

Brad Mandel Discusses Partnership Terms

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Corporate Partner Brad Mandel was quoted in PE Hub Network's Buyouts section in an article titled "[Private Eye: New Battle Lines Drawn on Partnership Terms](#)," published on January 16, 2018.

According to the article, now is not the time to ask top-performing firms to cut their carried interest percentage or to accept a no-fault divorce clause. Demand for slots in top funds is concentrated and institutional investors continue to struggle for LP-favorable terms with first-time funds and other emerging managers.

A majority of the negotiations center around fees, with sponsors collecting management fees on successor funds sooner rather than later and investors arguing for later rather than sooner. Negotiators have started focusing more attention on the payment of management fees toward the end of a fund's life, such as during any extensions of the fund term.

"To be sure, most buyout firms still follow the standard practice of starting to charge management fees on a successor fund once it holds a first closing," Brad explains.

According to Brad, some emerging managers ask investors to eliminate or reduce the step-down on a fund should the successor fail to reach a certain size. Investors then have to decide whether to go along with that or hold out for something more favorable, such as budgeted fees they get to review and approve every year.

"But in negotiations with newer managers investors may try to cut off the fee stream at some point. Or they may ask the fund manager to switch to budgeted fees during any fund extensions. Fund managers that do agree to budgeted fees may, in return, ask that the fees not fall below some percentage of the prior years," Brad said.

Brad focuses his practice on private equity and other U.S. and non-U.S. alternative investment fund sponsors and managers in fund formation, maintenance, and regulatory matters.

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