

Date: March 1, 2018  
From: The AltExchange Alliance Board  
To: AltExchange Members  
Re: Wind down of AltExchange Alliance

By way of background, in 2012, the AltExchange Alliance came together with a charter to define and maintain a set of common data standards for the private equity industry. Since that time, a variety of representative organizations from across the industry came together as AE members, led by a volunteer board representing limited partners, general partners, advisors and technology vendors. The Institutional Limited Partners Association (ILPA) has also been an active participant, joining the AE board in 2015.

Since its inception, AltExchange has worked on several important initiatives. This includes the development of key reporting templates, from robust partnership reporting and cash flow templates to one that contains critical portfolio company metrics. Most importantly, AE members have promoted the idea throughout the industry that standardized reporting in a digital format will ultimately lead to improved transparency, back office efficiency gains, improved portfolio management and reduced costs. This evolution is critical given the heightened importance of private equity as an investment strategy, in line with the need for institutional investors to better integrate their PE exposure into a portfolio risk management framework.

Although the AltExchange digital reporting format did not become an industry standard, AE's influence has contributed to significant change in the reporting landscape. AE members were involved in the creation and release of the ILPA reporting template (and others set to be released over the next year) and in the development of a variety of new reporting technology solutions that are now available to both general partners and limited partners.

Consequently, in the second half of 2017, the AE board commenced a strategic review of the organization in light of recent industry changes. This included the engagement of Leodoran Financial, which worked closely with the board to analyze the current market landscape and develop potential paths forward for the organization. Since the fall, there have been multiple board calls and discussions, taking into account Leodoran's observations on the market and operational alternatives for AltExchange to pursue in the future. The board assessed the viability of a sustainable funding model and questioned whether there was sufficient rationale for AE to continue in a role of socializing the implementation of standardized financial reporting. After much deliberation, the board determined that enough industry momentum had been established, supported by industry groups and commercial technology enterprises, such that AE's existence ceased to have the same need as was the case in 2012.

Therefore, the board has started the process of winding down AltExchange Alliance, which we hope to conclude in the next 30 days. We thank all AltExchange members for your financial support and industry promotion of standardized financial reporting. We are confident and comforted by the fact that the industry is heading in the right direction given the pace of recently adopted reporting standards as well as the rapid technological innovation that is quickly resolving the reporting inefficiencies that AltExchange attempted to address. We also look to industry groups such as ILPA, American Investment Council, and Invest Europe - not to mention the efforts of individual investment organizations - to continue to drive the adoption and implementation of uniform, robust financial reporting protocols for private equity in the future.

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