

# Evergreen Funds Overview

## Key Hedge Fund Versus Private Equity Fund Differences

	Hedge Fund	Private Equity Fund
<b>Investments</b>	Typically liquid investments, such as publicly traded securities	Illiquid investments
<b>Valuation</b>	Portfolio has readily discernible market value; easy to value periodically	Periodic market valuation of portfolio is difficult; assets typically valued upon sale
<b>Capital Raising</b>	Portfolio has readily discernible market value; easy to value periodically	Periodic market valuation of portfolio is difficult; assets typically valued upon sale
<b>Admission of Investors</b>	Capital contribution up front (trading liquid assets means capital can be put to use right away)	Capital commitment drawn over time as investment opportunities are located
<b>Treatment of Additional Investors</b>	Admitted based on portfolio NAV as of such date; no retroactive management fee	Treated as if admitted on the initial closing subject to interest charge for interim period; must pay their share of draws made to date; existing investors get refund, which increases their unused commitments; pay retroactive management fee plus interest
<b>Incentive Allocation</b>	Periodic incentive allocation (typically annual) on both realized and unrealized gains (i.e., carry taken on mark-to-market basis)	Carried interest paid only as investments are realized and proceeds distributed pursuant to waterfall mechanism

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	Hedge Fund	Private Equity Fund
<b>Management Fees</b>	Periodic management fees based on net asset value of portfolio; usually 1.0% - 2.0%.	Periodic management fees based on (i) capital commitments during investment period, and (ii) invested capital attributable to unsold investments thereafter.
<b>Term</b>	Perpetual, but investors can withdraw from the fund; see below	Fixed term and investors generally cannot withdraw from the fund (except in the case of legal requirement)
<b>Withdrawal/ Distribution</b>	Investors may withdraw periodically (usually at year-end) subject in some cases to lock-ups (e.g., 3 yrs. from date of initial investment); generally no other distributions  General Partner also has right to force investors to withdraw	Investors have no withdrawal rights (except in the case of legal requirement); capital returned and profits distributed as investments are sold subject to reinvestment, if any; remaining investments sold or distributed in kind at end of term

**Evergreen Fund Structure (Tranche PE Fund)**

- Fund can raise capital continuously.
- Capital commitments remain available for draw down per investor for stated period (e.g., 12 – 18 months).
- The fund deploys capital in distinct “tranches” (e.g., 6 months).
- Each tranche has its own “term”.
- Management fee paid on commitments during investment period and then invested capital of investor’s remaining investments thereafter.
- After the end of the term, the fund’s remaining investments are liquidated proceeds are returned to investors through a waterfall mechanism that is calculated on a per investor, per capital commitment basis: full return of capital to investors, a percent preferred return to investors, 100% catch up to GP and thereafter 80%/20% split.
- Investors admitted at subsequent closings generally participate in the then open “tranche” based on the cost basis of investments (i.e., the open tranche is rebalanced in typical PE manner) but does not participate in closed tranches.

### Open-end Fund with Liquidating Account Mechanism

- Fund would generally be structured on a hedge fund model.
- The fund would raise capital continuously and have an indefinite term.
- Investors contribute full amount of investment at time of subscription.
- The manager employs a robust valuation process to value both liquid and illiquid assets at fair value.
- New investors in the fund participate in all existing investments.
- Investors have periodic withdrawal (e.g., 1 year lock-up and then quarterly redemption on 60 days' notice).
- However, all redemptions are paid through a liquidating account mechanism whereby the fund allocates an approximate pro rata slice of the portfolio as of the redemption date to a liquidating account for the benefit of the withdrawing investor rights (i.e., the assets are ring-fenced on the fund's balance sheet); withdrawal proceeds paid as assets are liquidated and withdrawing investor's redemption proceeds ultimately equal sale prices less fees and expenses.