

LUMINANCE DILIGENCE USE CASE

Limited Partnership Agreements

LPAs

Limited Partnership Agreements (LPAs), which offer tax transparency, the flexibility to document commercial terms to suit the requirements of a particular fund and the protection of limited liability, are key tools for private equity and venture capital funds. Reviews of these LPAs may be undertaken in order to understand any differences and changes in clause language over time, understanding the remit of LPAs and using this information for future reference when drafting new agreements. But such a review can represent significant challenges to lawyers, whether in-house or at an external firm.



Lawyers may wish to investigate a range of subject areas within LPAs, including how wording and thresholds around the following has evolved over time: Close-Ended Fund; Investment Strategy; Investment Focus; Carried Interest/Performance Fee; GP Catch-Up; Preferred Return; Escrow; Guarantee; Investment Period/Commitment Period; Distribution Waterfall – American vs European; Diversification Limit; Leverage and Fund Size. Of course, tracking alterations in wording over time across such a range of areas is hugely time-consuming for lawyers, and subtle differences in language can be all too easily missed when reviewing large data sets. As such, many lawyers are turning to Luminance to empower them in completing a full review in an expedited manner.

Luminance uses a unique blend of cutting edge supervised and unsupervised machine learning developed by mathematicians from Cambridge University which reads and forms an understanding of all documents within a dataset. Luminance is deployed via the cloud and, unlike legacy technologies that require lengthy set-up or pre-programming, Luminance is ready to use almost immediately; in fact, most lawyers begin their first review with Luminance within a matter of hours.

Luminance analyses documents, tagging key information such as contract type, dates, parties, governing law and relevant clauses. Luminance also flags anomalies to the lawyer so that they can prioritise potential risks at the beginning of the review. Luminance displays this key information across a number of graphic, interactive widgets on the home screen, enabling lawyers to quickly filter to those documents that are pertinent to an LPA review, disregarding those that are not. Lawyers can quickly find where each relevant provision, term or data point exists within each document. With Luminance, lawyers reviewing LPA documents are able to compare each document and provision to their own chosen model version (or, indeed, multiple model versions). Similarities and differences between versions are highlighted to lawyers, allowing them to quickly understand how wording in each area has changed over time, or varies by jurisdiction. When the review is complete, the legal team can quickly and simply generate a report of their findings which automatically captures all work product.

Luminance dramatically increases the speed of lawyers' review, placing legal teams in the same position on day one of their review as they would be after weeks of manual review methods.

Luminance Project Guide

LPAs

Scenario

A Global Private Equity Company have just taken on a new group of portfolio companies. Their internal legal team is required to review the relevant Limited Partnership Agreements (LPAs), to ensure that they conform to internal standards for specific provisions. As there are a large number of these documents, along with multiple appendixes for each one, it is vital that the review is detailed, efficient and cost effective. The commercial incentive for the review also mandates that it is completed extremely quickly.

Given the time pressure and the volume of documents under review, you will be deploying Luminance's market-leading artificial intelligence technology to enhance the team's ability to complete this review as it is the only technology that can adapt to the Company's set standards, interpretations and the timeframes required.



Key Benefits

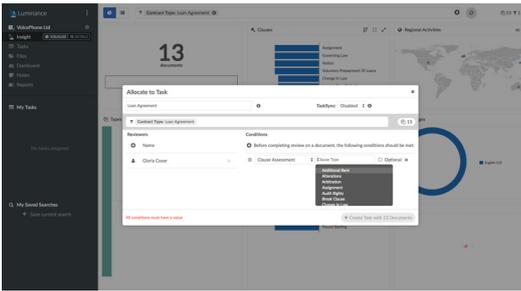
- ✓ Achieve significant time savings
- ✓ Quickly identify key provisions
- ✓ Achieve a more comprehensive review with enhanced confidence in the results

Review Process

After the documents have been uploaded into Luminance, the workflow for conducting the review comprises 7 key steps:

1. Create a document assessment with key clauses - e.g. Governing Law
2. Filter to new documents via the Tasks screen
3. Navigate to provisions for review
4. Compare provisions to the set standard(s)
5. Approve or reject provisions
6. Make a Bulk Note detailing suggested amendments (if necessary)
7. Amend documents using Luminance's soon to be released Work-in-Word functionality

Step 1: Create a document assessment with key clauses – e.g. Variation



Luminance’s intuitive Visualise screen provides users with an overview of all documents in the project. From here, users can navigate to the Folder containing LPAs (via the filter bar or using the Folders widget) and create a Task, including Clause Assessments for the most relevant clauses requiring review. Add the team members responsible for this as ‘Reviewers’.

Step 2: Filter to new documents via the Tasks screen

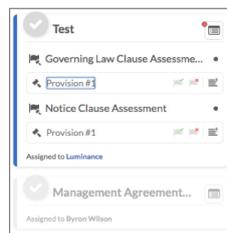
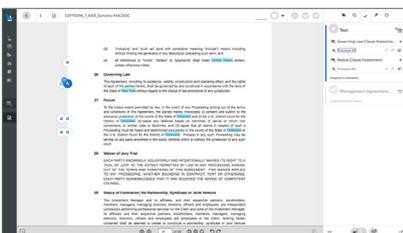


The left-hand side toolbar provides an overview of the project from different perspectives, allowing you to keep track of various facets of the review. Access the relevant assessment via the Tasks screen. Here, users might allocate documents according to language. Toggle to those documents in a particular language, before creating a task, and assigning it to the relevant outside counsel. If most of the documents are in English, assign multiple reviewers to the ‘English documents’ task.



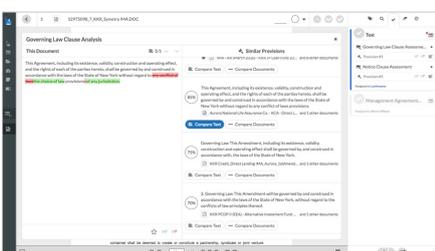
HINT | Select “List Documents” within the Task, then filter to “Uploaded since” and input today’s date. This will filter down to newly uploaded documents requiring review.

Step 3: Navigate to provisions for review

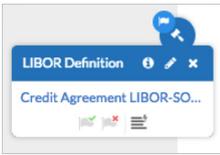


Users can now select a document for review from the list. Within the document, users will find a task description on the right-hand side, which will allow them to jump directly to the provisions – e.g. Provision #1 of the Governing Law Clause Assessment.

Step 4: Compare provisions to the set standard(s)



To compare the provision to the selected ‘standard’ clause(s), the user can access the Clause Analysis view by hovering over the flag icon next to the Clause Tag (on the left-hand side of the document) and clicking on the Clause Analysis option.



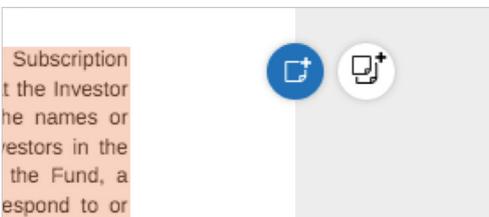
From this view, the user can compare, side by side, the provision currently under review, against the set standard(s) (these will appear at the top of the list of 'Similar Provisions' and will be marked with a star). Users can also click 'Compare Text' to see exactly where the clauses differentiate.

Step 5: Approve or reject provision



Once the user has reviewed the provision in question against the Company's set standard(s), they are able to accept or reject the provision, by applying a 'Green Flag' or 'Red Flag'. Users may also click on the 'Star' option to identify the clause selected as an approved standard for future review.

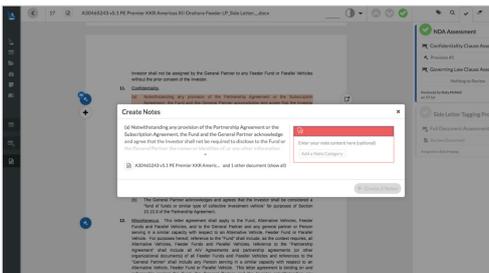
Step 6: Make a Bulk Note detailing suggested amendments (if necessary)



As the user continues the review of documents, Notes and Bulk Notes can be added to denote areas requiring amending or renegotiating. Simply click on the clause in question and navigate to the right-hand side pop-up to create a note.

HINT | Utilise the Bulk Note function to apply your comments to language which is identical or statistically very similar.

Step 7: Amend documents using Luminance's soon to be released Work-in-Word functionality



With the next version of Luminance Diligence, users will be able to quickly and easily undertake any remediation that is required of their document set in light of the insights generated by Luminance's learning. With one click from within Luminance, users can go into the document via Word and perform any required edits right away – saving any changes back into Luminance instantly. Please contact your Product Specialist for more information on this upcoming feature.