

**FIRM NEWS**

## Private Equity International and Schulte Roth & Zabel Release *Fund Formation and Incentives Report*

**April 23, 2014**

Fund managers believe that they must demonstrate personal confidence in their ability to perform by making greater dollar contributions to their own funds, according to the *Fund Formation and Incentives Report*, released today by Private Equity International (“PEI”) and Schulte Roth & Zabel (“SRZ”).

The report provides deep analysis of the issues affecting general partner operations, such as waterfall structures, key man clauses, compensation and recruitment. The study, based on an online survey and in-depth interviews, represents the views of 130 private fund managers from around the world.

Key findings include:

- A firm’s reputation and its track record are the most important issues for LPs when selecting a fund manager. Because the identity of key persons is central to that reputation, provisions relating to key persons are also an important, albeit a secondary concern, for investors.
- Market conditions have caused an overall shift towards more LP-friendly terms in recent years. For example, some 80% of funds now use the “European style” whole-of-fund carry model over the “American-style” deal-by-deal model.
- In terms of the size of manager commitments, more than one third of fund managers commit between 1% and 2.5% of their own money to their

latest fund and nearly one quarter place more than 5%, emphasizing the increased pressure GPs face in assuming a meaningful level of capital alongside investors.

- Private equity remains an attractive industry for talented financial service professionals, but managers believe better equity opportunities are essential to recruit and retain top talent.

[Click here for a PDF of the report.](#)

Stephanie R. Breslow, co-head of SRZ's investment management group and a member of the firm's executive committee, and investment management partners Phyllis A. Schwartz and Joseph A. Smith, provide expert analyses on the survey findings, drawing on a wealth of knowledge and experience. Ms. Breslow and Ms. Schwartz also are co-authors of *Private Equity Funds: Formation and Operation* (Practising Law Institute).

In providing commentary to the *Fund Formation and Incentives Report*, the SRZ partners stated, "We hope that this study will assist private equity firms to benchmark their procedures and structures, with the hopes of maintaining their position as industry leaders."

SRZ provides counsel to some of the most active and influential private equity firms worldwide. On June 17 in New York, SRZ will hold its second annual Private Equity Conference, covering a range of topics, including fund raising, regulatory filings, fund operations, firm growth, exit strategies and term extensions, auctions, mergers and acquisitions, real estate ventures, and trends in the financing markets.

Alan S. Waldenberg, chair of the firm's executive committee and chair of the tax group, commented, "Leading private equity firms rely on Schulte Roth & Zabel lawyers because of our unparalleled market knowledge. We are proud to provide this timely intelligence to our clients and the industry overall."

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## Related People



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## Practices

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## Attachments

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## Resources

- *Fund Formation and Incentives Report*