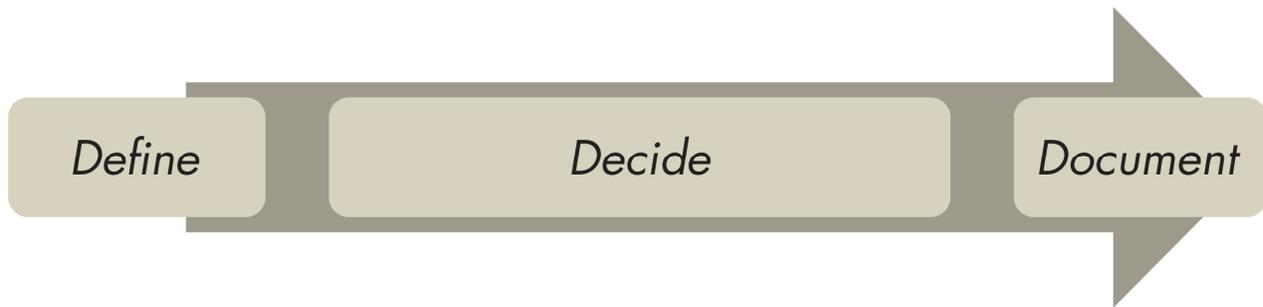


# Fund in-Formation

A Classic Process, Reimagined.

## Client Guide to the Hedge Fund Formation Process



Through an in-depth process analysis and client surveys, we have developed a process-oriented approach to hedge fund formation designed to provide a comprehensive platform for informed decision making while optimizing the time and resources required. We employ process-oriented techniques that reflect our considerable investment in knowledge management tools. These include an extensive repository of precedent documents and language, document production software, decision checklists, and an extensive collection of regulatory analysis and market data.

Our process couples these tools with the collective experience of our industry leading investment fund attorneys and dedicated knowledge management specialists to provide a uniquely robust yet efficient hedge fund formation experience.

The process includes three distinct phases – Define, Decide and Document. The phases are designed to optimize the use of our people and tools to provide a platform and structure for intelligent decision-making. This process is intended to lend itself to project-based fee arrangements.

### Contents

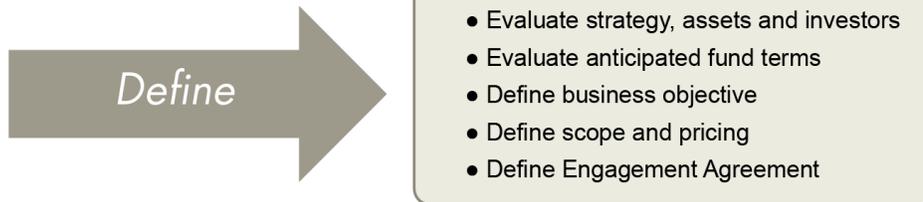
Brief Description of Phases .....	2-4
Process Map .....	5
Decision Checklist for Fund Terms .....	6-7

# Fund in-Formation

A Classic Process, Reimagined.

## Define

In the definition phase, we listen to you; this means we primarily collect information and ask a lot of questions to ensure we understand your broader business objectives and budget so that we can tailor a solution around your unique requirements. The output of this phase is an engagement agreement that clearly prescribes the services we will provide and how we will handle deviations from the prescribed scope if the need arises.



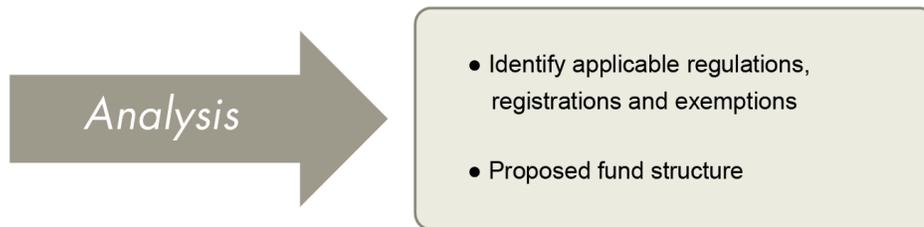
# Fund in-Formation

A Classic Process, Reimagined.

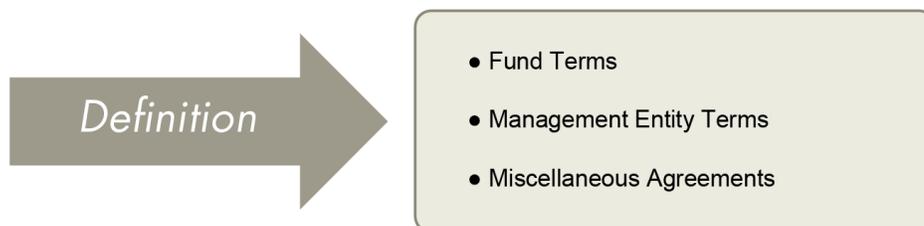
## Decide

This phase is the heart of our services. In this phase we assist you in making the critical “decisions” necessary for your hedge fund formation. This phase is designed to provide a comprehensive and standardized platform to ensure intelligent decision-making. This phase includes two sequential processes:

**Analysis** – This process includes an analysis to determine the regulatory regime in which your management company and fund will operate. It includes an analysis of the fund’s proposed assets, operations and investor base. We identify applicable regulations, required registrations and available exemptions. We also work with our tax and ERISA experts to identify the most appropriate and efficient fund structure.



**Definition** – The definition process includes a series of structured discussions to develop and define the offering and operating terms of your fund and the fund’s related management entities. To facilitate these discussions, we offer a construct for decision-making that contemplates legal, operational and market considerations and leverages the insight afforded by our vantage point in the market. (See - Decision Checklist for Fund Terms)



**NOTE:** Segregating the decision phase from the document phase enables a comprehensive platform for clear and informed decision-making that avoids the all-too-common scenario where decisions are made in the drafting process through multiple iterations of legal documents in which the decisions are often obscured.

# Fund in-Formation

A Classic Process, Reimagined.

## Document

In this final phase, we produce the fund's operating and offering documents and make appropriate regulatory filings. The activities in this phase fall into one of two processes:

**Draft and Review** – In this process, we draw upon our expansive provision repository to create fund documents that reflect the fund terms defined in the Decision phase. By segregating this process from the Decision phase, we minimize document iterations and leverage technology tools that couple our market expertise and expansive provision database with efficient document production software. In this phase, we also review the proposed terms of miscellaneous agreements and draft management entity governing documents as required.



**Regulatory Filings** – In this process, we make the requisite filings for entity formations, registrations, exemptions and other miscellaneous regulatory filings.



# Fund in-Formation

A Classic Process, Reimagined.

## Fund Formation Process Overview

Define

---

- Evaluate strategy, assets and investors
- Evaluate anticipated fund terms
- Define business objective
- Define scope and pricing
- Define Engagement Agreement

Decide

---

Analysis

- Identify applicable regulations, registrations and exemptions
- Proposed fund structure

Definition

- Fund Terms
- Management Entity Terms
- Miscellaneous Agreements

Document

---

Draft and Review

- Fund Documents
- Management Entity Documents
- Offshore Filings
- Miscellaneous Agreements

Regulatory Filings

- Entity Creations
- Foreign Qualifications
- EIN Applications
- Edgar Filings Codes
- ADV
- NFA Filings
- Blue Sky Filings
- Tax Election

# Fund in-Formation

A Classic Process, Reimagined.

## Decision Checklist for Fund Terms

Through a series of structured discussions with you, we will work through the following list of typical U.S. domestic fund terms to help you decide the terms appropriate for your fund and investors. These decisions frequently require a trade-off between operational flexibility on the one hand and investor control and confidence on the other. So, in general, we will address each of the following three questions as we work through the list of decisions:

- How much operational flexibility is necessary for your specific operation, assets and strategy?
- What is the market for each term and what do your investors require?
- What legal risks, disclosures or other legal or operational issues does the proposed term implicate?

### Subscriptions:

- Subscription limitations (min/max, etc.)
- Subscription marketing and use of placement agents
- GP, Principal and Affiliate capital commitments
- Multiple classes or modification/exemption of subscription terms for certain subscribers

### Withdrawals:

- Notice
- Withdrawal periods
- Lock-ups
- Withdrawal charges
- Withdrawal gates
- Partial withdrawals
- Forced withdrawals
- Withdrawal request processing
- Withholds pending audit/valuation
- In-kind distribution
- Limitations on GP withdrawals

# Fund in-Formation

A Classic Process, Reimagined.

## Management Fees and Expenses:

- Rate and calculation of management fee
- Management fee period and assessment
- Allocation of expenses between Fund and IM
- Soft Dollar policy

## Performance Compensation:

- Rate and calculation of performance compensation
- High water marks
- Hurdle rates
- Special Situation Accounts
- Clawbacks
- Escrows

## Transparency and LP Rights:

- LP voting rights
- Independent oversight
- Key People Events
- Audit and investor reporting
- Restrictions on transfers (GP and LP)

## Miscellaneous:

- Side Pockets
- Valuations
- Leverage
- Indemnification
- Limitations on principals' activities, investing and time
- Choice of law and venue
- Service providers
- Risk Factors