

FUND FINANCE FRIDAY

First Republic Bank Article

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Scott Aleali of First Republic Bank published an article on LinkedIn last week, titled "Best Practices for Ensuring GP & LP Alignment When Subscription Credit Facilities Are a Factor."

The article provides an overview of the potential issues that may arise between GPs and LPs when funds use subscription credit facilities ("SCF") and recommendations for addressing them head-on with transparency and by demonstrating that interests are aligned. Prevalence of SCFs and the length of time that draws remain outstanding have led to LPs having differing opinions on how a GP should utilize a SCF and the Institutional Limited Partners Association ("ILPA") publishing suggested guidelines regarding SCFs. While ILPA's guidelines are a useful standard, one size does not fit all and GPs can get in front of potential issues by beginning discussions with LPs about the use of a SCF early in the fundraising process. One potential solution to GP/LP issues related to the use of a SCF is to offer two fund vehicles for LPs – one that uses a SCF and one that doesn't. However, the article stresses the longer-term problems that could arise from this structure.

The article is available [here](#).