Weil Private Equity Sponsor Sync

STAY INFORMED.
STAY AHEAD.

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FROM THE EDITORS

"It's not personal, Sonny. It's strictly business." Anyone who's seen the Godfather knows that wasn't true for Michael in the movie, and readers of Sponsor Sync know real-world businesses are personal. Talented people and their relationships can create "human alpha" that makes a venture successful in a way assets alone never could. In this issue, we focus on the importance of human alpha inside private equity firms and their portfolio companies. We discuss trends in incentives across jurisdictions and explain how to structure incentives in professional services businesses so that those businesses retain their human alpha after an outside investment. Fitting to the theme, this issue also takes a personal view of human alpha with two spotlight interviews. We sit down with Jim Westra, the long-time general counsel of Advent International and former Weil partner, to discuss the philosophy that made him a respected leader in the industry. We also speak with Charles Buaron to hear about the values and relationships that led to the launch of rising sponsor Amstead Group.

In addition to the Human Alpha special feature, you will not want to miss new insights on rep and warranty insurance in GP-led secondaries from Atlantic Global Risk, an introduction to the benefits and risk of agentic AI, and the "3Rs" of preferred equity that might save an investment from disaster in a downside scenario. Add a cautionary tale of purchase price adjustments gone wrong, innovative trends in European fund economics and a Glenn West musing on a corporate existential crisis, and there is still even more to see in this issue of Sponsor Sync. As always - Stay Informed. Stay Ahead. 2025 ain't over yet.

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SPECIAL ISSUE

The Human Alpha

LETTER FROM THE EDITORS

When returns ride on people, process beats plant and equipment. The Human Alpha issue-within-an-issue maps how investors underwrite, protect, and scale people-powered platforms – from GP stakes, to accounting partnerships, advisory roll-ups, and other businesses where talent is the moat. This mini-issue focuses on firms where expertise, culture, and client trust drive cash flows. We unpack the structures that keep stars in seats, and nuances to these transactions that drive the game.

WEIL U.S. LOAN TRACKER
Q3'25

- **S + 317** Average First-Lien Broadly Syndicated Spread for Single B Rated Borrowers (down 27 bps from Q2)
- **S + 366** Average First-Lien Broadly Syndicated Spread for B-Minus Rated Borrowers (down 33 bps from Q2)
- **$25.9 billion** **YTD** Volume of Refinancings of U.S. Private Credit Loans into Syndicated Loan Market
- **$441 billion** **YTD** Volume of Repricings of U.S. Leveraged Loans

WEIL U.S. BOND TRACKER
Q3'25

- **T + 259** Average spread at issuance for US high-yield, **unsecured** bonds in Sept. (down from 2024)
- **T + 350** Average spread at issuance for US high-yield, **secured** bonds in Sept. (up from 2024)
- **$48.3 billion** **YTD** Volume of Refinancings of U.S. institutional and pro rata loans into HY bonds (down from 2024)
- **$93.29 billion** **YTD** Volume of Refinancings of U.S. HY Bonds (up from 2024)

LEVERAGED FINANCE MARKET UPDATE


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SMART SUMMARY

- After Q2'25 disruption, the leveraged loan market rebounded in Q3'25 culminating in the highest quarterly total for syndicated loan activity in Q3'25.
- Refinancings, repricings and extensions lead the leveraged loan market, with new money issuance remaining at low levels.
- The high-yield bond market continued to set new records in Q3'25, with the highest quarterly volume since Q2'21, the busiest September ever and the third highest monthly volume on record.

Q2'2025 Recap

The U.S. leveraged loan market rebounded slightly in the latter half Q2'25 after a sharp drop in early April while the U.S. high-yield bond market made a rapid recovery in May and June. For 15 consecutive days in April, no broadly syndicated loan transactions launched in the United States, representing the longest period of inactivity since early 2020.[1] However, by the end of Q2'25, leveraged loan prices were up 80 bps and June marked a 4-month high for total issuance with $73.5 billion recorded.[2] Similarly, the high-yield bond market started Q2'25 with the lowest month of issuance since 2008 in April – representing about a third of the issuance in Q2'24 – but was able to end the quarter with the busiest June since 2021.[3] Despite this, year-to-date issuance of leveraged loans and high-yield bonds still trailed Q2'24 by 23% and 11%, respectively, and total loan volume for Q2'25 was just $113 billion, the lowest since Q4'23, and total high-yield bond volume was $25.5 billion, about half of the Q2'24 volume.[4]

Both sponsor-backed and corporate M&A transactions declined in Q2'25 from the levels we saw in Q1'25.[5] However, LBO volume for Q2'25 was still 24% higher than in Q2'24. June and July sparked increased loan repricing activity. After only a single repricing transaction in April, 29 followed in June.[6] Notably, the Q2'25 repricing group had a higher overall credit quality than those who repriced in Q1'25.[7]

U.S. Leveraged Loan and High-Yield Bond Markets

From Freeze to Frenzy: Leveraged Loans Rebound Over Q3'25

When trade policy suddenly took center stage in April with the so-called "Liberation Day" tariff package, risk markets were jolted, leaving investors sitting on hung deals.[8] New supply dried up and borrowers hit pause on refinancing plans as the market digested the policy uncertainty.[9]

By July, activity was rebounding. Investors and issuers were focused on rebuilding confidence after the April tariff shock and loan prices continued to rise, reflecting renewed optimism.[10] Companies and sponsors moved quickly to refinance existing debt and reduce funding costs, leading to a surge in primary activity.[11] July became a record month for broadly syndicated leveraged loans, with $224 billion in primary issuance – including $30.4 billion in refinancing alone.[12] By mid-month, more than half of outstanding loans were trading at or above par, underscoring the strength of market sentiment.[13]

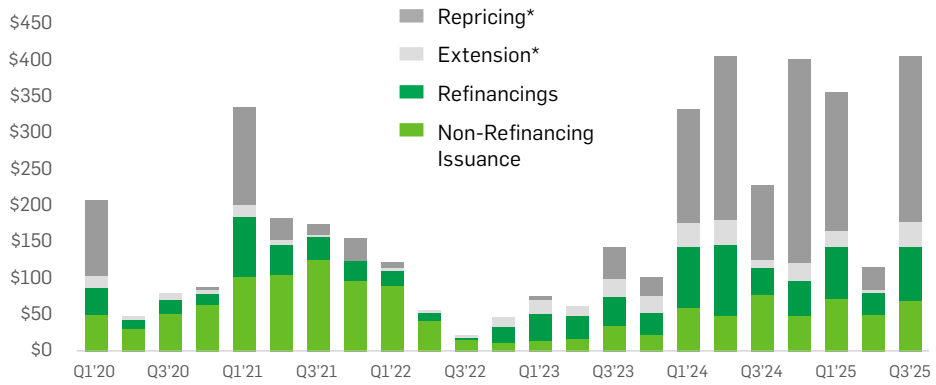
This refinancing wave drove a spike in repayment activity as borrowers shifted out of more expensive private credit into a more favorable syndicated market.[14] August followed with a moderation in pace but not in strength: primary issuance declined to $52 billion from July's record $224 billion, yet it still marked the busiest August on record.[15] August was marked by a surge in refinancing activity, with 82% of Q3'25 activity resulting from repricings, extensions and refinancings.[16]

Beyond repricings, new issuance also picked up. August saw $14 billion in non-refinancing deals – the highest for any August since 2017[17], pointing to renewed appetite for expansion and M&A-driven financing. By the end of Q3'25, M&A activity has further improved, totaling $114 billion year to date and up 15% year over year.[18]

Meanwhile, secondary loan prices, which had been shaky in Q2'25, held firm through the summer, further reinforcing the market's recovery and investor confidence.[19] Reflecting this confidence, by the end of July, 47% of loans were priced at par or above.[20] Dividend recapitalizations are also expected to remain active this year as sponsors take advantage of borrower-friendly conditions to extract value and realize partial exits from portfolio companies.[21]

On September 17, the Federal Reserve lowered the funds-rate target by 25 bps (to 4.00–4.25%), an anticipated easing after nearly two years of holding steady.[22] The implications are nuanced: lower base rates reduce overall borrowing costs, which adds momentum to repricing and refinancing activity. However, while spreads on new issues have tightened, the rate cut also reduces the all-in coupon investors receive, and if the Fed continues to ease, nominal yields could fall further.[23] With base rates drifting lower and spreads already compressed, future loan returns will increasingly depend on whether spreads widen enough to offset lost carry. As we head into Q4, both investors and issuers in the U.S. loan market will be focused on extending the post-April rally, recovering ground lost earlier in Q2'25 and navigating the shift to a lower-rate environment.

U.S. Institutional Loan Activity ($B)



*Source: Pitchbook | LCD – Data through Sept. 30, 2025 | *Reflects repricings and extensions done via an amendment process only*

Record Setting Continues in the High-Yield Bond Market

The high-yield bond market ended Q3'25 with a volume of $118 billion, the highest mark since Q2'21 when $137 billion cleared amid record-low

funding costs, which marks a furious comeback after a 17-year low in April.[24] In September alone, $55.3 billion of high-yield notes were issued – the busiest September ever and the third highest monthly total on record.[25] Further, global high-yield bond issuances had the busiest Q3 on record with issuances soaring to $158.1 billion in Q3'25 up from $121.8 billion in Q2'25.[26] The global high-yield bond market, as we've been predicting throughout 2025, continued to see increased levels of "reverse Yankee" deals – where U.S. issuers raise money in the euro-dominated bond markets – with $26.5 billion issued in Q3'25 (up from $13.9 billion in Q3'24), bringing the total issuances year-to-date as of September 30th to $108.7 billion (up from $83.1 billion in 2024).[27]

As of the end of Q3'25, approximately 6% of the high-yield bonds issued year-to-date – or $14.3 billion – were for dividend recapitalization transactions, the highest of all annual shares since 2013, with the combined leveraged loans and high-yield bonds issued for such purpose sitting at $76.5 billion – not far from the peak total of $78 billion in 2021.[28] However, as of the end of Q3'25 refinancings have constituted nearly 73% of all high-yield bonds issued this year – higher than the 70% at this point in 2024 and a high since recession-era 2009 when 75.5% of the bonds issued were for refinancing purposes.[29]

As we predicted last quarter, an uptick in high-yield bond issuances continued into Q3'25. As of September 30, total high-yield bond issuance year-to-date in the United States reached $263 billion, up 12% from the same period in 2024, representing a furious comeback from the year-to-date issuances as of April 2025, which trailed 2024's pace by 10%.[30] Despite the resurgence of high-yield bond issuances during Q3'25, issuers rated triple-C or lower continued to only represent approximately 2% of high-yield bonds issued in 2025 – half of the 2024 share and significantly lower than the 16% cleared with triple-C ratings in 2022 and 10% in 2021.[31]

M&A Activity Shows Signs of Heating Up

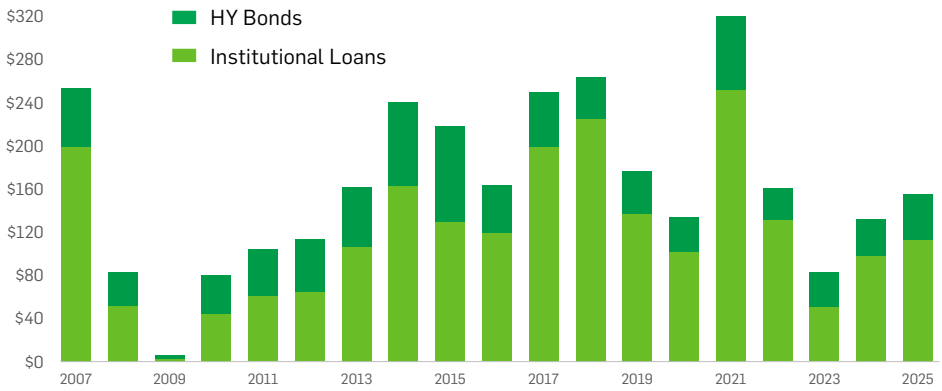
M&A leveraged loan activity slowly picked up during Q3'25 as pipelines were still recovering from Q2'25 disruptions.[32] By the end of Q3'25, M&A issuance of leveraged loans had risen 8% since Q2'25, though volume was still 28% less than in Q3'24.[33] However, year-to-date high-yield bonds issued for M&A and LBOs was $42 billion – the most since $77.8 billion were issued to back acquisition in 2021 – bringing the leveraged financing issued for acquisitions (including both leveraged loans and high-yield bonds) to $156 billion year-to-date, a three year high.[34] Though new issuance to support M&A has yet to reach a peak, the stabilization of market conditions in recent months has led to a gradual rebound, with an uptick in repayments driven by corporate M&A transactions.[35]

APAC Leveraged Loan and High Yield Market

As of mid-2025, the APAC leveraged finance market continues to be impacted by a reduced number of new money financings due to the low levels of M&A and private equity activity in 2023, 2024 and 2025. Therefore, loan volume in the Asia-Pacific region has continued to see a slowdown compared to other global markets with APAC loan volume down 20% year-on-year, in contrast to growth in the Americas and EMEA regions.[36]

There were however some bright spots through Q3 as private equity activity increased across the region and is likely to drive future loan issuance, particularly in markets like Japan, India and Australasia as we move into Q4. Furthermore, the continued growth of private credit with

M&A/LBO Leveraged Finance Volume, YTD ($B)



Source: Pitchbook | LCD – Data through Sept. 30, 2025

ever more compelling solutions for the unique nature of APAC markets has created greater competition in the region between syndicated loan markets and direct lenders. In fact, private credit AUM targeting APAC has outpaced other regions in the last few years, growing at 19.5% from 2020 to 2023 compared with the global average, and notwithstanding that investor sentiment has fluctuated in 2024 and 2025, the longer-term trend appears to show meaningful commitment to APAC allocation.[37]

High yield issuance in APAC has been marked by a recovery in 2025 and overall financing volumes are steady as the market is rebalancing away from the historically dominant Chinese real estate sector towards greater diversification.[38] Similar to other markets that faced prolonged periods of distress and oversold conditions, the Asian high yield market has made a remarkable recovery, returning a robust +15.2% in US dollar terms so far in 2025.[39] This significant improvement is attributed to both a more diversified market structure, reduced dependence on any single sector (particularly Chinese real estate) as well as what appears to be the end of the Asian default cycle, providing a more stable environment for investors.

Q4'25 Outlook

If the global trade landscape becomes clearer, volatility may ease, making way for a more reliable new issue market and normalized pricing behavior. Tariffs themselves may not be the core issue as borrowers and lenders can adapt and price accordingly, but uncertainty must recede for investor confidence to return, even if spreads stay elevated. Bond issuances are expected to slow down as we move into Q4'25, as is typical but intensified. Additionally, as predicted last quarter, we anticipate that most issuers will finance any M&A transactions entered into in Q4'25 in 2026 (rather than the remainder of 2025).

The continued diversification away from Chinese real estate, coupled with strong investor demand for private credit and improved high-yield fundamentals, provides a constructive outlook for the broader Asian credit market. After several subdued years, analysts anticipate a rebound in debt-financed merger and acquisition (M&A) activity in the latter half of 2025, driven by easing interest rates, and default rates are expected to remain low in Asia high yield (excluding real estate). In addition, Asia sponsors and issuers continue to take proactive early measures to refinance upcoming debt maturities or securing bank facilities to refinance them. As such, market sentiment is that default rates outside of the real estate sector will remain low for the rest of 2025.

However the region will continue to encounter challenges in light of the ongoing geopolitical risks, trade policy volatility, and sector-specific pressures (such as lingering issues in real estate) which could still impact market sentiment and pricing. Analysts highlight the importance of strong risk management and selective credit underwriting as key strategies for navigating the market, given the potential for higher performance dispersion among lower-quality borrowers.

In the leveraged loan and M&A market, the Federal Reserve's rate cut in September may further boost new issuance and buyout activity by reducing borrowing costs. Lower rates enable private equity firms to increase leverage, decreasing the equity capital they need to deploy for acquisitions. So far, high capital costs and a valuation gap between buyers and sellers have kept M&A and buyout activity muted in 2025, but easing financial conditions could help narrow this divide and spur more deals in Q4'25.[40]

While historically government shutdowns generally have had little to no impact on capital markets, some speculate that this shutdown may have different impacts.[41] Currently, US corporate bonds are trading at their highest valuations in decades with bond spreads near their tightest in decades and rallying leveraged loans, which some suggest is a result of government dysfunction and rising risk for US Treasuries along with strong demand for company debt.[42] However, some companies have not seen strong demand and are facing challenges raising money in light of debt investors' growing concerns that artificial intelligence poses a risk that such companies will become obsolete.[43]

PURCHASE PRICE ADJUSTMENTS GONE WRONG

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Introduction

An acquisition agreement's purchase price adjustment – where lawyers pretend to be accountants and accountants pretend to be lawyers – is a potential minefield of unpleasant surprises. Readers of Sponsor Sync will be familiar with a certain dispute involving a West Coast-based grocery store chain.[1] In this article, we turn our attention to another cautionary tale, this time involving a Bitcoin mining operator.[2]

Adjustments Gone Wrong

The relevant dispute in *Northern Data* turned on whether $22,490,956 of payments the target received should have been recognized as deferred revenue as of closing. Sellers did not recognize the disputed payments as such, and they received closing consideration of $52,812,202 for the target. Following the closing, buyer took the opposite view, recognizing the full amount as deferred revenue, which increased closing indebtedness by $22,490,956, decreasing deal consideration accordingly. The parties submitted the dispute to an accounting expert.

The acquisition agreement required the accounting expert to resolve this issue "in accordance with GAAP, in a manner in accordance and consistent with the [company's historical practices reflected in an] Illustrative Closing Statement and pursuant to the terms of the [SPA]". The accounting expert found in buyer's favor, and sellers initiated the *Northern Data* litigation to vacate the expert's determination. Sellers argued that the expert considered GAAP, ignoring the target's historical practices for recording revenue as reflected in the Illustrative Closing Statement. In ruling in favor of buyer, the court found that the foregoing language creates a hierarchy: the accounting expert's determination must first be in accordance with GAAP, but if GAAP allows for multiple approaches, then they must choose the one consistent with the Illustrative Closing Statement. The court held that GAAP required the payments to be recorded as deferred revenue, resulting in a ~40% decrease in the consideration payable to the sellers.

Best Practices

This case, and others like it, illustrate some key practice points to help avoid a purchase price adjustment dispute:

- **Process, process and process again.** Work closely with accountants and financial advisors at all times throughout purchase agreement negotiation and drafting. Align in advance on process

timeline, especially in fast-moving transactions, to permit advisors time to review drafts of the relevant provisions.

- **A detailed model of the EV-to-equity bridge is key.** Some definitional components of a purchase price calculation may leave room for interpretation[3] – a detailed model forces deal teams and financial advisors to wrestle with the language in the contract leading to a better process.
- If the parties differ in level of sophistication, **consider including a detailed sample calculation marrying each line item to its purchase price definition** as an exhibit to the purchase agreement. But be clear about whether the exhibit is binding or included for illustrative purposes only.[4]
- **Attend to how accounting metrics used to calculate and adjust final purchase price are defined.** Do not let a representation about the target's historical accounting excuse you from doing your diligence.[5] The remedy for a breach of reps may not sufficiently cover the difference in purchase price resulting from a misunderstanding.
- **Finally, consider a cap on any post-closing purchase price adjustments,** especially in transactions where multiple interpretations of an accounting concept could materially impact purchase price. Based on our proprietary DealVision360 database, the number of deals that use such caps is significant (39.6% of tracked deals), offering both sides certainty that their respective exposure will be capped.

We hope that by following our recommendations, and those in prior Sponsor Sync articles, deal parties can establish a robust process that minimizes surprises and allows parties to achieve the economic outcomes they bargained for.

SPACs ARE BACK

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SPACs are staging a notable comeback, with serial sponsors and boutique underwriters leading the charge. Notably, the so-called "SPAC 4.0" generation vehicles are moving faster than ever – with IPO filings to listings in about a month and business combination timelines targeting much shorter timelines. However, that speed could come at a cost, as sponsors, under pressure to close deals before deadlines and in a competitive environment, may accept less favorable terms to secure the back-end mergers.

AI AGENTS: UNIQUE RISKS TO CONSIDER, EFFICIENCIES TO CAPTURE

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SMART SUMMARY

- Agentic AI opens up new paths for efficiency gains, but it also introduces unique and heightened privacy and data protection concerns.
- Interested private equity firms should recognize the regulatory and cyber implications up front, pilot the right use cases, and embed agentic AI into operations in a controlled, auditable way.

As artificial intelligence ("AI") accelerates, a new class of tools is entering the fray: *AI agents* – systems that don't just respond to prompts the way large language models ("LLMs") such as OpenAI's ChatGPT and Anthropic's Claude do, but can independently interact with third-party systems (often through Application Programming Interface ("APIs")) and execute multi-step tasks to achieve user-defined goals.[1] AI agents are designed to solve problems without the need for human oversight or prompting and are akin to personal assistants.

How Can Agents be Utilized to Save Time and Money?

There's significant opportunity emerging through agentic AI, such as increased efficiency and productivity, scalability of task automation, improved decision-making, and long-term cost savings. Private equity firms, in particular, are often resource-constrained but workflow-heavy, with repetitive tasks that can benefit from automation.

Here's where AI agents can help:

- **Deal Sourcing & Screening:** Agents can monitor databases, scan news feeds, and flag emerging acquisition targets that match specific investment criteria.
- **Diligence Support:** Agents can extract key terms from NDAs, LOIs, and financial statements and compare data across documents (e.g., EBITDA discrepancies, etc.)
- **Investor Reporting & Communications:** Agents can manage investor FAQ repositories, draft LP update templates and quarterly updates, or track fund compliance deliverables.
- **Internal Operations & Workflow Automation:** Agents can manage HR onboarding tasks, invoice processing, and manage scheduling. They can also auto-generate notes, emails, financial data, and can schedule follow-ups or assign action items.

What Makes AI Agents Riskier Than Traditional LLMs?[2]

Because AI agents have the capacity to act with much greater independence and to access significantly more data from a more diverse set of data stores and sources, they present

distinct risks from those posed by traditional LLMs.

Unlike LLMs that respond to discrete queries, AI agents often connect directly to various internal and external systems, such as email servers, file repositories, customer databases, and enterprise tools. These integrations and interactions increase the potential cyberattack surface, as vulnerabilities in any integrated system may be exploited to compromise the agent or its host environment.

Because AI agents may autonomously take actions (e.g., send emails, modify databases, initiate transactions) in pursuit of a user's directive, they pose a greater risk of accessing or disclosing personal information and other confidential or proprietary data in ways that the user did not anticipate or desire. This could run afoul of privacy laws such as the General Data Protection Regulation (GDPR) and U.S. state consumer privacy laws, which are premised on concepts such as transparency, consent, and data minimization and purpose limitation.

These risks can be compounded by the fact that many AI agents' decision-making processes are somewhat of a "black box" – meaning, they're difficult for users to understand or explain - as many agents lack built-in tools for detailed logging, versioning, or audit trails.[3] Even when AI models are built to show their "chain of thought" (i.e., how they came to a conclusion), many models do not accurately reflect on their own reasoning.

Conclusion

AI agents aren't just a tech trend – they're a strategic inflection point. Despite the risks, there is significant upside for private equity firms that utilize agentic AI. Private equity firms that treat them with caution, but also creativity, stand to gain measurable advantages in speed, scalability, and insight. In a market where agility is everything, smart deployment of AI agents could be the edge that propels a firm past its peers.

For more about AI must-haves, like AI acceptable use policies and vendor management best practices, our team is here to help.

CYBERSECURITY CHECKUP FOR SPONSORS AND PORTCOS

Preparation for cyber attacks is critical for sponsors and portfolio companies alike, both to mitigate the impact of an event and to limit exposure to associated litigation and regulatory action.

PEOPLE & GOVERNANCE

- **Dedicated security personnel** (Chief Information Security Officer, SecOps Engineer, Privacy Officer, etc.)
- **Board cybersecurity advisory committee** (may be an audit committee function)
- **Management cyber readiness team and/or IT steering group** (CTO, CFO, IT leads)
- **Annual security awareness training & periodic testing** (for employees, management, board)

INTERNAL CONTROLS

- **Data backup strategy & business continuity plan**
- **Data security policy**
- **Data retention policy**
- **Incident response plan & regular tabletop testing**
- **Access controls** (endpoint security software, multi-factor authentication, anti-phishing email filters, etc.)
- **Customer contract management** (track cyber obligations & compliance)

THIRD-PARTY SUPPORT

- **Managed security provider**
- **Legal & cyber advisors**
- **Regular penetration testing & annual security audits**
- **Cyber insurance** (target ~$5M minimum coverage)
- **Vendor diligence & management**

DID YOU KNOW? INSURANCE SOLUTIONS IN GP-LED SECONDARIES

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ATLANTIC

In light of a slower environment for traditional exits (IPOs, strategic sales, etc.), GPs continue to explore and execute on innovative deal structures in order to balance liquidity needs with strong returns. GP-led secondary transactions are now a key tool in balancing these needs, whether through traditional continuation vehicles or hybrid approaches. One such hybrid approach gaining popularity in 2025 is one in which: (i) a sponsor sells part of its stake in an existing portfolio company to a new fund, (ii) the remainder of its stake is sold to a third-party (often a peer PE fund), and (iii) management rolls a significant equity portion into the go-forward company.

This structure offers partial liquidity, continued exposure to high-performing assets, and strategic alignment between parties with potentially fewer LPAC considerations than a traditional CV.

However, all traditional and hybrid CV transactions introduce new complexities for GPs and investors looking to further align incentives and interests via the use of representations and warranties insurance (RWI) policies. Traditional RWI policies often fall short in addressing the nuances of multi-party transactions, and in early iterations of RWI on GP-led secondaries, representations and warranties were typically "knowledge" qualified, and policies would not scrape that qualification (therefore in practice making breaches and recovery exceedingly rare). The market, led by Atlantic, has responded by tailoring RWI coverage to meet these evolving needs, offering:

- Full coverage for each investor with knowledge exclusions limited to each relevant investor (without imputing knowledge between them);
- Non pro-rated recovery rights (which are otherwise common for minority deals and/or deals with significant rollover) in the event of a claim, neither for a buyer loss nor company loss;
- "Knowledge scrapes" whereby seller knowledge qualifications for certain representations (for example the company financial statements representation on a single asset CV) are deemed deleted for purposes of the policy, significantly enhancing coverage while not requiring transaction agreements to move from customary positions; and
- A clean exit for the selling fund and fresh representations for the acquiring fund and its investors, with policy limits reflecting current valuations.

As these structures gain traction, insurers are adapting, but only a few currently offer the necessary flexibility if negotiated at the outset of an RWI process. For clients considering such transactions, engaging early with specialized insurance advisors can be key to optimizing coverage and mitigating risk.

THE "3Rs" OF PREFERRED EQUITY

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3R

SMART SUMMARY

- Depending on how preferred equity instruments are drafted, in a US chapter 11 case, preferred equity may be treated as "pari passu" with common equity.
- Incorporating the "3Rs" at the time of the initial investment can avoid any surprises in a downside scenario.

Background

Much ink has been spilled (including in recent *Sponsor Sync* issues) about the continued ascent of the "liability management exercise." Each headlining-grabbing LME results in incrementally more sophisticated and tighter credit documents, which usually restrict distressed companies from incurring additional debt when a balance sheet crosses a set leverage threshold. Those companies (and their sponsors) still need capital, which, together with an onerous interest rate environment, has resulted in a recent uptick in preferred equity issuances.

However, in a U.S. chapter 11 case much of the preferred equity currently in the market may not actually be "preferred" at all. Imagine a scenario where value clears a company's debt, value is available for equity, and a bankruptcy court could find that preferred equity holders are ***not*** entitled to a bargained-for liquidation preference, redemption price, or even the face value of their investment. Taking it a step further, what if that court could treat preferred and common holders *pari passu*, with each group receiving different forms of currency under a chapter 11 plan.

We think this scenario is not only possible but likely for much of the preferred equity currently in the market. Regardless, like many issues we write about in *Sponsor Sync*, proper advice and drafting cures all ails.

Chapter 11 Primer

The Bankruptcy Code has different standards for "cramming down" a chapter plan over the dissent of holders of claims and equity interests. With respect to equity interests, section 1129(b)(2)(C) of the Bankruptcy Code requires a chapter 11 plan to provide that either (a) impaired, dissenting equity holders will receive the greatest of (i) any fixed liquidation preference ***to which such holder is entitled***, (ii) any fixed redemption price ***to which such holder is entitled*** or (iii) the value of their interests or (b) that no holder of a junior interest will recover any property under the plan. If that requirement is met (along with other technical ones), a plan can be confirmed over the dissent of preferred equity holders.

Potemkin Preference

Many people assume this section necessarily protects a preferred equity holder's senior status in chapter 11. Potentially not so! Under this statute, a preferred equity holder will only receive the benefit of a liquidation preference, fixed redemption price, and/or priority "waterfall" included in its preferred equity instrument if the transactions contemplated by a chapter 11 plan ***actually "entitle"*** such holder to the benefit of those provisions.

For example, many liquidation preference and waterfall provisions are triggered upon liquidation, winding-up, or dissolution of an issuer. If, however, an issuer's enterprise value clears its debt, "liquidation" and "dissolution" are probably not the result of the issuer's chapter 11 case. The plan likely effectuates a ***restructuring***, ***reorganization***, or ***recapitalization*** – the "3Rs." The "preferred" holder in this situation with the "typical" language in its instrument may not ***actually be entitled*** to senior treatment ahead of common equity because the plan does not contemplate a liquidation, winding-up, or dissolution.

Even if the parties originally intended such a transaction to result in a preference for the holder, a court may not consider arguments about the parties' original intent but rather simply read the words on the page. In other words, the "preference" is Potemkin – a façade with nothing behind it.

Words Matter

Carefully drafted provisions should ensure that preferred holders recover ahead of common in chapter 11 cases – assuming that is the intent. Alternatively, potential gaps in preferred equity instruments may offer strategic opportunities to issuers and common equity holders. Indeed, an enterprising sponsor may see the above as a boon; an opportunity to receive a recovery in chapter 11 when common equity may not be entitled to a recovery outside of chapter 11. Either way, the issues are nuanced and should be addressed with thoughtful legal advice from experienced counsel.

STALL NO MORE – IMPLEMENTING REG S-P AMENDMENTS


Chris Mulligan
Partner
Private Funds


Christopher Scully
Partner
Private Funds


David Wohl
Partner
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In a year marked by a change in administration, the formal withdrawal of proposed rules and the extension of compliance dates for certain adopted rules, many hoped that the amendments to Regulation S-P (**"Reg S-P"**) would follow suit. Unfortunately, at this point, that looks to not be the case and many fund sponsors are preparing for implementation.

New Requirements.

In May 2024, the SEC adopted amendments to Reg S-P, which regulates how certain financial institutions handle nonpublic personal information about consumers. Among other things, these amendments require SEC registered investment advisers with $1.5 billion or more in assets under management to take several steps, including (i) developing and implementing an incident response program to detect, respond to, and recover from unauthorized access to or use of customer information and (ii) providing timely notifications to individuals affected by such unauthorized access.

What this means for advisers.

Covered advisers are required to comply with the amendments by **December 3, 2025**, which is quickly approaching. Coming into compliance generally requires a review of an adviser's current compliance program to determine whether the firm's incident response plan is sufficient for these purposes (early findings suggest that most RIA compliance programs are insufficient on this front), building out any needed additional policies and procedures, and conducting trainings for firm employees.

Next steps.

Given that many compliance programs reviewed to date have required significant updating, advisers are urged to begin this process as soon as they are able. Please feel free to reach out to your regular Weil team member if you have any questions or need any assistance with this matter as our private funds group and privacy and cybersecurity group have been assisting clients prepare for the upcoming deadline.

ASSET MANAGEMENT CORNER

With **Andrew Dean** and **Chris Mulligan**

Andrew Dean
Partner, White Collar Defense, Regulatory & Investigations
Former Co-Chief of the SEC Enforcement Division's Asset Management Unit

Chris Mulligan
Partner, Private Funds and SEC Investment Adviser Examinations
Former SEC Senior Advisor and Co-Coordinator, Private Funds Specialized Working Group

Listen to the latest episode of the Asset Management Corner podcast, hosted by Andrew Dean and Chris Mulligan.

In this episode of Asset Management Corner, Andrew Dean and Chris Mulligan discuss how the federal government shutdown impacts the SEC, even if it is short lived, and how we did not see the SEC bring the typical flurry of enforcement actions at the end of its fiscal year.

Listen to a preview below and enjoy the full episode:
https://lnkd.in/e6UZT5i4

Apple Podcasts: https://lnkd.in/ejmnrErz

Spotify: https://lnkd.in/e5eWVJKT

EXCEPTIONAL ALIGNMENT: RETHINKING FUND ECONOMICS IN EUROPEAN PRIVATE EQUITY

James Bromley
Co-Head Private Funds
London

Nick Roxburgh
Counsel, Private Funds
London

SMART SUMMARY

The European PE fund landscape is experiencing a shift in carried interest waterfall structures away from the traditional single-tiered, whole-of-fund structures. From premium carried interest to deal-by-deal and hybrid waterfalls (either baked in or "on the menu"), there is a proliferation of innovative structures in the market. In this note, we highlight current trends, the justifications behind them and key practical considerations for managers contemplating such an alternative approach.

Current Trends: Flexibility and Divergence

Across the European market, there is a visible increase in structural innovation at all levels. We are seeing a wide array of structures in practice, including structures with some (or a combination) of the following features:

- **Hybrid models:** blending whole-of-fund and deal-by-deal elements.
- **Lower preferred return thresholds:** often combined with US-style waterfalls.
- **Premium or tiered/ratcheted carry:** linked to performance in excess of "normal" target returns.
- **LP optionality:** giving LPs a choice between standard and alternate terms.

Recent Market Examples

INCENTIVE STRUCTURE	FEATURES
Hybrid – Tiered	10% carry on a US waterfall basis with 8% hurdle, followed by 20% carry on a whole-of-fund basis with 8% hurdle. Maximum carry payable overall is 20% carry on a whole-of-fund basis.
Hybrid - Parallel	70% of proceeds are run through a whole-of-fund waterfall, with 30% of proceeds run through a parallel US waterfall. 8% hurdle.
US Waterfall / Lower Preferred Return	20% carry on a US waterfall basis with 6% hurdle.
US Waterfall	20% carry on a US waterfall basis with 8% hurdle.
LP Optionality	LPs can choose between (i) standard 20% carry on a whole-of-fund basis with 8% hurdle or (ii) 10% carry on a "pure deal by deal" waterfall with 8% hurdle.
Premium Carry / US Waterfall	20% carry on a US waterfall basis with 8% hurdle, plus a ratchet to 25% carry once the fund hits 2x MOIC and 20% net IRR.

What are the Justifications for Alternate Economics?

Incentivisation and Alignment. Carry waterfall structures with greater upside for outperformance, or where carry is distributable earlier, are highly attractive to executives and members of the investment team. These structures can be an important tool in **attracting and retaining top-tier investment professionals**, particularly in an industry with fierce competition for top talent. And ultimately, effective incentivisation of the team is fundamental to alignment with LPs.

The current macroeconomic environment of **long hold periods and low DPI ratios** has made this incentivisation argument even more potent for waterfall structures which incorporate deal-by-deal elements where early exits generate a portion of carried interest and reduce the wait time without increasing the overall quantum ultimately paid.

For **emerging managers**, deal-by-deal elements can be justified on the basis that these managers will often be competing for talent with European-style carry competitors who are able to offer carry in more mature predecessor funds, and these deal-by-deal elements can allow emerging managers to stay competitive. Earlier distributions can be vital in allowing emerging managers to build out and meet their working capital needs and "house" funding requirements in successor vintages.

For top-quartile fund managers, favourable supply-demand dynamics can give greater latitude to propose bespoke terms on the basis of incentivising deal team outperformance, which aligns with LP demand in the current market for "genuine" alpha and serves to attract and retain those capable of delivering such returns to LPs.

"As the European PE fund market evolves and these types of structures become more common, we expect LPs to become increasingly familiar with evaluating and underwriting such models …"

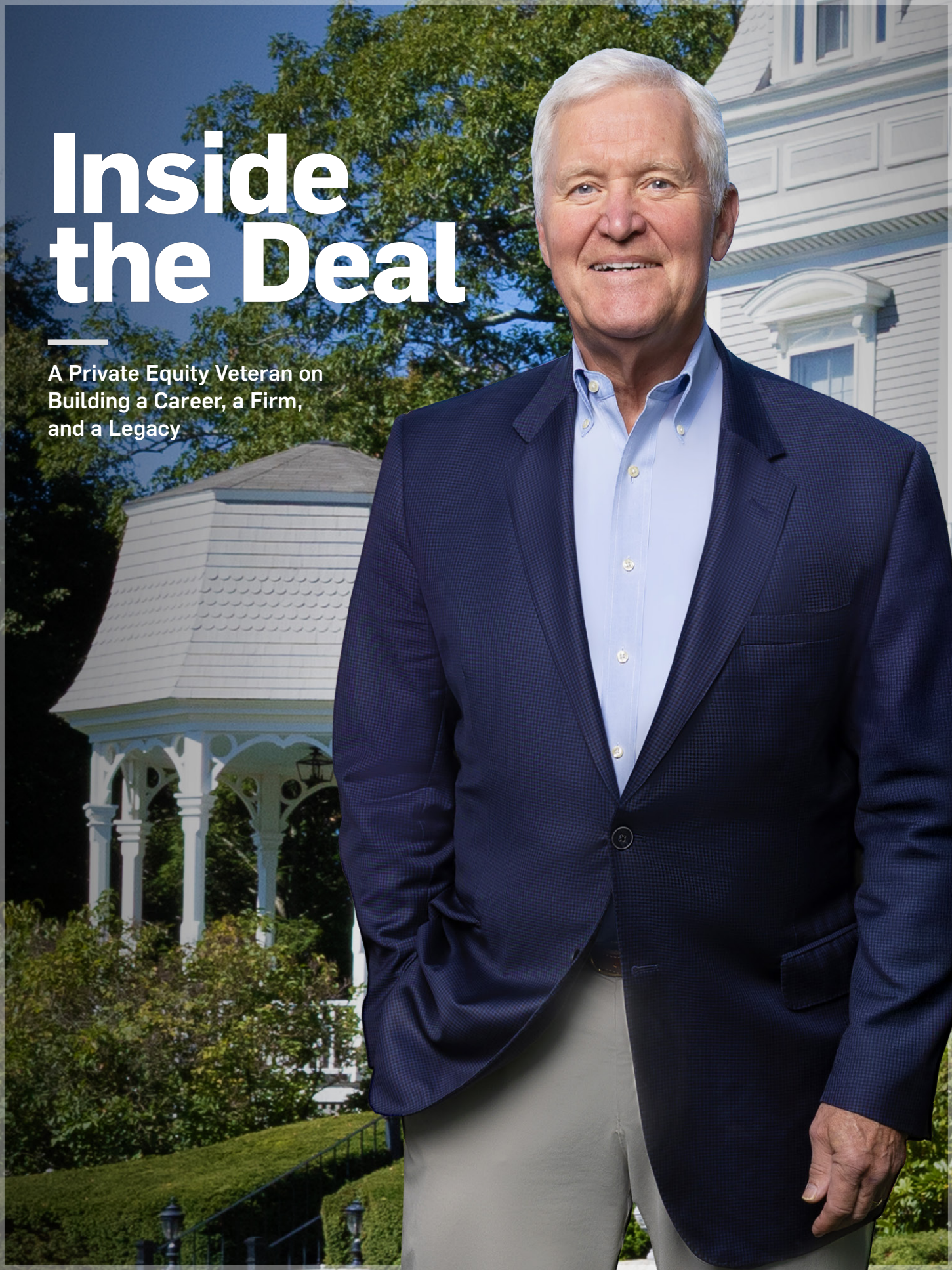
Practical Takeaways

Managers considering adopting premium or atypical economic structures should bear in mind the following:

- **LP Due Diligence / Messaging:** Transparency is key. Clear explanations and worked examples are increasingly expected by LPs. Managers should work with legal counsel and/or placement agents to craft and present a compelling rationale for their differentiated model (and address any potential concerns of LPs e.g. around potential overpayments).
- **Clawback Protections:** As deal-by-deal waterfalls heighten clawback risk, LPs may require enhanced clawback protections such as fund-level escrow arrangements, interim clawbacks, house guarantees or other protections.
- **Administrator Readiness:** Complex waterfall mechanics must be modelled and administered with accuracy – in selecting administrators or amending documentation when existing administrators are already onboard, new modelling should be undertaken in advance of fundraising launch.
- **Clarity in Drafting:** It is important that these complex mechanisms are drafted clearly in the LPA with no room for ambiguity. Not only is this important to ensure LPs, the manager and the administrator are all aligned, but in a world of increased regulatory scrutiny, transparency from the outset is critical.

In a challenging fundraising and transactional market, premium and alternate performance fee structures can play an important role in ensuring incentivisation and alignment between managers and their LPs. As the European PE fund market evolves and these types of structures become more common, we expect LPs to become increasingly familiar with evaluating and underwriting such models, and for the divergence away from the "2 and 20" traditional model to continue.

The Human Alpha Issue



Inside the Deal

A Private Equity Veteran on Building a Career, a Firm, and a Legacy

Inside the Deal:

A Private Equity Veteran on Building a Career, a Firm, and a Legacy

Ramona Y. Nee and Arnie Fridhandler

When Jim Westra started his career, private equity was a small, clubby world. He had a front-row seat to its explosive growth, first as a key advisor to the industry's pioneers and later as the long-time General Counsel for Advent International, one of the world's largest and most respected firms. We sat down with the recently retired leader at his home in Manchester-by-the-Sea to discuss his journey, the evolution of the industry he helped build, and his belief that in law, as in life, it's rarely a zero-sum game.

Q: Your career became synonymous with private equity, but it didn't start there. How did you find your way into that world?

A: It was a bit of an accident, really. I began my career in litigation and quickly learned it wasn't for me after a humbling experience losing what was supposed to be an "uncontested" motion. A partner suggested I try corporate law, which is how I was introduced to a young, ambitious client named Tom Lee. I started working on his deals and was immediately drawn to the fast-paced, results-driven nature of the work. I had found my niche. As my practice grew, my clients' needs became more sophisticated, and they urged me to find a larger platform. That's what ultimately led me to Weil.

Q: Private equity can be a sharp-elbowed business, yet you've built your career on a different philosophy. Can you explain your approach?

A: I never viewed transactions and negotiations as a zero-sum game. To build trust, you have to recognize that the other side needs to win too. I always tried to lead with a list of issues where I was prepared to concede, just to build momentum and good faith, and not bury the other side's wins at the end. There were times I'd review a document and find a mistake in my favor, and I would be the one to call the other lawyer to point it out, which built trust and unlocked even more value.

"... integrity pays dividends. A reputation for being earnest and fair is your most valuable asset ..."

That kind of integrity pays dividends. A reputation for being earnest and fair is your most valuable asset. I always believed you can't treat people poorly and expect to succeed in the long run; you can't build a practice if people don't want to spend time with you.

Q: Weil is considered a private equity powerhouse. What was it about the firm that made it the right fit?

A: I was introduced to Weil through Tom Roberts, a partner I had worked across from on a deal. We got along famously, and it highlighted what made the firm special. Weil had the deep, specialized expertise my clients needed, from tax to intellectual property, all under one roof and accessible with a single phone call. That integrated, global platform was essential. At some firms, compensation systems can discourage collaboration, but at Weil, there is a genuine sense that everyone works together and picks up the phone for each other, and for each other's clients. It was that collaborative firepower that allowed us to serve clients at the highest level and what cemented the firm's reputation in the PE space.

Q: Private equity has become a dominant force in the global economy. From your vantage point, what is the "secret sauce" that makes the model so effective?

A: At its best, private equity's role is to supercharge a company's performance. The real differentiator for top firms today is the move beyond leverage and governance to deep operational involvement. The most successful firms, like Advent, have built incredible in-house teams of experts, ranging from former CEOs to operational specialists, who partner

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with management to help businesses grow in ways they couldn't on their own. This model aligns incentives and brings a level of focus and expertise that is hard to replicate. It's about making good companies great.

Q: We've seen the "club deal," where multiple PE firms team up on a transaction, go in and out of fashion. You saw that trend's ebbs and flows. What was your experience then, and what do you make of its recent comeback?

A: Club deals were quite common for a time, especially for very large transactions where firms needed to pool their capital and expertise. I was involved in many of them, often representing most of the players in the "club". However, that trend eventually petered out for a couple of key reasons. First, as firms grew their funds into the tens of billions, they simply didn't need partners to get a deal done anymore. Second, and more importantly, they are notoriously difficult to manage. You have different firms with different perspectives, timelines, and, frankly, different egos all at the same table. Keeping everyone aligned from the start of a deal to the exit is a huge challenge. It's interesting to see them making a resurgence now, though the rationale seems to have shifted. Today, even the largest firms who certainly don't need the capital are partnering up as a strategic form of risk management. They can, in theory, provide a level of downside protection and shared accountability. A strategy that was once a necessity for capital has found new life as a tool for collecting shared experience, relationships and risk mitigation.

Q: We're now seeing another shift with technology and AI. Where do you see that taking the industry?

A: The story is still being written. I've heard what Weil is already doing with AI, using deal data to analyze terms and predict outcomes and provide new layers of analysis. That ability to harness institutional knowledge and provide data-driven advice is going to be powerful. In an industry built on information and expertise, leveraging technology, experience and information to deliver smarter, faster insights will generate a significant edge, and with AI, there will be winners and losers.

Q: After such an intense career, how are you spending your time in retirement?

A: I'm keeping very busy, just with a different focus. I'm on the boards of non-profits that work with at-risk youth and individuals re-entering society from prison. I find that work incredibly fulfilling. I'm also mentoring a young man who is earning his college degree while incarcerated. Beyond that, I enjoy gardening and playing the piano. For a while, we even had chickens roaming the property, but after a few run-ins with weasels and neighborhood dogs, we decided to retire from that business too.

Roll-Ups, Rollovers, Retention: Europe's Playbook on Human Capital Businesses

Lewis Blakey
Partner
Private Equity

Kevin Donegan
Counsel
Tax

SMART SUMMARY

- In Europe, the winning move isn't always "more equity." Country-tuned clarity plus team liquidity (cash/hybrid) that respects tax differences is key. US-style incentive exports can underperform if not adapted.
- Treat incentives as a cross-border product with local settings (metrics, rollover, payout cadence) and communicate beyond the C-suite. Do this and attrition risk and deal drag drop materially.

Acquisitions of human capital businesses operating in multiple European jurisdictions invariably focus the attentions of deal teams and their advisors even more closely on incentivisation and employment matters.

Incentivisation is critical to the success of a human capital investment, given its key role in attracting, retaining and rewarding the team members who will drive the success of the both the deal and the business post-acquisition.

Key issues include:

- How are team members currently incentivised and how can that be replicated or replaced in the new structures in a way that further drives performance but does not leave people feeling like goal posts have been moved?
- What are team members getting out of the deal and can they be required to re-invest (e.g. human capital business with wide equity ownership and large deal windfalls may be at risk of losing key team member if any new incentive arrangement is not attractive)?
- How should compensation be weighted as between cash and equity (especially in business such as professional services, where pre-acquisition partners are often accustomed to, and have structured their personal lives around, receipt of significant annual cash distributions)?
- What is the appropriate weighting of individual vs team vs business-wide performance metrics (to ensure that the overall incentive structure creates an appropriate focus on individual/team P&L while also incentivising collaboration between individuals/teams to grow wider equity value)?
- How should communication be handled? Finance, accounting and legal professionals will often have a better understanding of deal processes and investor structures and intentions and may therefore need more detailed (and convincing) explanations of why the deal is good for them. These communications can't be restricted to the C-suite, so an investor will need to be prepared to be provide more information about their intentions to a much wider group of people.

"... we often see more complexity [in Europe] in the incentivisation structure ..."

In human capital businesses which are necessarily dependent on a number of separate P&Ls (whether geographical, such as with local partnerships, or vertical, such as with sector teams), we often see more complexity in the incentivisation structure, as a result of it being necessary to reward, at least to an extent, individual/team (rather than whole business) performance. This may, although does not necessarily, include a mix of short and longer term incentives linked to specific parts of the business and regular payouts, even if a business-wide exit has not yet been achieved, often coupled with a requirement for participants to reinvest a portion of the proceeds. This is compared to a more typical incentive structure that relates solely to group equity value with proceeds at exit.

Incentivisation complexity ratchets up further where the acquisition target is a platform/roll-up structure, where individuals often hold earn-out rights or minority equity which will crystallise on acquisition of the platform. Re-incentivising those persons post-deal, ideally coupled with tax-free rollover, is important to ensure they remain invested in, and therefore aligned with, the long-term success of the business.

However, all of this complexity should not come at the expense of transparency: It is critical that participants understand how their incentives work and the potential value of them so that they are properly incentivised (opaque structures rarely have the desired effect), while of course being clear that the value of incentives of this nature is never fixed. Occasionally, we see "indicative equity valuations" interpreted by participants as "promises", leading to disillusionment when the payout is lower than presented, which can cause issues on exit. Naturally, all of these incentive arrangements must, where possible, be carefully structured to maximise net proceeds and therefore the incentives for participants, as a structure which is tax-efficient in one country may well be inefficient in another.

Finally, employment laws vary significantly across Europe, with each country providing for differing employee rights, termination procedures and works councils/collective bargaining. It's crucial to understand these, and their impact on the transaction, to ensure compliance and (especially if any employee consultations are required) a smooth transaction process. Employees can generally be replaced more easily in the US than in Europe, so we often see US-based deal teams under-estimating the time and cost required to implement team upgrades in Europe.

Professional Services: Deal Differentiators

Arnie Fridhandler
Partner
Private Equity

WEIL DealVision 360

Professional services buyouts run on people and client relationships, and deal terms reflect it. Our DealVision360 data shows a distinct playbook versus other sectors.

Financing.

Private credit leads. We see a pronounced tilt toward direct-lender/unitranche structures; broadly syndicated loans are the exception rather than the rule for these platforms.

Price mechanics.

Classic working-capital true-ups dominate (like many other sectors). Locked-box remains comparatively uncommon and broadly in line with the cross-sector average.

Earnouts.

Earnouts show up a bit more often than elsewhere and are typically tied to revenue or EBITDA, with offset mechanics for post-closing claims (if any). The proportion of "at-risk" dollars has grown, even as overall usage of earnouts normalized from a 2023 spike.

RWI, recourse, and escrows.

RWI remains the majority approach, and overall recourse posture (walk-away vs. seller indemnity) looks similar to other sectors. Notably, we still see special/indemnity escrows somewhat more frequently in professional services despite the presence of RWI.

Management rollover and incentives.

Heavier management rollover is a hallmark of these deals to align and retain key talent. Equity remains the core incentive; vesting and forfeiture features are calibrated to retention rather than cash bonuses where comp is already performance-based.

Closing dynamics.

Same-day sign/close is less common on professional services deals. Sign-to-close gaps are more prevalent given client consent and assignment frictions intrinsic to services models.

Restrictive covenants.

Expect an emphasis on employee non-solicit and client non-interference. Term lengths track the broader market rather than extending materially longer on sale of business covenants. With noncompete rulemaking in flux, our clients lean harder on NDAs, non-solicits, equity forfeiture and client-facing protections.

Market backdrop over the last ~2 years.

Private credit continues to finance most middle-market LBOs; syndicated loans have clawed back share mainly for larger platforms. From our vantage point, valuations for asset-light services rebounded late-2024 and eased in 2025; with consolidation in accounting firms persisting.

Bottom line.

In professional services LBOs, plan for unitranche financing, standard PPAs (not locked-box), slightly higher odds of earnouts and special escrows, heavier rollover, slightly more likely consent contingent CPs, and robust non-solicit/client protections paired with RWI.

Private Equity Investment in Accounting Firms: Key Issues to Consider

Luke Laumann
Partner
Private Equity

SMART SUMMARY

- Investing in accounting firms presents unique regulatory, incentive and structural hurdles, but dealmakers have broken new ground to solve these problems and unlock new opportunities.

Private equity interest in accounting firms has grown significantly in recent years. Rising technology costs, demand for advisory services, and succession challenges have created conditions where outside capital is attractive. We see the market for accounting firms continuing to augment and then mature.

Regulatory and Licensing Restrictions

Most U.S. states require CPA firms that perform audits to be majority-owned by licensed CPAs. This restricts direct private equity ownership. To navigate this, many deals use an "alternative practice structure" (APS). In an APS, the attest firm remains CPA-owned, while a separate management company – owned by the PE fund – provides administrative support and receives fees similar to structures we have seen used for a long time in the corporate practice of medicine and other similarly regulated businesses.

Independence and Conflicts of Interest

Audit independence is a cornerstone of the profession. PE ownership can raise questions if portfolio companies are audit clients. On-going post-Closing conflict checks and service-line separation are essential to avoid regulatory or reputational risk.

Partner Economics and Talent Retention

Traditional CPA firms operate on a partnership model, where profits are distributed annually. PE sponsors, by contrast, seek returns on invested capital. Aligning these models to implement a "scrape" and avoid leakage, requires creative compensation structures.

Retaining partners and key staff is particularly important – if too many partners "cash out" at closing, the firm risks a loss of leadership and client relationships. Rollover equity subject to vesting is commonplace in these transactions and liquidation preferences – even if just at 1.0x – are on the table as the transition to the new model is implemented.

Valuation and Exit Strategy

PE buyers typically value recurring revenue streams such as audit and tax compliance, but may see higher growth potential in advisory and consulting practices. Exit options are somewhat limited: future buyers are often other PE funds or larger CPA firms already operating under APS models. Any future acquirer will need to address many of the same issues highlighted above – so, having robust obligations requiring partners to roll-over a substantial portion of their investment even where the exiting sponsor is selling 100% is important.

Conclusion

Investing in accounting firms offers opportunities for growth and diversification, but it also requires navigating a thicket of regulatory rules, cultural norms, and economic considerations. These issues initially proved challenging to overcome but as the market has matured, the volume of transactions has increased. We expect these new-found tools to spread into other professional services businesses that previously were not the subject of a robust M&A or PE market.

The Latest Data on Incentive Equity Vesting Terms

carta

Jackie Ammon
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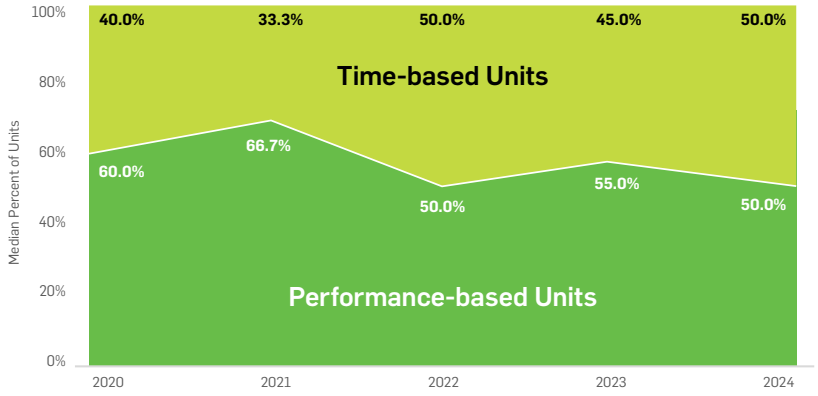
Executive Compensation & Benefits

Partnership Incentive Units: Allocation of Vesting Between Time and Performance

Median percent of performance-based vs. time-based incentive units for management teams of PE-backed partnerships from 2020-2024



Source: 2025 eShares Inc. dba Carta Inc. ("Carta")

*Data includes median split between time vs. performance incentive units for grants that have at least one performance condition.

WEIL INSIGHTS

WEIL DealVision 360

"When portfolio companies have larger pool sizes, awards tend to have a larger performance-based vesting allocation with multiple tiers of performance vesting, including a "home run" tier for out-sized returns. If the size of the pool becomes a negotiated point with management, sponsors can often agree to a larger pool size, if awards are more significantly weighted towards performance vesting."

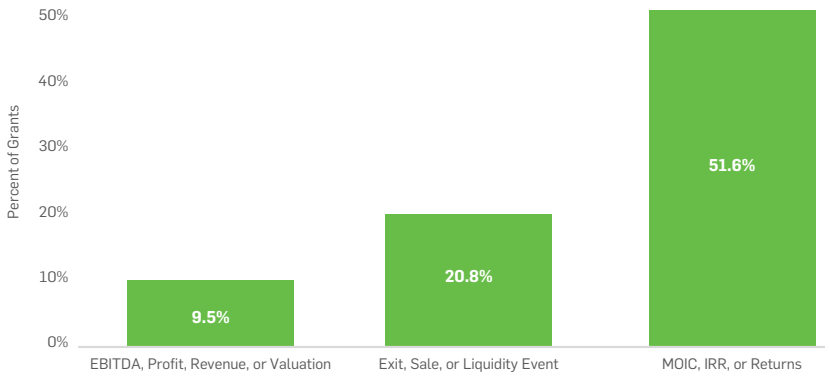
Types of Performance Vesting Metrics

Percent of performance-based incentive unit grants issued to management teams of PE-backed partnerships (2019-2024) by metric

WEIL INSIGHTS

WEIL DealVision 360

"Carta's data is consistent with performance vesting terms used by Weil clients. The most common performance vesting terms continue to be MOIC and IRR measures with respect to the sponsor (or a combination of the two)."



*Performance condition metrics are not mutually exclusive, as a single grant may have multiple conditions

Source: 2025 eShares Inc. dba Carta Inc. ("Carta")

MANAGER-IN-RESIDENCE Spotlight

A Conversation with Charles Buaron of Amstead Group

Human Alpha is about the people edge. Here, Sponsor Sync editor Arnie Fridhandler speaks with Charles Buaron of Amstead Group to trace the firm's origins, the relationships that catalyzed its launch, and a forward view on strategy, talent, and the next wave of opportunities.

Tell us about what you are building at your new firm

CB: We launched Amstead in 2025 as a purpose-built investment firm with a vision to create a concentrated portfolio of enduring businesses. We saw an opportunity to apply the best of our experiences from larger private equity firms and bring a high-caliber, principles-first approach to the lower middle market. Our framework is straightforward: we look for high-quality companies we can scale into category leaders through dependable organic growth and integrated M&A, creating durable enterprises rather than assembled roll-ups.

As a firm, we're building a tight-knit, first-rate team with a culture that embodies what made private equity great to begin with – a deep sense of ownership, a partnership mentality and an underlying entrepreneurial drive. Our team is scrappy but maintains institutional rigor and steadfast integrity in everything we do.

With Amstead, I saw a chance to build something special and lasting with a great team. Over my career, I've been fortunate

to work with remarkable leaders across private equity and to learn from exceptional organizations. Each experience has shaped my perspective and deepened my understanding of what it takes to create a successful firm. Amstead is the convergence of these relationships and meaningful lessons.

What relationships have been most helpful in the early stages?

CB: Truly, all of them. First, I'm deeply grateful to our early team members who took a chance and joined when there wasn't even a firm name, as well as our advisory board who leaned in early to help us gain traction. Beyond our team, many people have shared their time and thoughtful advice – former colleagues, mentors and industry participants across the private equity ecosystem.

In particular, mentors and former colleagues have been pivotal in getting us off the ground, offering reliable guidance, high-impact introductions and investment opportunities. We've also found an unexpected source of support in other emerging managers, who have been valuable sounding boards and true collaborators.

On the capital side, our key relationships have been incredibly reliable and have served as genuine thought partners in building the firm. And, of course, our team at Weil has kept us on solid footing from day one. What I've valued most about Weil is how deeply they've invested in our success, offering both wise counsel and unwavering support. None of this happens in a vacuum – our trusted network has been the foundation of our early progress.

What do you want your new venture to be known for?

CB: We want to be known for backing great companies and building them the right way. That means being true partners to management teams, supporting thoughtful growth, fully integrating businesses and stewarding them for long-term success. Done well, this approach creates organizations that others want to be part of – whether as future owners, investors, management team members or industry participants.

Equally important is how we do the work. We aim to be thoughtful, hard-working, collaborative and strategic. We hold ourselves to the highest standards of integrity, bringing preparedness and conviction to every decision. Over time I've learned that people do business with those they trust and earning that trust is essential to our success.

How do you see private equity changing in the next few years?

CB: We're seeing meaningful market developments that are creating exciting opportunities for emerging managers and reshaping how investment firms engage with their LPs. As the industry matures, more managers are striking out on their own, drawing on experience from larger institutions and working with sophisticated, supportive LP bases. This is giving rise to a generation of younger firms that will differentiate themselves in many ways, but in particular, by bringing a more entrepreneurial approach than established players.

At the same time, LPs are seeking greater visibility and deeper engagement with GPs across the full investment lifecycle, leaning in as true value-added partners during diligence and value creation. That makes it increasingly important to align each opportunity with the right LP profile. This value-add alignment has shaped our partnership approach: we look to bring on investors not just as capital providers but as genuine contributors who are strategically additive.

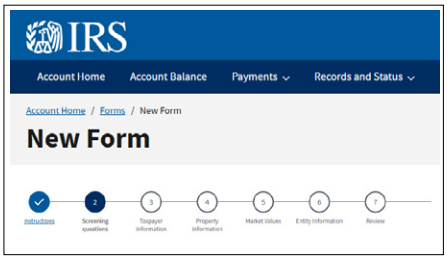
Looking ahead, we're excited by these developments and for the future for both Amstead and the broader private equity landscape.

UPDATES TO SECTION 83(b) ELECTION FILINGS

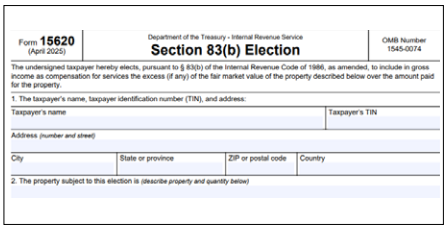
ONLINE FILING NOW AVAILABLE – WHAT YOU NEED TO KNOW

As a reminder, when a company issues equity in connection with the performance of services the recipient is often required to file a Section 83(b) election with the IRS. Historically, all Section 83(b) elections were filed with the IRS in hard copy, mailed to the IRS on or prior to the last day of the 30-day election period. Since late July 2025, the IRS has permitted elections to be made online through the IRS website ID.me, providing a potentially welcome alternative to the mailing requirement. In order to file online, the individual must use a Form 15620 (a standardized 83(b) election form), which was first released by the IRS in late 2024 and subsequently updated in April 2025. Pros and cons of filing electronically are noted in the chart below.

The 30-day deadline for filing a Section 83(b) election and all other requirements have not changed, including the requirement to provide a copy of the Section 83(b) election to the employer. While there has not been an immediate shift to online filing, sponsors/companies are getting more requests from individual grantees for instructions on how to file their Section 83(b) elections online.



IRS ID.me



FILING ELECTRONICALLY WITH ID.ME

PROS	CONS
■ **Filing online provides for immediate confirmation of receipt, can alleviate the administrative burden of the paper filing and aids in recordkeeping.**	■ **The Form 15620 cannot be customized (for example, to explain the purpose related to the election).**
■ **Filing online using the Form 15620 ensures that all required information is provided.**	■ **Form 15620 requires the taxpayer to declare under penalties of perjury, that, to the best of the taxpayer's knowledge, the information on the form is true, correct and complete (this is not a requirement under the regulations).**
■ **Taxpayers can save a draft of the filing for up to 90 days and can review and print the form before submitting the filing.**	■ **Users have reported that the current version of the online form only allows the taxpayer to list up to 999,999 shares and limits the per share values to two decimal places.**
	■ **The identification verification requirements of ID.me suggest that online filing may not be available to (i) entities (e.g., in a back to back profits interest structure) and/or (ii) individuals that are not US taxpayers at the time the election is made.**

IS DELAWARE STILL THE PLACE TO FORM?

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Talk of a "DExit" from Delaware to states such as Nevada and Texas has accelerated, fueled by commentary around perceived unpredictability and "judicial activism" in recent DE cases and by statutory changes in NV and TX. To separate narrative from data, we sourced data from Wolters Kluwer's CT Corporation, one of the largest corporation service organizations, to understand what the market is actually doing. Their data shows that despite the noise; Delaware remains the market standard. According to CT Corporation, Delaware formations have increased approximately 13% year-over-year from YTD 2024 on an already huge base of formations. Meanwhile, Nevada formations are up 4.1% and Texas formations are up 8.4% in that same period, but off a much lower base and still not demonstrating, at least yet, a meaningful shift in where financial investors and businesses are forming. Whether that continues to be the case as companies weigh these different alternatives, however, remains to be seen.

While enticing statutory changes may make these other jurisdictions more appealing, formation decisions are ultimately just as much commercial as they are legal. Filing office hours, document turnaround times, consistency and predictability of administration, and the availability and cost of expedited services all factor into execution risk, timing, and cost. CT Corporation shared the below comparative data to inform those considerations.

STATE	HOURS OF OPERATION	TURNAROUND TIMES
Delaware	■ 7:30am – 11:59pm ET Monday through Thursday ■ 7:30am – 10:30pm ET on Fridays • i.e., almost 24-hour service other than midnight to 7:30am	■ **Non-expedited Routine Document Orders:** nearly instant with no expedited service needed when placed through an online Delaware Agent. ■ **Non-expedited Routine Filings:** ~3 weeks (worst case scenario). • More than 60% of DE's work is expedited and comes back in 24 hours or less.
Texas	■ 9:00am – 4:00pm CT Monday through Friday	■ **Document Orders:** ~24 – 48 hours (all must be expedited for a fee). ■ **Non-expedited Routine Filings:** ~6 weeks.
Nevada	■ 8:00am – 5:00pm PT Monday through Friday	■ **Non-expedited Routine Document Orders:** ~6 – 7 weeks. ■ **Non-expedited Routine Filings:** ~1 week.

Glenn's Corner

IF I AM MISTAKEN, I AM: A REMINDER OF THE IMPORTANCE OF TIMELY INCORPORATION

Glenn D. West
Retired Partner
Private Equity

St. Augustine famously said, in his multi-book tome, the City of God (Book 11, Chapter 26), that: "If I am mistaken, I am." St. Augustine elaborated on his premise as follows:

> For a man who does not exist can surely not be mistaken either, and if I am mistaken, therefore I exist. So, since I am if I am mistaken, how can I be mistaken in believing that I am when it is certain that if I am mistaken I am. Therefore, from the fact that, if I were indeed mistaken, I should have to exist to be mistaken, it follows that I am undoubtedly not mistaken in knowing that I am.

And being mistaken about your personal existence may very well prove that you in fact exist, because it does indeed seem logical that you cannot be mistaken about existing without in fact existing, setting aside the concerns that we may be living in a matrix or computer simulation, which St. Augustine did not consider in the year 426 CE.

But a recent Delaware case suggests that being mistaken about the existence of an artificial person (i.e., a corporation) does not in fact prove the existence of that artificial person – there are formalities that must be observed to bring an artificial person into existence. And if you are mistaken about the existence of an artificial person, it isn't. Merely representing that a party "is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; [and] …that it has the legal right and authority to enter into and perform its obligations under this Agreement[,]" does not mean that it is or it does.

AI Litigation Finance Associates, Inc. v. Fortuna-Insights, Inc., C.A. No. N25C-03-056 SKR CCLD (Del Super. Sept. 4, 2025) involved a license agreement entered into between AI Litigation Finance Associates, Inc. ("ALFA") and Fortuna-Insights, Inc ("Fortuna"), whereby ALFA sought access to Fortuna's "propriety AI-based legal research software." When the relationship soured, Fortuna sought to terminate the license agreement. Fortuna took advantage of a fact that it uncovered – ALFA had not been incorporated "until the day after the parties had executed the license agreement." Oops!

"A corporation 'does not come into existence until the Certificate of Incorporation is filed with the Secretary of state'[; and] [t]herefore corporations are not generally subject to agreements made prior to their incorporation date." There is

"... a recent Delaware case suggests that being mistaken about the existence of an artificial person (i.e., a corporation) does not in fact prove the existence of that artificial person – there are formalities that must be observed to bring an artificial person into existence."

a doctrine that binds a corporation to an agreement entered into prior to existence if it "expressly adopts the preincorporation agreement or implicitly adopts it by accepting its benefits with knowledge of its terms," but that doctrine is only invoked where the counterparty is seeking to enforce the agreement, not where the later formed corporation is seeking to enforce the agreement. There is also a doctrine that permits a counterparty to enforce a contract against the promoter who signed the contract on behalf of a yet unformed corporation that is later formed. But that doctrine doesn't permit the later formed corporation to enforce the contract, it only makes the promoter liable if the counterparty chooses to enforce the contract. Apparently, this one-day mistake was devastating to ALTA because it was deprived of software that was vital to its newly formed business.

So, next time you are wondering why there is all this fuss about the timing of incorporation or entity formation, or the need for certificates of existence and good standing, just remember that if you are mistaken about an entity's existence, it isn't.

But I am again invoking Sergeant Phil Esterhaus on this one (and by now I should not have to say it – you should be able to say it for me).

EXECUTIVE ORDER ON ALTERNATIVES IN 401(K)S: IMPACT ON PRIVATE FUND SPONSORS

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Partner
Executive Compensation & Benefits

On August 7, 2025, President Trump issued a highly anticipated executive order calling for expanded access to private equity and other alternative investments for 401(k) plans and their participants. In the coming months, building on the momentum from this order, we expect to see increased product development and more partnerships between asset managers and retirement solutions providers leading to joint design of structures with private markets exposure. While the order has no immediate impact on existing law – and we do not expect formal rule-making, including a potential safe harbor insulating 401(k) plan managers and other fiduciaries from exposure to litigation risk, prior to February 2026 – we do expect a swift ramp-up in product development consistent with the aims of the order and sufficiently adaptable to conform to regulatory guidance once issued.

ENDNOTES

LEVERAGED FINANCE MARKET UPDATE

1 Credit Markets Quarterly Wrap (PitchBook, July 31, 2025)

2 Credit Markets Quarterly Wrap (PitchBook, July 31, 2025)

3 US Credit Markets Quarterly Wrap: High-yield borrowers ride rapid recovery in eye of tariff storm (PitchBook, July 1, 2025).

4 Credit Markets Quarterly Wrap (PitchBook, July 31, 2025); US Credit Markets Quarterly Wrap: High-yield borrowers ride rapid recovery in eye of tariff storm (PitchBook, July 1, 2025).

5 Credit Markets Quarterly Wrap (PitchBook, July 31, 2025)

6 Credit Markets Quarterly Wrap (PitchBook, July 31, 2025)

7 Credit Markets Quarterly Wrap (PitchBook, July 31, 2025)

8 US Leveraged-Loan Sales Soar to New High in Record-Breaking July (Bloomberg, August 1, 2025)

9 US Leveraged-Loan Sales Soar to New High in Record-Breaking July (Bloomberg, August 1, 2025)

10 July Wrap: Borrower-friendly market spurs loan activity to new record (PitchBook, August 1, 2025)

11 US Leveraged-Loan Sales Soar to New High in Record-Breaking July (Bloomberg, August 1, 2025)

12 July Wrap: Borrower-friendly market spurs loan activity to new record (PitchBook, August 1, 2025)

13 July syndicated loan market wrap: Returns hold steady amid record activity (PitchBook, August 5, 2025)

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15 August Wrap: Loan rally hits speed bump even as repayments set record (PitchBook, September 2, 2025)

16 Credit Markets Quarterly Wrap (PitchBook, September 30, 2025)

17 August Wrap: Loan rally hits speed bump even as repayments set record (PitchBook, September 2, 2025)

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18 Credit Markets Quarterly Wrap (PitchBook, September 30, 2025)

19 Credit Markets Update Q2 2025 (KPMG, June 30, 2025)

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24 US Credit Markets Quarterly Wrap: High-yield issuance rockets to 17-quarter high (PitchBook, September 30, 2025).

25 US High-Yield Bond Weekly Wrap: High-yield primary market: Low yields, strong demand (PitchBook, October 2, 2025); US Credit Markets Quarterly Wrap: High-yield issuance rockets to 17-quarter high (PitchBook, September 30, 2025).

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27 Timothy Rahill and Marine Leleux, US Dollar Credit Supply (ING Group, October 7, 2025).

28 US Credit Markets Quarterly Wrap: High-yield issuance rockets to 17-quarter high (PitchBook, September 30, 2025).

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30 US Credit Markets Quarterly Wrap: High-yield issuance rockets to 17-quarter high (PitchBook, September 30, 2025).

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Weil Private Equity Sponsor Sync

Weil

Q4 2025

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RECENT HIGHLIGHTS

Weil Private Equity is proud of our broad representations and the successes of our clients. Below is a small sampling of our recent work:

- A consortium of investors led by Advent International and Corvex Private Equity in the $1.3 billion take-private of Heidrick & Struggles International, Inc.
- Advent International and its portfolio company Xplor Technologies in its acquisition of Clubessential Holdings
- Advent International and its portfolio company Iodine Software in its $1.25 billion sale to Waystar
- American Securities, in its $8.8 billion sale of Foundation Building Materials, Inc. to Lowe's Companies, Inc.
- Blue Owl Capital and Warburg Pincus, as lead investors alongside ICONIQ, in the closing of a $1.625 billion recapitalization of Big Brand Tire & by Percheron Capital through a single-asset continuation vehicle
- Cobepa in its acquisition of Eagle Fire and in its minority investment in SAX, LLP
- CPP Investments together with funds managed by Stone Point Capital, in its acquisition of a majority stake in OneDigital
- GHK Capital Partners in its acquisition of Rogers Building Solutions
- Goldman Sachs in its strategic collaboration with, and up to $1 billion investment in, T. Rowe Price
- Goldman Sachs Alternatives in its $2.5 billion acquisition of a majority stake in NAVEX
- Nexa Equity in its acquisition of Facility Grid, LLC
- One Investment Management in the A$3.9 billion acquisition, alongside CC Capital, of Insignia Financial Ltd.
- Peak Rock Capital in its acquisition of Aegis Industrial Software
- PSG in numerous transactions, including its sale of Chatmeter to Alchemer, Inc.
- Quad-C in its $320 million investment in O6 Environmental
- RHC Group in its acquisition of Aris BC, the historic Greek basketball club based in Thessaloniki
- TPG Growth in its $850 million acquisition of Irth Solutions

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