

# The Co-investment Climate in Private Equity

*Maximize Your Competitiveness and, for Some, Ensure Your Survival*

Claudia Montoto – The Mergermarket Group (Moderator)

Julia D. Corelli – Pepper Hamilton LLP

Bruce K. Fenton – Pepper Hamilton LLP

Jason Mundt – Siguler Guff & Company

Michael Reinard – PeakEquity Partners

John P. Shoemaker – Milestone Partners

**Pepper Hamilton LLP**  
Attorneys at Law

# Capabilities

## Best Lawyers

More than 60 lawyers listed, including 5 as Lawyer of the Year

# 100+

lawyers highly rated by **Super Lawyers** and **Rising Stars**

## SERVICES

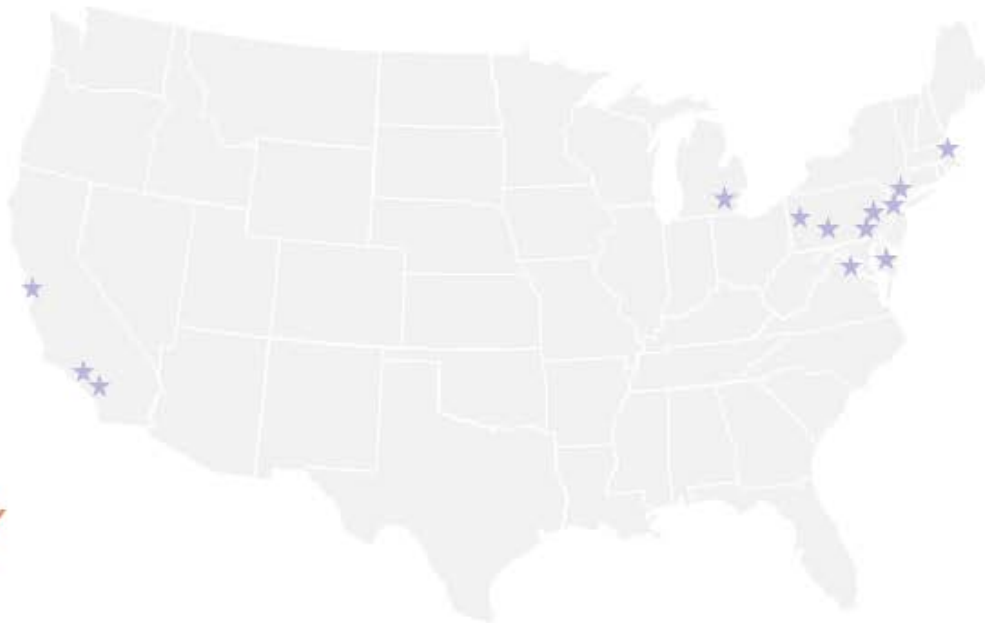
BUSINESS SERVICES  
INTELLECTUAL PROPERTY  
GOVERNMENT REGULATION  
INTERNATIONAL LITIGATION

## INDUSTRIES

CONSTRUCTION LAW  
EDUCATION COUNSELING, LITIGATION AND INVESTIGATION SERVICES  
ENERGY INDUSTRY GROUP  
FINANCIAL SERVICES  
FOOD AND BEVERAGE INDUSTRY  
HEALTH CARE SERVICES  
INVESTMENT FUNDS INDUSTRY GROUP  
LIFE SCIENCES  
MEDIA, COMMUNICATIONS AND ENTERTAINMENT  
NONPROFIT ORGANIZATIONS AND FOUNDATIONS  
PHARMACEUTICALS AND MEDICAL DEVICES  
RETAIL INDUSTRY  
TRANSPORTATION

# Locations

BERWYN  
BOSTON  
DETROIT  
HARRISBURG  
LOS ANGELES  
NEW YORK  
ORANGE COUNTY  
PHILADELPHIA  
PITTSBURGH  
PRINCETON  
SILICON VALLEY  
WASHINGTON  
WILMINGTON



**Legal 500**

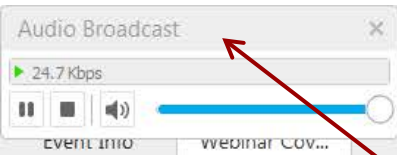
Recommended firm for  
Construction Litigation  
and Pharma/Medical  
Device Products  
Liability

**500+** lawyers

**13** offices in U.S.

**125** years of  
serving clients

# Audio



**Audio should stream automatically on entry through your computer speakers**

## Pepper Hamilton Webinar



Participant Event Help

Participants Chat Q&A

Participants

Speaking:

Panelists: 1

Brian Dolan (Host)

Attendees:

Webinar Guest (me)

Q&A

All (0)

Ask: All Panelists

Select a panelist in the Ask menu first and then type your question here. There is a 256-character limit.

Send

Connected

# Audio

The screenshot displays the Cisco WebEx Event Center interface. At the top, the title bar reads "Cisco WebEx Event Center" with a menu bar containing "File", "Edit", "View", "Communicate", "Participant", "Event", and "Help". Below the menu bar, there are tabs for "Event Info" and "Webinar Cov...". The main content area is partially obscured by a large red text overlay: "If you cannot stream audio, click phone icon and a phone number will be sent to you". A red arrow points from this text to a phone icon in the "Participants" panel on the right. An "Audio Connection" dialog box is open in the center, showing two options: "I Will Call In" and "Call Using Computer" with a sub-link "Test computer audio". The "Participants" panel on the right shows a list of participants: "Brian Dolan (Host)" and "Webinar Guest (me)". Below the participants list, there are icons for audio, video, and chat. At the bottom of the screen, a slide is visible with the text "CELEBRATING 125 Years 1890 2015 Pepper Hamilton LLP Attorneys at Law". The bottom right corner of the interface shows a "Connected" status with a green dot.

File Edit View Communicate Participant Event Help

Event Info Webinar Cov...

01

Participants

Chat

Q&A

Participants

Speaking:

Panelists: 1

Brian Dolan (Host)

Attendees:

Webinar Guest (me)

Q&A

All (0)

Ask: All Panelists

Select a panelist in the Ask menu first and then type your question here. There is a 256-character limit.

Send

Connected

**If you cannot stream audio, click phone icon and a phone number will be sent to you**

**Pepper Hamilton Web**

CELEBRATING  
**125**  
1890 2015  
Years  
**Pepper Hamilton LLP**  
Attorneys at Law

# Q&A

Cisco WebEx Event Center

File Edit View Communicate Participant Event Help

Event Info Webinar Cov... x

01

Participants Chat Q&A

Participants

Speaking:

Panelists: 1

Brian Dolan (Host)

Attendees:

Webinar Guest (me)

Q&A

All (0)

Ask: All Panelists

Type question here... Send

Connected

Send us questions

Pepper Hamilton Webinar

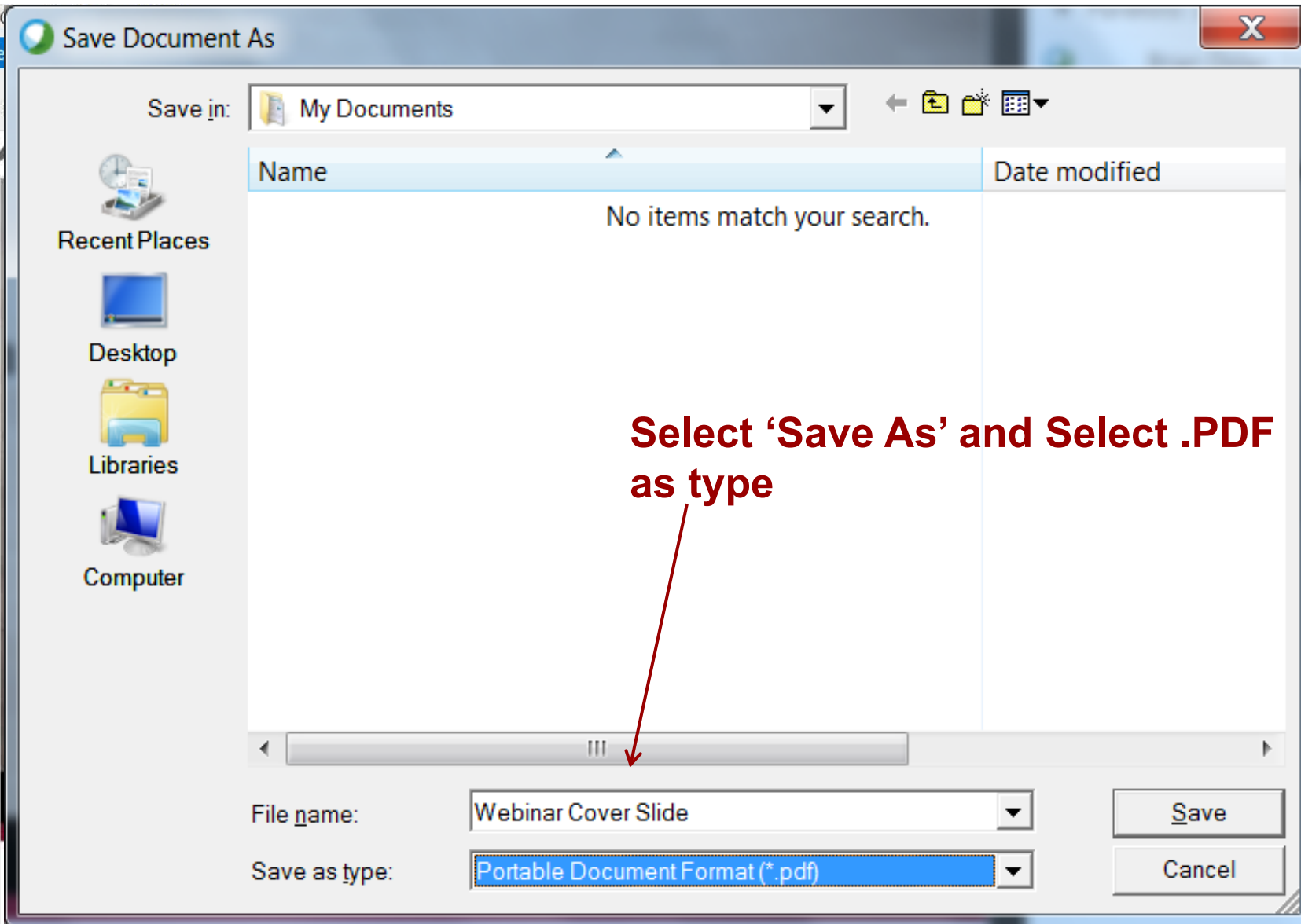
CELEBRATING 125 YEARS 1890 2015

Pepper Hamilton LLP  
Attorneys at Law

# Download PPT Slides

The screenshot displays the Cisco WebEx Event Center interface. At the top, a menu bar includes 'File', 'Edit', 'View', 'Communicate', 'Participant', 'Event', and 'Help'. Below the menu, there are tabs for 'Event Info' and 'Webinar Cov...'. A red arrow points to the 'File' menu item with the text 'Click 'File''. The main content area shows a slide titled 'Pepper Hamilton Webinar' with a large '125 Years' logo celebrating the firm's 125th anniversary from 1890 to 2015. The logo includes the text 'CELEBRATING 125 Years 1890 2015' and 'Pepper Hamilton LLP Attorneys at Law'. On the right side, there is a sidebar with sections for 'Participants', 'Speaking', 'Panelists: 1' (listing Brian Dolan as Host), 'Attendees' (listing Webinar Guest), and 'Q&A' (showing 'All (0)'). At the bottom of the sidebar, there is a 'Send' button and a 'Connected' status indicator.

# Download PPT Slides





**CLE credit available in CA, NY, PA.  
NJ CLE credit is available through reciprocity and  
VA CLE credit is pending.**

**Contact Brian Dolan at [dolanb@pepperlaw.com](mailto:dolanb@pepperlaw.com) for  
CLE form**

# Claudia Montoto

## Private Equity Editor | The Mergermarket Group

- ▶ Private Equity Editor for the Mergermarket Group
- ▶ Previously served as Deputy Editor, Industrials with a focus on auction coverage, corporate carveouts and activist situations and has been with the firm ten years, holding various positions across different products including Deputy Editor of Dealreporter North America
- ▶ Coverage spans public and private arenas in subsectors including diversified industrials, chemicals, and aerospace & defense.
- ▶ Previously resided in New York and is now based out of the Fort Lauderdale, Florida office. Holds an MA in English & American Literature from New York University and a BA in English Literature from Florida International University.



# Julia D. Corelli

Partner | Investment Funds Industry Group

215.981.4325

[corellij@pepperlaw.com](mailto:corellij@pepperlaw.com)

- ▶ Co-chairs Pepper's Funds Services Group and Commercial Department and currently serves the firm as vice chair of its Executive Committee
- ▶ Concentrates in private investment fund formation, operations and compliance, private equity investment transactions, venture capital investments, acquisitions, dispositions and financings of business enterprises, joint ventures, and intra-partner dealings
- ▶ Also is experienced in matters of investment fund principal compensation and succession planning and serves as general outside counsel to family offices.



# Bruce K. Fenton

Partner | Investment Funds Industry Group

215.981.4646

[fentonb@pepperlaw.com](mailto:fentonb@pepperlaw.com)

- ▶ Chair of Pepper's Private Equity Practice Group and Investment Funds Industry Group
- ▶ Concentrates his practice in private equity transactions and his practice includes mergers and acquisitions, and working closely with the firm's leveraged finance lawyers on the related financing of those deals (both domestically and internationally), as well as private placements and general corporate counseling
- ▶ Advises both investors and emerging growth businesses in connection with venture capital investments, and also structures and documents limited liability companies, partnerships and joint ventures.



# Jason Mundt

Principal | Siguler Guff & Company

- ▶ Principal at Siguler Guff & Company and is actively involved in manager selection, due diligence and direct investing for the Firm's Small Buyout Opportunities Funds
- ▶ Prior to joining the Firm in 2007, Mr. Mundt was a Vice President with Linden LLC where he was responsible for evaluation, due diligence and monitoring of direct private equity investments in healthcare and life science.



# Michael Reinard

Investor Relations Consultant | PeakEquity Partners

- ▶ Leads investor relations efforts at PeakEquity Partners, a lower middle market investment firm focused on majority buyouts and minority recapitalizations of enterprise software businesses
- ▶ Ten years of private equity consulting experience working with several Philadelphia-based private equity and venture capital firms including Milestone Partners, Graham Partners, Rittenhouse Ventures, Osage Partners and Novitas Capital.



# John P. Shoemaker

Managing Partner | Milestone Partners

- ▶ Managing Partner with Milestone Partners, a lower middle market private equity firm that specializes in making control equity investments in established operating businesses in a wide variety of industries with valuations of up to \$150 million
- ▶ Has 21 years of private equity experience and joined Milestone in 2002
- ▶ Experience includes Managing Director, Internet Capital Group (Private Equity/Venture Capital); Managing Director, Mellon Ventures (Private Equity); Vice President of Corporate Development, RAF Industries (Private Equity); Associate, Reed Smith Shaw & McClay (Corporate Law); and Analyst, Morgan Stanley, NYC (Investment Banking).



# Background of Pepper/Mergermarket Study



## Methodology

In Q2 2015, Mergermarket interviewed 50 private equity partners, directors and principals from across the United States. The fund sizes managed by the interviewees are equally split between US\$250m-US\$500m and US\$501m-US\$999m.

To qualify for the study, respondents must have co-invested with an institutional investor within the previous three years. The results are anonymized and presented in aggregate.



# Key findings



**Regulation hits hard**



**The more you know**



**Tag teams**

# State of play

## Co-investments in 2015

56%

of GPs look for  
co-investment  
opportunities from  
the outset

- ▶ Partnering up
- ▶ Expanding the pool
- ▶ Terms and conditions apply

62%

indicate majority of  
co-investors came  
from existing LP  
pool

18%

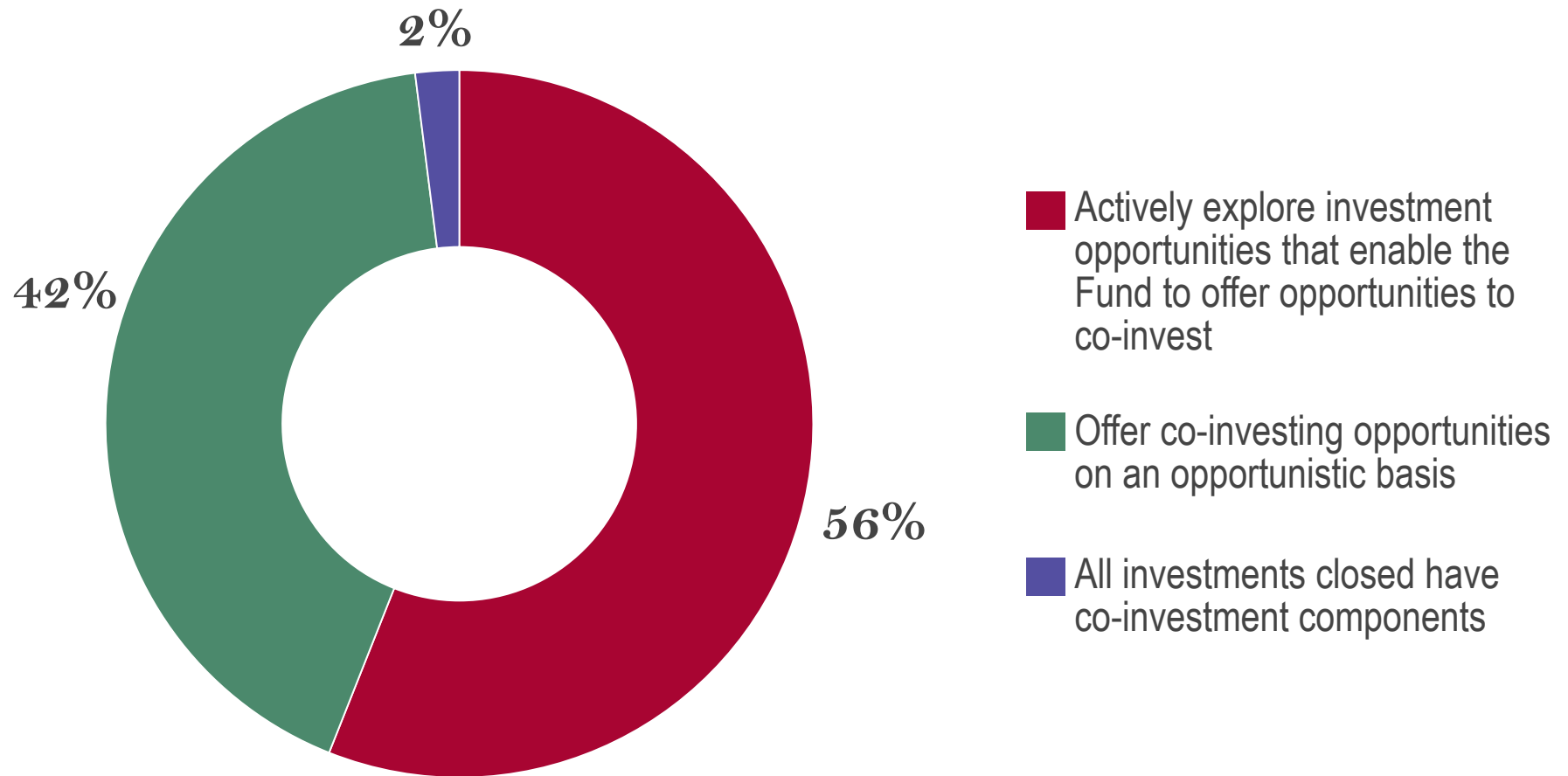
of co-investors  
were referrals from  
LPs

# Benefits of Co-Investments

# State of play

## Co-investments in 2015

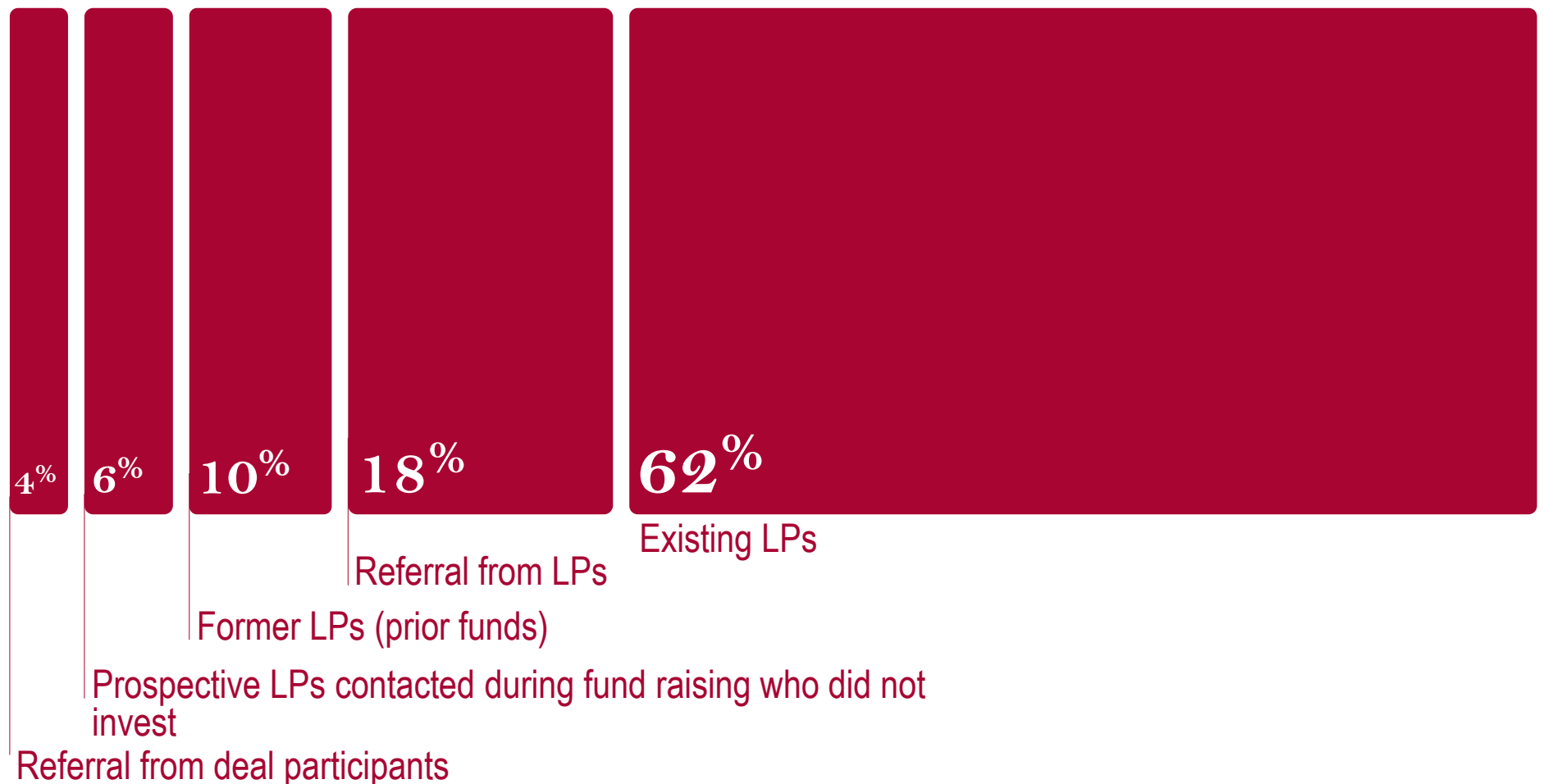
What is the extent to which your fund offers the opportunity to Limited Partnerships (LPs) to co-invest?



# State of play

## Co-investments in 2015

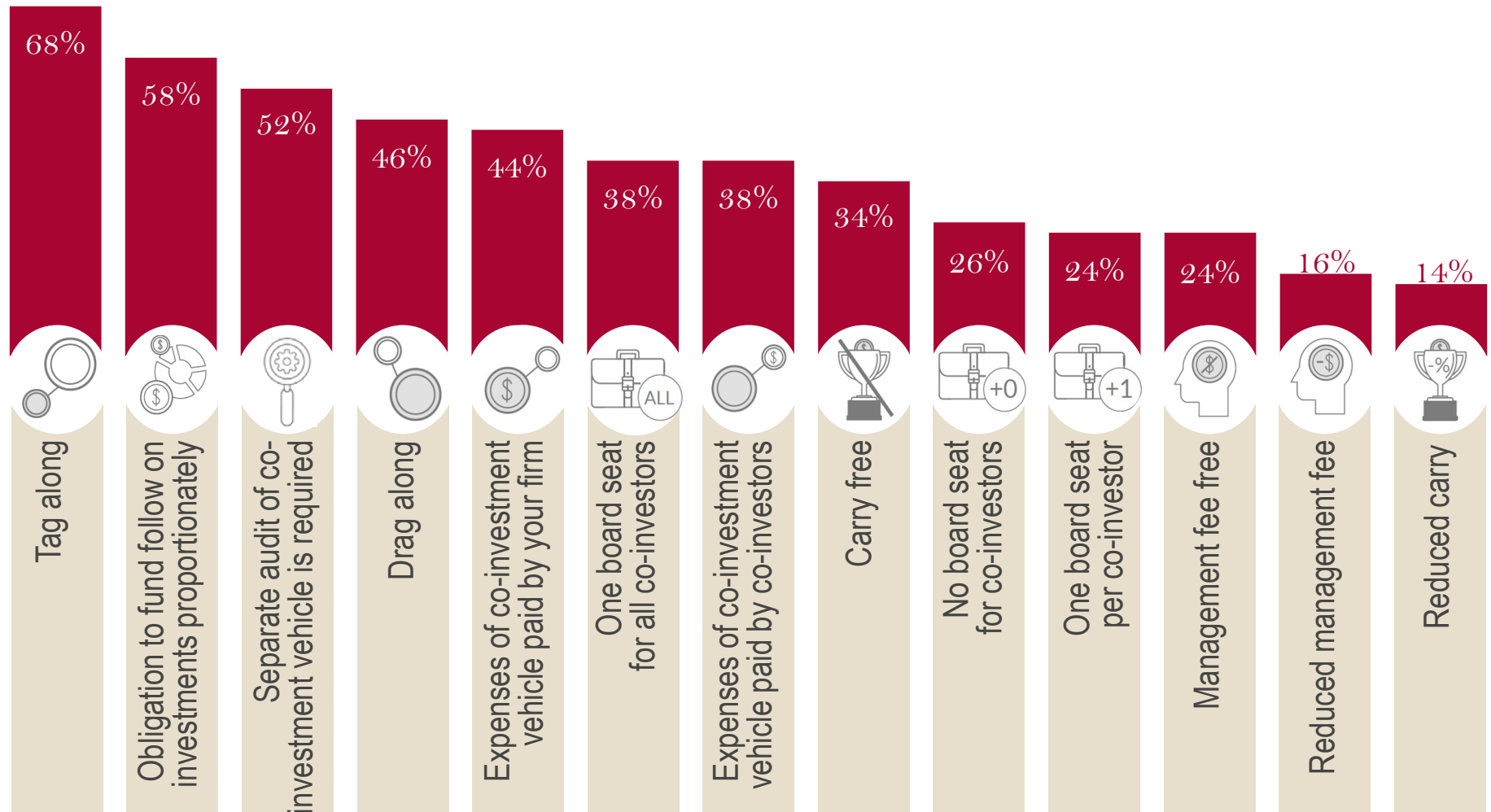
Looking at your closed deals which had co-investments, where did your co-investors come from?



# State of play

## Co-investments in 2015

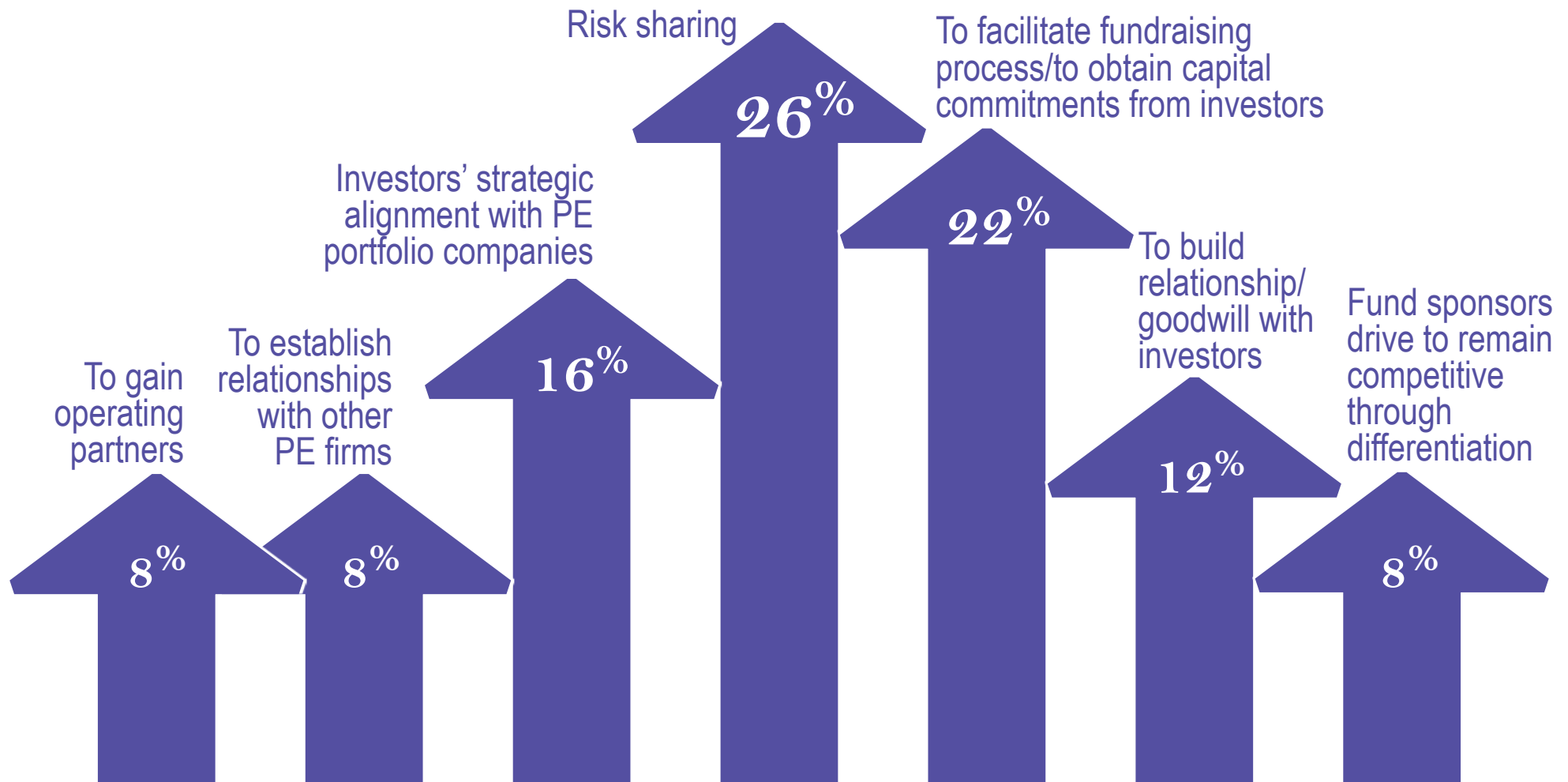
Typically in a co-investment deal, what deal terms apply to the co-investment?



# The co-investment landscape

## Opportunities and challenges

What is the biggest driver today of PE co-investments for PE firms?



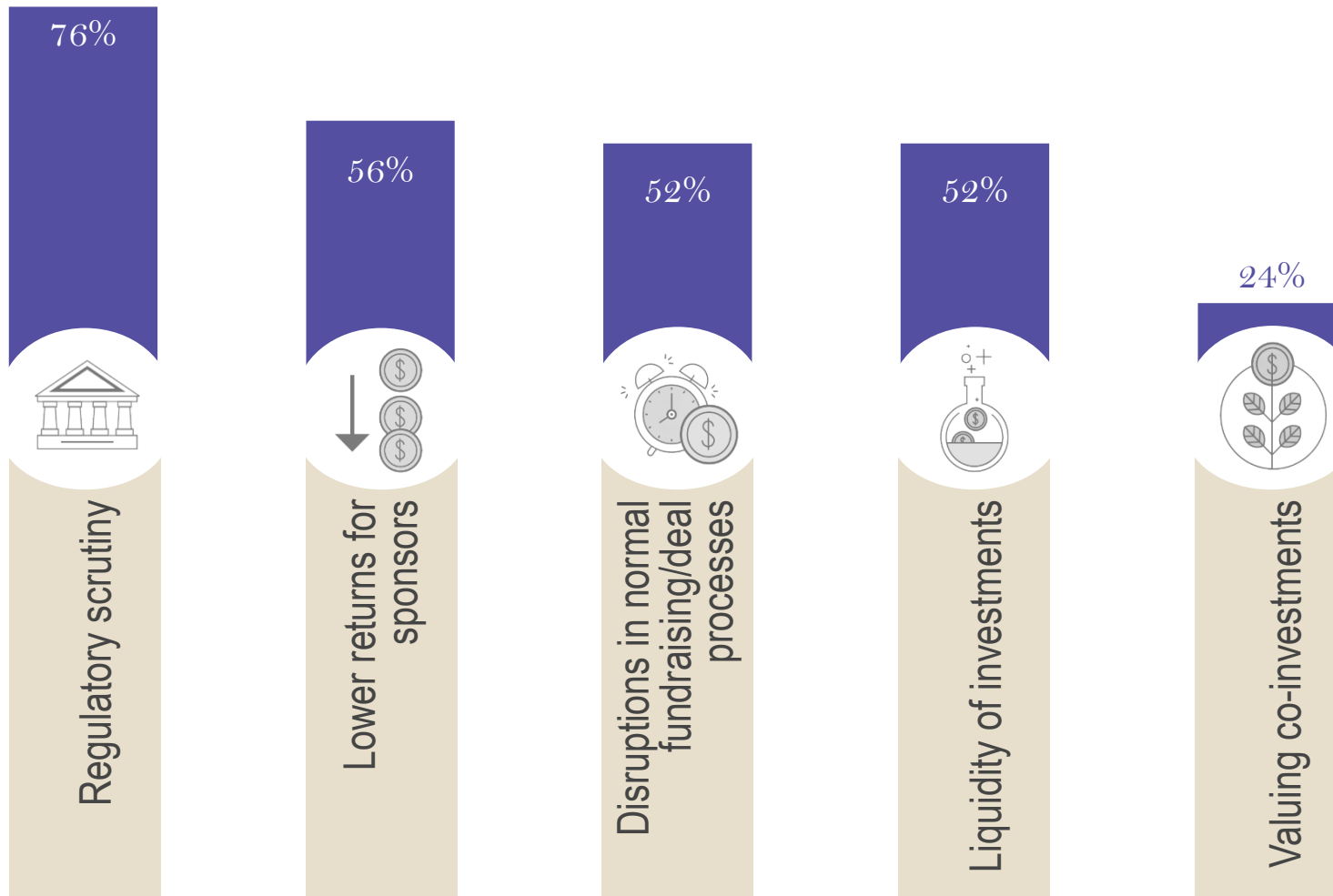


# Challenges of Co-Investments

# The co-investment landscape

## Opportunities and challenges

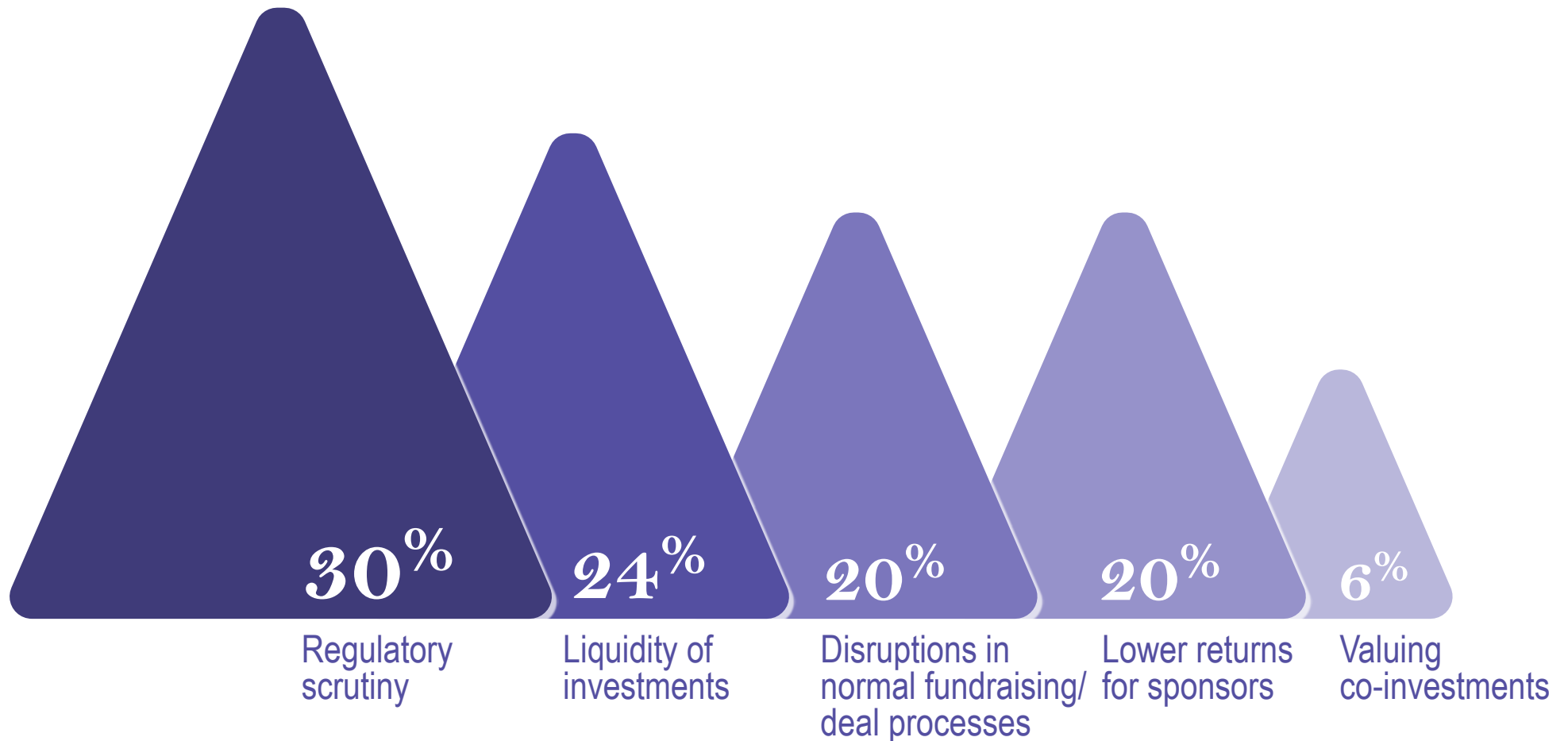
What are currently the biggest challenges to PE co-investments? (Select all that apply)



# The co-investment landscape

## Opportunities and challenges

What are currently the biggest challenges to PE co-investments? (Select the most important)



# Top Regulatory Issues with the Administration of LP Co-Investment

- ▶ Conflicts of interest
- ▶ Disclosures: Allocation of Investment Opportunities
- ▶ Disclosures: Investment Diligence and Reliance
- ▶ Process: pre- or post for co-investment?
- ▶ Allocation of fees and expenses
- ▶ Fiduciary duties – ERISA
- ▶ Custody Rule and Audits

# Questions & Answers

**CLE credit available in CA, NY, PA.  
NJ CLE credit is available through reciprocity and  
VA CLE credit is pending.**

**Contact Brian Dolan at [dolanb@pepperlaw.com](mailto:dolanb@pepperlaw.com) for  
CLE form**

For more information, visit

[www.pepperlaw.com](http://www.pepperlaw.com)