qashqade

LPA Validation

Trust but Verify

Checks for Balance

Limited Partners, from pension funds to endowments, are deepening their exposure to private markets as part of long-term portfolio strategy. But as allocations grow, so does the complexity: bespoke Limited Partnership Agreements (LPAs), evolving fee mechanics, and intricate distribution terms make oversight increasingly difficult.

Even for experienced LPs, confirming that management fees, fund expenses, and carried interest are calculated exactly as agreed can be time-consuming and opaque. Reporting remains inconsistent across General Partners (GPs), and key LPA provisions are often interpreted differently from one fund to another.

Forward-thinking investors are now strengthening operational oversight, replacing manual spreadsheet models with structured, data-driven validation of fund economics. The result: greater accuracy, transparency, and control over how fees and distributions are applied.

The Validation Gap

Are you paying too much to your General Partners? Are the management fees they are charging you calculated correctly? Do you have confidence in what is happening across all of your partnership agreements?

LPs need better transparency and management oversight on all their LPAs so fees can be validated, and misinterpreted terms and inaccuracies do not go unchecked.

Even minor deviations can result in significant discrepancies when compounded over the life of a fund.

In this white paper we explore:

- The regulatory response to GP fee miscalculations
- Examples of misinterpreted terms and their consequences
- The Solution: LPA Validation powered by qashqade
- Sample qashqade LPA Validation Report
- Case Study: How LPA Validation for a large pension fund discovered discrepancies with the GP's calculations and led to amounts being credited back to the client

Regulatory Response

Regulators agree: fees charged by GPs are not always correct

Importance of the LPA

The LPA document serves as the foundation for fundraising but also dictates the commercial relationship between LPs and GPs. LPAs are often large documents, but small language differences can make huge monetary difference and interpretation is key.

Growing regulatory scrutiny

Against a backdrop of growing scrutiny in the private equity sector, the Securities and Exchange Commission (SEC) in the U.S. has played a significant role in shaping how LPAs have evolved. GPs are being pushed to increase transparency with investors and remove ambiguous terms that can be misinterpreted, especially with regard to fees and expenses. Ultimately, the SEC is trying to stop fund managers from misallocating or unfairly charging fees and expenses to investors.

Real outcomes

- The misinterpretation of terms in LP agreements, and the lack of ability to review those terms can leave some LPs out of pocket.
- LPs therefore need a way to validate and gain management oversight of their LPAs to ensure they are not on the back foot.
- Recent years have seen an increase in regulatory fines and enforcements against GPs.

Costly Mistakes

KKR misallocates over $17m in expenses

In 2015, Kohlberg Kravis Roberts & Co. agreed to pay $30 million to settle the charges, including a $10 million penalty, after it was found that the firm they misallocated more than $17 million in “broken deal” expenses and breached its fiduciary duty to clients.

$338 million of “broken deal” or diligence expenses over a six-year period that ended in 2011, were incurred by investors such as pension funds, endowments and other institutional investors.

While KKR’s co-investors, including KKR executives, were active participants in the firm’s private equity transactions and gained from the firm’s deal sourcing endeavors, KKR refrained from assigning any of the incurred broken deal expenses to any of these individuals for an extended period.

Additionally, KKR did not explicitly inform its co-investors in their fund limited partnership agreements or the associated offering materials about this non-allocation of broken deal expenses.

More Fines

Apollo Global Management pays $52.7m fine

In 2016, New York based Apollo Global Management settled what was the largest Private Equity fine to date, following charges that it misled investors about fee practices and failed to prevent a senior partner from charging personal expenses to clients.

The fine specifically relates to Apollo's inadequate disclosure to its investors regarding its intention to collect substantial one-time fees from companies it either took public or sold.

The regulatory penalty originated from the absence of specific disclosures in Apollo's limited partnership agreements for certain funds.

Insight Venture Management LLC pays $1.5m fine

In 2023, New York-based investment adviser Insight Venture Management LLC was fined by the SEC for 'charging excess management fees and failing to disclose a conflict of interest to investors relating to its fee calculations'. The penalty involved a $1.5m fine and $864,958 in 'disgorgement and prejudgment interest' which had to be returned to the affected funds.

The SEC order found from August 2017 through April 2021, Insight charged excess management fees by inaccurately calculating management fees based on aggregated invested capital at the portfolio company level instead of at the individual portfolio investment security level, as required by the applicable LPAs.

Real Effects

At qashqade we regularly discover discrepancies with terms in LPAs as part of our validation service. Here are some real-world examples with their potential effect on a hypothetical investment of USD $100m.

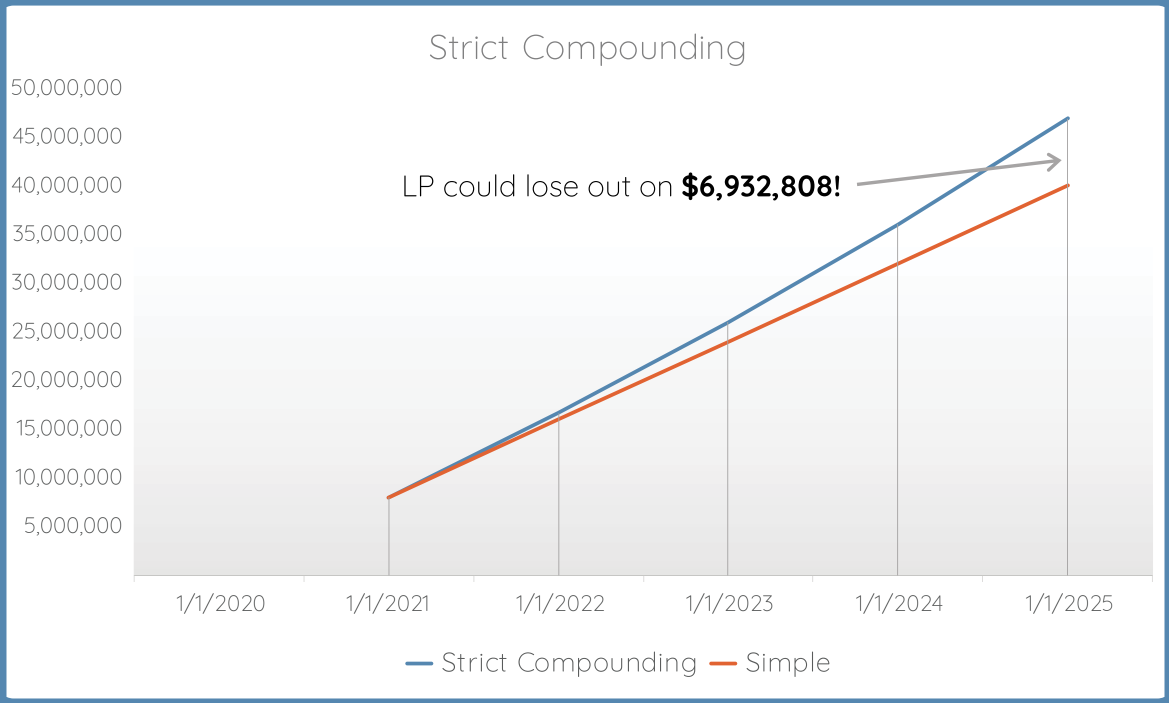
Example 1: Strict compounding error

Many funds use the so-called strict compounding method for preferred return calculation. It works as follows:

- During the year simple interest is calculated on the outstanding capital
- At year end the accumulated interest is added to the outstanding capital
- Next year the simple interest is calculated on this new bigger balance

We have frequently discovered examples where the accumulated interest is overlooked and not added at year end, which results in a lower preferred return, which in turn can hurt the investors.

The chart on the right shows the potential effect on a USD $100m fund.



Capital	100,000,000		
Preferred Return	8.0%		
	Strict Compounding	Simple	Difference
01/01/2020			
01/01/2021	8,000,000	8,000,000	0
01/01/2022	16,640,000	16,000,000	640,000
01/01/2023	25,971,200	24,000,000	1,971,200
01/01/2024	36,048,896	32,000,000	4,048,896
01/01/2025	46,932,808	40,000,000	6,932,808

Hybrid Calculations

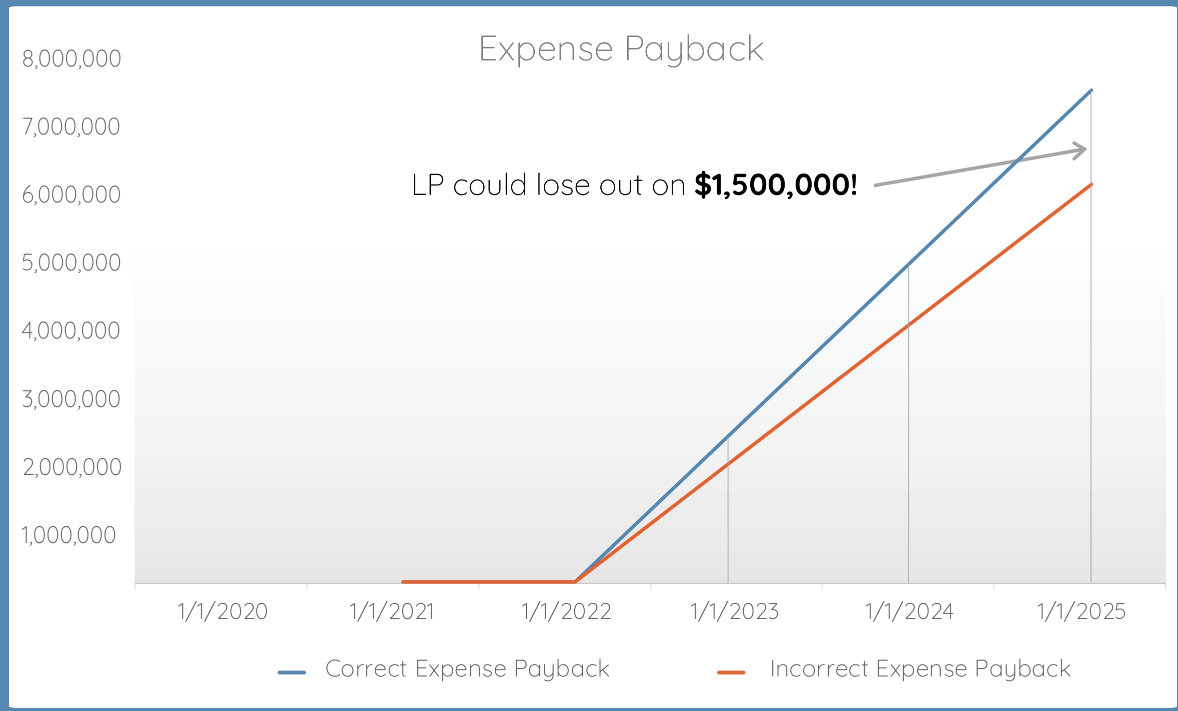
Example 2: Hybrid waterfall miscalculation

Hybrid waterfalls have a unique way of treating fund-level expenses in the distribution waterfall calculations. They let in only a portion of the expenses to the waterfall at each of the distributions.

Typically, this portion is not calculated the same way over the fund's lifetime. During the investment period they let in a portion that is realized investments divided by commitment, and thereafter a portion that is realized investments divided by all investments.

We have seen multiple examples when at the end of the investment period there was a failure to switch to the new calculation logic... which is to the detriment of the investors: they get back less capital and less preferred return than what they would be entitled to.

The chart on the right shows the potential effect on a USD $100m fund.



Expenses	10,000,000		
Commitment	100,000,000		
Total Calls	80,000,000		
Realization	25.00%	in each of year 3, year 4 and year 5	
	Correct Expense Payback	Incorrect Expense Payback	Difference
01/01/2020			-
01/01/2021	-	-	-
01/01/2022	-	-	-
01/01/2023	2,500,000	2,000,000	500,000
01/01/2024	5,000,000	4,000,000	1,000,000
01/01/2025	7,500,000	6,000,000	1,500,000

Mixing Terms

Example 3: Mixing IRR hurdle with continuous compounding discrepancy

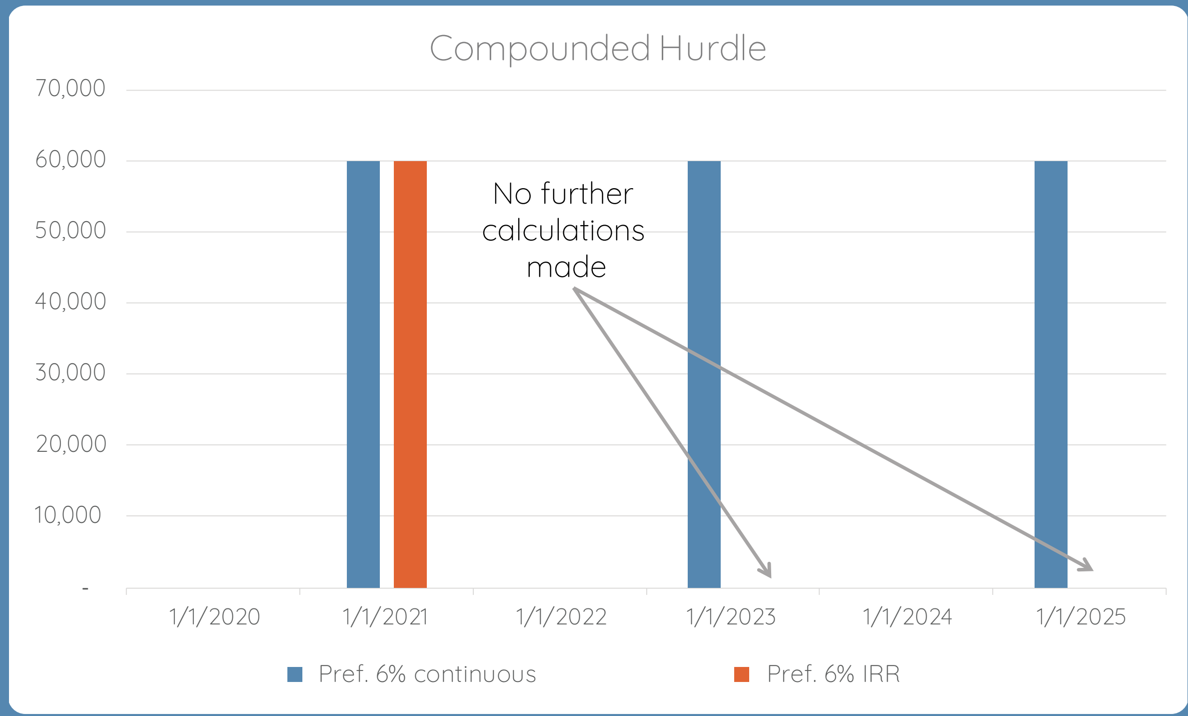
We have discovered instances of a hurdle step of 6% continuous compounding in the LPA, which means that any contribution to the fund involves calculating the 6%, but in the GP model it considered 6% IRR hurdle.

What is the issue?

As soon as the distributions to contributions reach the 6% internal rate of return, calculating pref often is stopped, even if further contributions are made in the future.

In continuous compounding, it doesn't matter what the internal rate of return is, every time there is a new contribution, 6% is calculated continuously.

The chart on the right shows the potential effect on a USD $1m fund.



							Pref. 6% continuous					Pref. 6% IRR
			RoC Diff.	RoC Outst.	RoC Paid	RoC Rem.	Pref Diff.	Pref Outst.	Pref Paid	Pref. Rem.	LP 80%	
01/01/2020	Capital Call	1,000,000	1,000,000	1,000,000	-	1,000,000		-	-	-	-	
01/01/2021	Distribution	1,200,000	-	1,000,000	1,000,000	-	60,000	60,000	60,000	-	112,000	60,000
01/01/2022	Capital Call	1,000,000	1,000,000	1,000,000	-	1,000,000	-	-	-	-	-	-
01/01/2023	Distribution	1,200,000	-	1,000,000	1,000,000	-	60,000	60,000	60,000	-	112,000	-
01/01/2024	Capital Call	1,000,000	1,000,000	1,000,000	-	1,000,000	-	-	-	-	-	-
01/01/2025	Distribution	1,200,000		1,000,000	1,000,000	-	60,000	60,000	60,000	-	112,000	-

qashqade LPA Validation

Using a blend of cutting-edge automated technology and an experienced team of industry experts, qashqade provide a tailored LPA Validation service for LPs globally. The result is increased transparency and management oversight of all your LP Agreements and terms.

Step 1: Legal Documents Analysis

- All legal documents which are relevant to the remuneration of the GP / Manager / Advisor of the Fund
- Latest ILPA/Financial Statement reported by the manager
- According to both performance fee and management fee structures, we request the variables which serve as the basis of calculation – a personalized checklist

Step 2: Full Data Analysis

- Investor Reports / Capital Account Statements: All reports since inception up until and inclusive of the calculation date
- Fund Reports: All fund reports since inception management reports and audited reports
- Performance Metrics (optional): TVPI • DPI • IRR

Step 3: Implementation/Report

- **Upload the CFs into client's environment – Waterfall setup**
- Waterfall and management fee structure created in qashqade
- All fund details in the system

- **Reports**
- LP Cockpit: All fund reports will be available in the platform stating where the data is from and what legal documents we received
- GP Overview

Step 4: Validation

- Presenting our findings: We will show our calculations in a personalised report
- If there are discrepancies higher than the tolerable rate, we will provide our recommendation
- Advisory (optional)

Ultimately qashqade's LPA Validation enables the reduction of risk of errors and compounded inaccuracies. As a result of using qashqade, LPs are able to validate LPAs themselves saving time and resources.

Sample Report

Get an immediate overview of the analysis results

FLORENTA RETIREMENT SYSTEM

AlpenPeak Infra Opps II L.P

Review Status: Strong

Summary

LPA Validation for AlpenPeak Infra Opps II, L.P. was reviewed from inception on November 24, 2016, through September 30, 2024.

The performance fee and management fee calculated based on the data provided do not correspond to the values reported by the manager.

The distribution waterfall follows a hybrid model and allows partial dispositions. The fund invested in a total of 11 deals, of which 8 have been realized to date. The GP is already entitled to carry. Nevertheless, the manager reported carry paid ITD that is 1.82% lower than the amount calculated by qashqade. Conversely, the unrealized performance fee is 3.36% higher.

A detailed analysis is provided below.

Key Terms

Inception Date	11/24/2016
Total Commitment	715'500'000.00
Client's commitment	120'000'000.00
Client's share	16.77%

Comparison Table

	Calculated	Extracted	Absolute Diff.	Relative Diff.
DPI	0.89	0.89	-0.00	0.31%
TVPI	1.71	1.71	0.00	0.08%
Gross IRR	11.89%	N/A		
Net IRR	10.53%	N/A		
Management Fee	10'470'296.55	10'512'357.00	42'060.45	0.40%
Performance Fee	11'850'055.46	11'993'462.00	143'406.54	1.21%
Performance Fee Realized	5'259'544.80	5'163'897.00	-95'647.80	1.82%
Performance Fee Unrealized	6'590'510.66	6'829'565.00	239'054.34	3.63%
Total Fees	22'320'352.01	22'505'819.00	185'466.99	0.83%

Sample Report

Have all the details of the evaluated fund collected and structured

FLORENTA RETIREMENT SYSTEM

AlpenPeak Infra Opps II L.P

Review Status: Strong

Logic

Waterfall Step Description	Term Reference
1 - Return of Capital	4.3. (b) (i) (A)
2 - Return of Fees & Costs	4.3. (b) (i) (B)
3 - Mgmt Fee on Commitment	5.9. (a) (i)
4 - Mgmt Fee on Fee Capital Base	5.9. (a)
5 - Preferred Return 8%	4.3. (b) (ii)
6 - Catch-up to 20%	4.3. (b) (iv)
7 - Carry Split (80/20)	4.3. (b) (v)

Characteristics

Investment Details

Client Name	FLORS
Gp Name	AlpenPeak GP
Asset Class	Infrastructure
Fund Currency	USD

Year-to-Year Comparison

	Last Year		This Year	
	Amount	% Comm	Amount	% Comm
Commitment	120'000'000.00	100.00%	120'000'000.00	100.00%
Unfunded commitment	-672'000.00	-0.56%	-672'000.00	-0.56%
ITD Capital Called	120'672'000.00	100.56%	120'672'000.00	100.56%
ITD Distribution to	107'736'000.00	89.78%	107'736'000.00	89.78%
Investor (Net) Act	102'476'455.20	85.40%	102'476'455.20	85.40%
Performance Fee Act	5'259'544.80	4.38%	5'259'544.80	4.38%
NAV to	0.00	0.00%	98'448'000.00	82.04%
Investor (Net) Val	0.00	0.00%	91'857'489.34	76.55%
Performance Fee Val	0.00	0.00%	6'590'510.66	5.49%

Data

	Received	Used
Transactions	83	81
Transactions Types	7	10
LPA terms	8	7

Sample Report

Profit from qashqade's experience reviewing your LPA

FLORENTA RETIREMENT SYSTEM

AlpenPeak Infra Opps II L.P

Review Status: Strong

LPA Validation

The LPA Validation for AlpenPeak Infra Opps II, L.P. covered the period from November 24, 2016, through September 30, 2024. The analysis focused on verifying the management and performance fee calculations and assessing consistency with the hybrid waterfall terms outlined in the LPA.

Under Section 4.3(b), the fund operates a hybrid realized waterfall that allows partial dispositions and deal-by-deal carry entitlement. The structure prioritizes the return of capital, recovery of fees and costs, and preferred return before applying the catch-up and the 80/20 carry split. This design enables carry distributions before full repayment of total contributions.

The dataset included portfolio-level contributions, distributions, and valuations. The fund invested in 11 deals, with 8 realizations completed. Total capital called reached USD 120.7 million (100.56%), while USD 107.7 million (89.78%) was distributed. qashqade reconstructed deal-level results following the logic defined in the LPA.

The calculated management fee totaled USD 10.47 million, differing by 0.40% from the manager's reported figure. The performance fee calculated at USD 11.85 million showed a 1.21% variance from the reported USD 11.99 million. Within this, the realized component was 1.82% lower, and the unrealized component was 3.63% higher than the manager's figures.

These discrepancies suggest potential timing differences, variations in fee-base definitions, or differing recognition of unrealized gains. Although the structure aligns with the LPA's intent, the observed deviations are meaningful enough to require further attention.

While qashqade's calculations aligns with the fund's governing terms, the fee differences identified indicate that certain assumptions or valuation treatments used by the GP diverge from the LPA. It is recommended that a deeper review be performed, focusing on the calculation bases, timing of accruals, and valuation methodology to ensure full compliance and consistency with the partnership agreement.

Sample Report

Profit from qashqade's experience reviewing your LPA

FLORENTA RETIREMENT SYSTEM

AlpenPeak Infra Opps II L.P

Review Status: Strong

Appendix

Documents received

Name	Date of Upload	Comments
AlpenPeak_fund_LPA_Redacted.pdf	21/10/2025 01:45:58 am	LPA Amended
EMG ADV Part 2A - Fees.pdf	21/10/2025 01:45:06 am	Fees and Compensation overview
Fee Description Qashqade Carry.rtf.docx	21/10/2025 01:45:11 am	LPA extract - Waterfall
Fee Description Qashqade.rtf.docx	21/10/2025 01:45:18 am	LPA extract - Management Fee
transactions_20251020_233141.csv	21/10/2025 01:25:48 am	The data was of type Transactions.It was used.

Disclaimer

In cases where the data delivered by the client is incomplete or does not match the required granularity as described in a Limited Partnership Agreement (LPA) for the calculation of, not conclusive, investment returns, fees, and expenses, qashqade and its partners cannot guarantee the usefulness of any calculation.

qashqade cannot be held liable for any failure or costs incurred in actions taken, legal or other, based on the presented calculation.

Case Study

Our client is a large European pension fund, investing in close to 100 funds diversified across a variety of GPs. The exposure to fee payments in these funds is considerable.

The Challenge

- Client previously relied on GPs to perform accurate waterfall calculations, with appropriate controls from relevant auditor.
- Pension fund was invested in ~100 alternative closed-end funds, each with potentially different LPAs requiring review and modeling.
- Large amounts of diverse data had to be normalized, run through models, and compared to GP numbers for accuracy.
- Ensuring fee calculations were correct required both industry expertise and advanced technology to replace manual, error-prone tasks.

The Solution

The solution had to consider 3 aspects:

Data	qashqade's team standardized the data and guided the client through accurate calculations and comparisons, making review across all investments simple and consistent.
Models	qashqade's platform, designed for scalable waterfall models, allowed the expert services team to efficiently build models for each investment or fund and run the data accurately.
Reporting	qashqade's collects and compares data from waterfall models against GP-provided figures, tracks LPA validation across investments, and delivers customizable reports for reliable outputs.

The Outcome

Execute without in-house burden

By leveraging qashqade, the client could perform detailed LPA-level reviews without needing to build in-house expertise or costly tools, allowing client teams to stay focused on core business activities.

Achieve standardized reporting

The reports provide a clear, standardized overview of all investments, in a comparable format making it easier to assess exposure and status across multiple funds.

Benchmark fees against standards

LPA-based calculations are compared with industry KPIs, giving the client confidence that fees and costs are aligned with expectations and contractual terms.

ID and resolve discrepancies

The reports highlight differences between expected and GP-reported values, enabling the client to quickly address potential miscalculations or misunderstandings with the GP.

On several occasions during the LPA validation project, the differences discovered by qashqade led to changes of the calculation with the GP and resulted in amounts being credited back to the client.

Powered by qashqade

Whether you manage $100m or $10bn, private markets demand more than gut feel or spreadsheet guesses. You need clarity on fees, terms, and outcomes.

qashqade gives LPs the tools to move from assumption to precision: validating what's written, understanding what's owed, and forecasting what's possible.

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