

## EXECUTIVE SUMMARY:

# Insight for Fund Obligation Management

### ASSET MANAGERS LIVE ON TREADMILLS.

No matter the distance covered, the number of markets assessed, potential investments analyzed, or funds raised, the path never ends. Powering it all are the relationships between private equity firms and their investors. Those relationships are structured in the vast documents that define general partners' investor obligations, which alongside fund performance have a direct impact on their success.

**Despite their sophistication and complexity, asset managers haven't established a reliable system to manage and fulfill those obligations in a way that bolsters those critical relationships while satisfying regulatory reporting requirements.**

As the private equity industry rises to unprecedented heights - with AUM expected to surge past \$9 trillion by 2025, according to Preqin - and competition for investment intensifies, ineffective obligation management poses a real

risk, and one that in recent years has cost even the industry's gilded names millions in fines. GPs need more than a bare bones or jury-rigged solution to meet these challenges. What they need is a purpose-built platform that turns the obligations in LPAs, side letters, and most favored nation provisions into actionable data. Analytics should flow from that framework, providing managers strategic insights into their business and enabling competitive benchmark creation.

We started InCloudCounsel with a mission to free people from antiquated legal practices so they can focus on what matters most. We began with routine contracts, developing an end-to-end solution to offer a cheaper, faster negotiating process that also

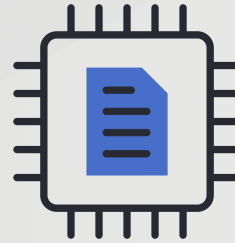
**\$9+**  
**trillion**  
**in AUM**  
**by 2025**

**millions**  
**in fines resulting**  
**from ineffective**  
**obligation**  
**management**



## The Challenge

- Answering simple questions is time-consuming
- Compendia are created after they're first needed
- Compendia data quickly becomes outdated
- Obligations are siloed
- Contract language is difficult to decipher
- Investor relationships are jeopardized



## The Solution

- Turn contracts into valuable, structured data
- Organize and manage all obligations across funds
- Assign owners to specific obligations
- Track actions with ongoing obligations
- Analyze key terms and provisions
- Audit compliance

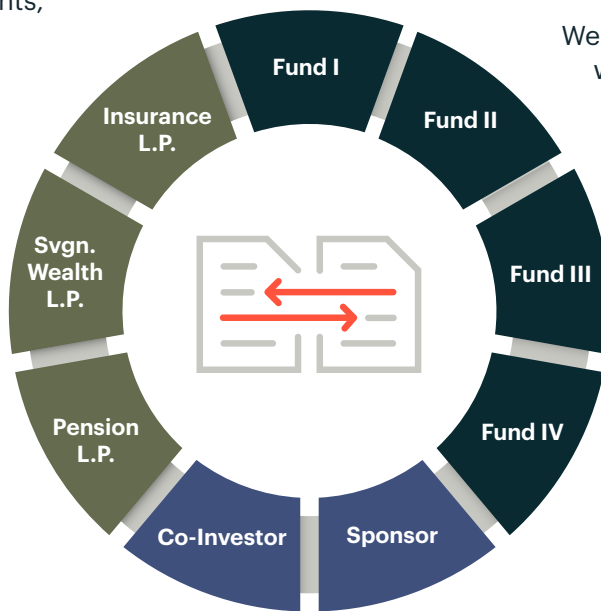
delivers once unobtainable data from mountains of documents. As we grew, our customers also shared many of the pain points intrinsic to the longer, more complex agreements that detail their investor obligations. Out of these conversations, Insight, our first SaaS product, was born.

The marquee objectives, and what GPs are always seeking in addition to best-in-class returns, are to reduce legal risk, save time and resources, and drive accountability in an effort to build investor trust to facilitate future fundraising. Doing so, however, becomes more challenging as asset managers grow their core business.

In isolation, each piece of the puzzle seems simple. Together, they form a complex web that even the world's most sophisticated organizations and storied law firms cannot efficiently manage.

During and beyond the costly negotiation and execution of fund documents, counsel provides managers compendia, often hundreds of pages long, detailing their obligations. These can range from simple reporting requirements to investment restrictions and rights, key person provisions, and payment terms. As the number of private equity firms has grown, so too has the number of side letters and most favored nations elections, further

complicating compliance for those responsible. Therein lies the challenge. Compliance is often tasked to a small group of people at each firm, often in different departments, in conjunction with someone at a supporting law firm. With no purpose-built system for organizing, scheduling, and auditing compliance, those tasked with it have done the best they can with what's available. In some cases, obligations are managed via spreadsheets and calendar reminders. Some rely on outside counsel, which is an expensive, risky strategy that cannot be scaled. Some reference compendia that are quickly outdated as obligations and investors change. Compendia alone do not give managers the ability to see their obligations across funds to ensure they're all met. These tools and their limited functionality offer no way to audit how and when an obligation was fulfilled, and don't allow those overseeing them to understand their scope and breadth, leading to potential failure to meet an obligation without ever realizing it.



We solved these problems with Insight: a first-of-its-kind system of record purpose-built to organize and manage a firm's full scope of fund obligations with verifiable confidence. Most importantly, it gives managers scalable certainty so that as they raise new funds and pursue new ventures, their existing obligations will be satisfied, freeing them to focus on their core business.

## We solved these problems with Insight:

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Insight's centralized database, purpose-built data architecture, and intuitive data entry tools allow teams to upload, manage, and track compliance. It also gives fund managers and counsel the ability to analyze and understand key provisions to guide future negotiations. At implementation, Insight immediately becomes an organization's single source of truth thanks to its sophisticated audit compliance functions. Thorough digital records detail who fulfilled an obligation and when. Users can easily search their obligation data across funds, investors, obligation categories, and even functional owners within their organization.

Insight turns agreements into data that when analyzed reveal actionable, valuable trends. Asset managers can see, for example, how many funds place investment restrictions on the same industry

or geography, which if they overlap with a nascent opportunity could affect future funds' performance. Paired with next generation obligation management tools, organizations can reduce risk, strengthen investor trust, and save time with the freedom to focus on their deal and fundraising pipeline.

As the private equity industry grows ever larger the status quo must change. Private funds attorneys already expect a standardization of LPA formats, especially as it pertains to certain obligations. Various LP advocacy groups are pushing regulators and legislators for more transparency and accountability.

Operate at the leading edge of the industry and stay one step ahead of competitors.  
Operate with Insight.

[Request a Demo](#)



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Miles is the VP / GM of Insight at InCloudCounsel. Prior to InCloudCounsel, Miles practiced corporate and securities law at Weil Gotshal in London and Simpson Thacher in New York. Miles holds a J.D. from the University of Chicago and a B.A. from Washington University in St. Louis. In his spare time, Miles enjoys surfing, songwriting and playing the guitar.