

The election notice: the first hour

Chapters 10 and 13. Read the default first, before the price. Then check whether your own vehicle can hold the new one: for some investors that settles the matter in ten minutes.

Transaction		Investor	
Notice received		Deadline	

Read first	Answer	Page / clause
Default for non-responders: sell / roll / none		
Deadline, and days from receipt to deadline		
Does the window span a holiday period?		
Will the sponsor extend on request? In writing?		
Were the full terms of the new vehicle provided with the price?		

Structural check (day one)	Answer	Fits?
Remaining life of our own vehicle, against the new vehicle's term and extensions		
May our documents make a new commitment (wind-down, eligibility)?		
Next investment committee or board date, against the deadline		
Concentration limit or capital treatment breached by a single-asset vehicle?		
Legal review of a new partnership agreement: weeks needed		
Tax: a taxable disposal with no cash to pay it?		

Item	Received?	Missing or refused
The six items needed to decide (Chapter 10)		
Price and implied multiple of current earnings (not the premium to carrying value)		
Full terms, and whether rolling investors receive the incoming buyers' terms		
The bid funnel: approached, bid, over what period		
The sponsor's commitment: crystallised carry reinvested in cash, and new capital		
Management's new package: cost to the vehicle, vesting		
The plan and its sensitivities: and if it takes two years longer?		

The test: would we invest new money in this asset, at this price, on these terms, for this duration? Yes / No. Decision: sell / roll / roll ____ per cent

Chapter 10's rough rule: roll only if the process was competitive, terms match the incoming buyers', the sponsor reinvests substantially in cash, and you would invest new money here. Otherwise, or if you cannot establish it within the window, sell.

The eight questions, sent as one email

Chapter 10, with Chapter 15's written request. Keep the reply: it is the most useful single document you will hold on the transaction.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

Question to the sponsor	Answer received	In writing? Date
1. Was this asset marketed to third parties in the last two years, and what were the outcomes?		
2. How many independent parties bid, and over what diligence period?		
3. Do rolling investors receive identical economics to the incoming buyers? If not, what differs?		
4. How much crystallised carried interest is reinvested, in cash?		
5. What is management's new package worth, and how does it vest?		
6. What is the default for non-responders, and will you extend the window on request?		
7. What leverage will the new vehicle carry at closing?		
8. What is the expected exit route and timing?		

Chapter 15's written request	Reply
Parties approached and parties bidding	
Length of the diligence period	
Date the fairness opinion was commissioned	
Reinvested carried interest, in cash	
Rolling investors on terms no less favourable than incoming buyers: confirmed?	

Evasion on questions three and four is the most informative. A sponsor that answers all eight promptly and in writing is running a transaction you can assess.

The bid funnel and price discovery

Chapter 8 and Appendix B. The funnel is the single most informative disclosure. It names nobody, and a sponsor that knows it must disclose it designs a different process.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

Stage	Parties	Of which prior co-investors or fund investors	Conversion from the stage above
Approached			
Signed confidentiality agreements			
Accessed the data room			
Submitted first-round indications			
Shortlisted			
Withdrew (and stated reason)			
Submitted final bids			

Round	Low multiple	High multiple	Spread	Weeks given
Prior sale process (if any), best bid				
First round				
Final round				
Agreed price, and against the highest final bid				

Item	Answer	Evidence / note
Reading it		
Independent capable bidders: at least three (Chapter 16), from a list of at least four who could lead (Appendix C)		
A wide first round narrowing to a tight final one: discovery. A first round already clustered: a number was signalled		
Second round of six weeks or more; under five converts time into discount		
A lead identified before marketing? Co-investors kept out of the lead?		
Management sessions without the adviser in the room		
Who selected the buyer list, and on what basis?		

Chapter 18's funnel: ten approached, eight signed, seven in the data room, five indications (two from prior co-investors), four shortlisted, one withdrawal, three final bids. First round 13.0 to 15.1 times, final 14.1 to 14.6.

Reducing the price to a number you can compare

Chapters 7 and 14. Carrying value is the seller's opinion. Compare enterprise value multiples, hold leverage constant, and reduce deferred elements to present value.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

Line	Value	Note
Current earnings (last twelve months)		
Net debt before the transaction		
Carrying value of equity, and the enterprise value and multiple it implies		
Transaction equity price, enterprise value and multiple		
Recent unaffiliated transactions: range of multiples, and where this sits		
Prior process on this asset: best third-party multiple, and the premium over it		
That premium on the equity rolling investors buy (it is larger when there is debt)		
Opening net debt of the new vehicle, and the change		

Deferred or contingent consideration	Value
Headline price	
Cash at closing	
Deferred amount, and years until payable	
Condition, and the earnings growth it requires	
Discount rate for time and credit risk (your own)	
Probability the condition is met (your own)	
Present value of the deferred element	
TOTAL PRESENT VALUE, and the gap to the headline	

Chapter 7: EUR 86 million in two years at 12 per cent and a 70 per cent probability is worth about EUR 48 million today: EUR 388 million in total, not EUR 426 million. On the equity, a nine per cent premium over a prior bid of 13.2 times becomes 12.7 per cent, because the net debt does not move.

The advisory committee: ten questions and the governance check

Chapters 8 and 11. Ask in this order. A committee that engages before the adviser is appointed governs; one that approves a completed transaction ratifies.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

The ten questions (Chapter 8)	Answer	Satisfactory?
Has this asset been marketed before? To whom, when, at what price?		
How many independent parties were approached, and how many bid?		
How long did shortlisted bidders have for diligence?		
Did any bidder withdraw, and why?		
When was the fairness opinion commissioned relative to the price?		
What are the full terms of the new vehicle, in writing?		
How much crystallised carry is reinvested, in cash?		
Window, default, and can our smallest investors meet it?		
What conflicts were identified, and how is each mitigated?		
What would you have done differently for an unaffiliated buyer?		

Check	Yes / no	Note
Governance checklist (Chapter 11)		
Committee engaged before or after process design?		
Independent counsel to the committee, paid by the fund?		
Bid funnel disclosed in writing?		
Terms provided with the price; rolling investors on matched terms?		
Default for non-responders, and how many investors are expected to land there?		
What does the selling fund's partnership agreement actually require for a conflicted transaction?		

The fairness opinion: reading it, and ten questions for the provider

Chapters 7 and 11, Appendix E. The assumptions and the scope limitations are the document; the conclusion is a formality.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

Reading	What it says
Scope: price only, or also the terms of the new vehicle?	
Projections relied on: whose, and tested?	
Methodology weights: which approach drives the range?	
Range, and where the price sits in it	
Exclusions: process, alternatives, allocation between investors	
Date commissioned, against the date the price was agreed	

Question for the provider (Appendix E)	Answer
What exactly does the opinion address, and exclude?	
Terms of the new vehicle, or price only?	
When were you engaged relative to the agreement of price?	
Who produced the projections, and did you test them?	
What weight did each methodology receive?	
What price would have made the consideration not fair?	
Business with this sponsor in the last two years, and fees?	
Did you review the process by which the price was reached?	
Aware of any bidder withdrawal? Did it inform your analysis?	
Would your conclusion change for an unaffiliated buyer?	

If the range is wide enough that almost any plausible price falls inside it, the opinion is confirming feasibility rather than testing fairness. An independent valuation, which builds its own view, is the stronger exercise.

Terms of the new vehicle: rolling investors against incoming buyers

Chapter 12 and Appendix F, in order of value at risk. The decisive line is the one that says rolling investors receive terms no less favourable than any incoming investor.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

Term	Incoming buyers	Rolling investors	Same?
Management fee: rate, basis (invested / committed / NAV), step-down			
Total fee load in cash over the expected life, and as a share of entry equity			
Carried interest: rate, hurdle, tiering (every band stated), catch-up			
Carry basis and crystallisation timing			
Clawback and escrow			
Duration and extension consent			
End of life, and consent for a further continuation			
Advisory committee: composition, powers, rolling investors represented			
Consent thresholds: sale, leverage, acquisitions, related parties, incentives			
Key person provisions naming individuals			
Status quo option: available?			
Opening leverage and covenants; unfunded capacity and its uses			
Information rights, valuation policy and provider			
Sponsor commitment in cash: reinvested carry and new capital			

Fee load on our position	Buyers' terms	Our terms
Management fees over the life, in cash		
Carried interest at the sponsor's base case, in cash		
Net multiple at the base case, and at a one-year delay		
Difference, in cash and in points of net multiple		

Chapter 12: on EUR 5 million at 1.8 times, blind-pool terms net 1.56 times and continuation terms 1.64: about EUR 400,000, decided by who was in the room. State the carry rate for every band, as Chapter 12 does: 12.5, 16.7 and 20 per cent.

The conflicts register

Appendix D. For each conflict: the parties, where it operates, the mitigation, the residual risk after mitigation, the disclosure, and who is accountable. The residual column does the work.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

Conflict	Stage	Mitigation	Residual risk	Disclosed to	Owner
Sponsor's interest in a lower price vs sellers' in a higher one		Competitive process; reinvestment of crystallised carry			
Sponsor's discretion over which asset is offered		Disclosure of prior marketing; committee engaged before selection is final			
Sponsor's control of process design		Committee input on buyer list, timetable, window; funnel disclosure			
Sponsor negotiating terms with incoming buyers only		Rolling investors receive matched terms			
Sponsor's interest in a high roll rate		Default to sell; individual contact with non-responders			
Adviser paid on completion		Disclosure of fee basis; committee sees the funnel			
Valuation provider engaged and paid by the sponsor		Engaged before price agreement; prior relationships disclosed			
Management incentive reset negotiated by the sponsor		Cost to the vehicle quantified and disclosed			

Chapter 9: the conflict bites hardest on the choice of asset, the process design and the terms of the new vehicle, not primarily on price. A register whose residual column reads "none" against every entry has been completed, not filled in.

The sponsor's process plan

Chapter 4 and Appendix C. Seven phases; the outcome is largely decided in the first three. Record what actually happened: the compressed phase is where the value moved.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

Phase	Book	Planned dates	Actual	Decisive question	Answer
Internal decision	1-3 months			Has the asset been tested in the market?	
Preparation	6-12 weeks			Who is on the buyer list, and why?	
First round	4-6 weeks			How many priced indications arrived?	
Second round	6-8 weeks			Did buyers get real access and real time?	
Documentation	6-8 weeks			Who negotiated the terms rolling investors inherit?	
Election	20-30 days			What is the default, and can everyone meet the deadline?	
Closing	2-4 weeks			What reinvestment is required of the sponsor?	

Step	Done	Date / owner
Before appointing an adviser		
Committee briefed; asked what it will require		
Partnership agreement: transaction permitted, consent required		
Asset market-tested? Decision to disclose it		
Designing and running the process		
At least four independent parties able to lead; second round of at least six weeks		
Individual management sessions without the adviser throughout		
Independent valuation input before the price is agreed		
Funnel and withdrawals recorded for disclosure; no lead identified before bids		
Documentation and election		
Rolling terms no less favourable; further-continuation threshold; named key persons; rolling investors on the committee		
Price and full terms together; at least thirty days, no holiday; default to sell or chase non-responders		

Scoring the transaction

Chapters 16 and 18. Any three negative markers together should stop an advisory committee. Four or more positives and no more than one negative: well run. Anything else needs an explanation.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

Positive marker	Present?	Negative marker	Present?
Prior market testing, disclosed with its outcome		No disclosure of prior marketing	
At least three independent capable bidders, six weeks or more of diligence		Fewer than three independent bidders, or a lead identified before launch	
Price and full terms provided together		Diligence period under five weeks	
Window of thirty days or more, no holiday, a default that does not favour the sponsor		Terms provided later than price	
Rolling investors on terms matching incoming buyers		Window under thirty days, or over a holiday, with a default to roll	
Sponsor reinvestment of crystallised carry, stated in cash		Token or unstated sponsor reinvestment	
Positives		Negatives	

Where the conflict bites (Chapter 9)	Addressed by	Residual
Price		
Choice of asset		
Process design		
Terms of the new vehicle		
Treatment of different investors		
Crystallised carried interest		

The question that cuts through: what would have been done differently if the buyer had been an unaffiliated third party?

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Rolling: the operational, tax and financing checks

Chapters 13 and 14. Rolling is a realisation followed by a new subscription. Institutions that start on day one make the deadline; those that start on day fifteen land in the default.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

Step (start the day the notice arrives)	Owner	Days needed	Done
Legal mechanism of the roll and its tax characterisation			
Tax advice: does a cash liability arise without proceeds?			
New vehicle domicile, structure, reporting against internal constraints			
Subscription documents, anti-money-laundering and tax forms			
Unfunded commitment and drawdown model			
Concentration and capital treatment against internal limits			
Partial roll: any proportion, or set increments? Terms by size?			
Signatory authority confirmed and scheduled			

Financing (Chapter 14)	Answer	Flag
Opening leverage of the vehicle, against the asset's before the transaction		
Existing debt refinanced? At what cost against the previous terms?		
Net asset value facility: purpose, cost, and what if the exit is delayed?		
Share of the consideration paid in cash at closing		
Deferred or contingent element: terms and credit risk		
Covenants, and headroom against the base case		

A distribution funded by borrowing against the asset is not a realisation: it returns cash while increasing leverage. Escrow, holdbacks and equalisation also move cash; identify them before electing.

After closing: the exit clock and the first hundred days

Chapter 17. Map the exit timetable backwards on day one. Reporting should score the transaction thesis, not describe the portfolio.

Transaction / asset		Reviewer	
Sponsor / fund		Date	

Exit clock, worked backwards	Month	Date
End of the term (and each extension, with who consents)		
Sale process must begin by		
Asset exit-ready by		
Latest close for an add-on that needs ____ months before a buyer will pay for it		
Value-creation milestones: last one falls on		

The buyer's first hundred days	Done (date)	Note
Reporting agreed in writing before closing: frequency, content, thesis metrics		
Management met independently, without the sponsor		
Baseline verified: same definitions as the numbers the price was set on		
Covenant position: headroom, test dates, breach, consent rights		
Advisory committee seat: exit timetable asked for at the first meeting		
"Exit-ready" defined, with dated milestones		

Thesis at closing	Promised	Delivered	Changed, and when reported

Measure three ways at exit: from the transaction price (incoming buyers); against selling at that price and investing elsewhere (rolling investors); and value created against projection, net of fees and carry across both vehicles (the sponsor).

Fifteen costly mistakes: the twenty-minute review

Appendix H. Tick what the transaction in front of you avoids; for each one it does not, write who fixes it and by when.

Transaction / asset		Reviewer		
Sponsor / fund		Date		

#	Mistake	Remedy	Avoided ?	Fix: who, by when
1	Carrying value treated as a price benchmark	Compare the multiple with unaffiliated transactions		
2	Fairness opinion read for its conclusion	Scope, assumptions, exclusions; what price would fail?		
3	Choice framed as "sell or stay"	Would you invest new money at this price on these terms?		
4	Default option ignored	Read it first, before the price		
5	Roll rate read as conviction	Ask why investors sold		
6	Compressed second round accepted	Under five weeks converts time into discount		
7	Prior sale process not disclosed	Disclose it; buyers assume the worst		
8	Prices compared across capital structures	Compare enterprise value; state opening leverage		
9	Headline price with deferred elements treated as cash	Present value with explicit discounts		
10	Terms negotiated by incoming buyers alone	Rolling terms no less favourable		
11	Multi-asset portfolio priced in aggregate	Implied price asset by asset		
12	Valuation opinion commissioned after the price	Commission it before		
13	Committee consent sought on a completed deal	Engage before the adviser is appointed		
14	Distribution funded with a NAV facility	Call it borrowing; disclose the cost		
15	Exit clock not mapped	Fix the exit-ready date at closing		