Guidelines, including as a result of any person's reliance on the provisions of these Guidelines.

**PEIGG - PRIVATE EQUITY REPORTING AND PERFORMANCE MEASUREMENT
GUIDELINES**

APPENDIX V – PEIGG MEMBERS

PEIGG BOARD

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Nick Archer	Director of Fund Admin.	CVC Capital Partners Limited
Nicole Arnaboldi*	Managing Director	Credit Suisse First Boston Private Equity
Marie N. Berggren	Managing Director Alternative Investments	University of California Office of the Treasurer of the Regents
Paula Chester*	Director	MVision Private Equity Advisors. Formerly Director of PE, NYS Common Ret. System
J. Paul de Klerk*	Managing Partner, CFO & COO	AlpInvest Partners N.V.
Kevin S. Delbridge	Managing Director	HarbourVest Partners, LLC
Real Desrochers*	Director Alternative Investments	California State Teachers' Retirement System
William B. Franklin*	Managing Director	Bank of America Capital Corporation
Joseph Croasdale	Vice President	J.P. Morgan Partners, LLC
Mario L. Giannini*	Chief Executive Officer	Hamilton Lane Advisors, Inc.
Stephen Holmes	General Partner and CFO	InterWest Partners
S. Lawrence Rusoff*	Portfolio Manager	General Motors Investment Mgmt. Corp.
Jose Sinai*	CEO & President	Financial Technologies, Inc.
Carl Thoma*	Managing Partner	Thoma Cressey Equity Partners
Eugene Trainor III*	Admin. General Partner/COO	New Enterprise Associates
Howard Weiss	Chief Financial Officer	Castle Harlan, Inc.
Kenneth C. Whitney	Sr. Managing Director	The Blackstone Group

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Lee Mitchell*	Partner	Thoma Cressey Equity Partners
Edward S. Mollahan	Senior VP, Investor Services	J.P. Morgan Chase & Co.

ADVISORS

Keats Aiken	Director	KPMG LLP
Angela Dailey	President	DAI Communications Group
Daniel P. Finkelman	Partner	Proskauer Rose LLP
David L. Larsen*	Partner	KPMG LLP
Allen Waldrop*	Director	KPMG LLP
Michael Wolitzer	Partner	Simpson Thacher & Bartlett LLP

* *Represents members/advisors of the Underlying Portfolio Company and Performance Measurement Subcommittees of the PEIGG.*