HOW TO LAUNCH A FUND FOR LONG-TERM SUCCESS

The Richey May Expert Guide to Fund Startups

RICHEY MAY | Alternative Investments

TABLE OF CONTENTS

PAGE	SECTION
1	**01: CHOOSE THE RIGHT SERVICE PROVIDERS** What to handle in-house, what to outsource, and why
6	**02: MANAGE FOR SUCCESS** How to establish your management company, board, and more
11	**03: SET UP YOUR FUND STRUCTURE** Five structures and key tax considerations
19	**04: NEGOTIATE FEES AND INCENTIVES** The ins and outs of incentive allocation and management fees
22	**05: MAXIMIZE MARKETING TO RAISE CAPITAL** What you need to solicit investors and stand out in the market
28	**06: UNDERSTAND THE TECHNICALITIES AROUND TAXATION** Best practices to prepare your fund for capital investments
31	**07: CONSIDER THE TAX IMPLICATIONS** What to watch for at the trading level of your fund
35	**08: HANDLE AUDITS LIKE A PRO** Valuation, internal controls, and generally accepted accounting principles
38	**09: WORK WITH RICHEY MAY** Who we are and how we can help

Thinking about launching a fund?

Welcome to an exciting opportunity, the chance to pursue your vision and build your own business — one with a substantial upside.

You've already laid the groundwork, demonstrating you can generate sizable returns. Now comes the stretch goal — establishing your credibility as a business owner. Whether you've been trading for two years or two decades, running a fund means new responsibilities: setting up the infrastructure, raising capital, and more. Much more.

How can you ensure the greatest chance of success for yourself and your stakeholders?

Start with this guide.

It pools the wisdom of our own alternative investment experts, a seasoned team of professionals who've coached dozens of investment managers and know the landscape intimately.

At Richey May, we invest in client education, digging deep to provide insights and answers that inspire results. This guide is just one tool at your disposal. To learn more about our services, reach out to Richey May Business Development Partner **Steve Vlasak**.

01

CHOOSE THE RIGHT SERVICE PROVIDERS

Choose the right service providers

What to handle in-house, what to outsource, and why

THE UPSHOT

There's a lot to consider when you launch a fund. **The number one priority: Put together your team of service providers.** Start lean and outsource the primary functions, like legal counsel and an audit/tax advisor, as well as the secondary needs, like CFO services and marketing.

You can't build a house without a foundation. The same goes for building a startup. Before you can structure your fund, pitch to investors, or raise the capital you need to get your operation off the ground, you have to do your research and some very careful planning.

First things first: Put together your team of service providers.

Think operationally (front and back office) and start lean. You can and should outsource many of the required functions, including the three most essential roles: legal counsel, an audit/tax advisor, and an administrator. They're your MVPs, because they'll help ensure you structure your entity correctly from the outset.

Legal Counsel. It's absolutely critical to make sure you're filing the proper regulatory forms for your fund. A good tax attorney can provide the counsel you need. Since costs for attorneys can vary widely, keep in mind you don't necessarily need a Wall Street hedge fund attorney. Many qualified attorneys can be just as good and more cost effective.

Your attorney can advise you on applicable **regulatory obligations**, including required state or Securities and Exchange Commission (SEC) filings, examinations and registrations. Your fund strategy, scope and size will determine who you must register with and your deadlines for filing.

Your attorney can also advise you on fund structure. There are many factors to consider when choosing a fund structure, to ensure you meet the needs of both the fund's investors and the manager. The structure you choose can have varying costs, tax implications, and complexities, so choosing the right fund structure is critical.

In addition to advising you on regulatory obligations and the fund structure, your attorney can review marketing material, amendments to offering documents, and side letter preparation. They can also advise you on the **eligibility of potential investors** and help you to stay current and maintain compliance.

NOTE: If your fund strategy contains **derivatives or commodities**, you'll want to consult with legal counsel about registering with the Commodities Futures Trading Commission (CFTC) and/or the National Futures Association (NFA). This a highly regulated area with strict requirements.

Audit/Tax Firm. The auditor's main responsibility is to audit and provide an opinion on your fund's financial statements as of fiscal year-end. They can also review your fund's draft operating agreement or limited partnership agreement and private placement memorandum to ensure the terms comply with accounting standards. And they can review your fund's valuation policy to ensure that it follows generally accepted accounting principles (GAAP) and other internal control processes as required by generally accepted auditing standards (GAAS).

The tax advisor's main responsibility is to provide annual tax returns and tax advice. There are many **tax-driven decisions** you'll need to make upfront when you launch a fund. From this perspective, it's important to consider three factors:

1. the type of investors you have,
2. the size of your fund, and
3. the types of investments you plan to make.

Think about cryptocurrency funds, an area subject to tax with increasing complexity. The same applies to certain fund structures, especially those that allow **foreign investors and investments**. By bringing in a tax team upfront, you'll have the expertise you need to be proactive.

CASE IN POINT

A startup (let's call them Company A) sets up an offshore master fund with an onshore and offshore feeder (considered a standard master-feeder structure). Typically, you would direct your foreign and tax-exempt investors to invest in the offshore feeder fund (which would act as a "Blocker"), while directing your U.S.-taxable investor to invest in the onshore feeder fund. When setting up this structure, fund managers often forget (or aren't correctly advised) to make sure the offshore master fund applies for an EIN (Employer Identification Number) with the IRS and files a Check the Box Election (Form 8832). Doing so would ensure that the offshore master fund is treated as a partnership for U.S. tax purposes and can issue a Schedule K-1 to the onshore feeder fund. That, in turn, allows the preferential tax characteristics from the offshore master fund's trading activity to flow down to the onshore feeder fund.

Takeaway: If this election is not made at the offshore master fund level, the investors in the onshore feeder fund could face adverse tax consequences. Had the fund manager spoken to their tax team first, they could have made the correct election and avoided some costly filing requirements and adverse tax consequences.

Fund administrator. Your fund administrator is another key player on your team. They're responsible for keeping the books and records for the fund and maintaining investor allocations. They can also provide investor services, compliance and regulatory support, middle office support, tax reporting services, and financial statement preparation. The fund administrator provides the third-party references your investors will want to see.

Other essentials. Once you have your legal counsel, audit/tax advisors, and fund administrators in place, you can start focusing on other service providers. Other essential services to consider outsourcing:

- **Prime Broker.** Think of this function as a sort of central broker, facilitating and coordinating extensive, complex trading in a variety of financial instruments for different types of liquid fund structures.
- **Regulatory Compliance Services.** Fund compliance professionals ensure your firm complies with U.S. federal laws and regulations, like the Investment Advisers Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as well as with the rules of self-regulatory organizations. They also track conflicts of interest from activities like personal trading and best execution and ensure you have the proper policies and procedures in place. You'll need someone both experienced and tech savvy.
- **Management Company/CFO Services.** This financial services expert handles monthly closes, communicates with your audit and tax team, manages banking relationships, and participates in investor due diligence meetings. The pro of outsourcing: You cut the cost of hiring a full-time CFO. The con: You lose some control by outsourcing and run the risk of creating the perception that you're a small shop. (More on this later.)
- **Marketing Services**. Asset raising and marketing go hand in hand. An experienced marketing team can help develop and refine everything from your logo, **pitchbook** and website to fact sheets, regular performance updates, and quarterly newsletters.
- **Technology** includes IT infrastructure, cloud and cybersecurity services that are vital to your fund's operations and risk management. Because cybersecurity is a serious threat, it's wise to hire a firm with a **cybersecurity specialty**. Not only can they help assess your vulnerabilities, but they can also establish controls and use preventative tactics to harden your defenses. If the worst happens, they can help you recover and protect your client data.

> **Institutional investors like to see outsourced partners, because they can provide the infrastructure for growth at a lower cost.**

Summing up. It's natural to think of your operation as a small shop when you're first starting out. But it's important to run it like a big shop (translation: institutional grade). Adopt that mindset, and you won't be tempted to wing it and figure it all out down the road.

Build your infrastructure from day one. Delegate what you don't have expertise in and spend your time managing the portfolio. Yes, there's a cost, but it lets you expand and be more successful.

Remember, institutional investors like to see **outsourced partners**, because they can provide the infrastructure for growth at a lower cost. But be sure to hire people with the right expertise. Ask your peers about their service providers. And think about scalability: Will outsourcing make sense for the long term, or will you need to bring people in house when you grow? Setup costs can be high, so make sure you have the capital (or a backer) to keep you up and running for a couple of years. When you bootstrap it, you set yourself up for failure.

And whether you're outsourcing or not, remember that you're the one responsible for providing oversight for every role. Ultimately, it's still your business to run.

02

MANAGE FOR SUCCESS

Manage for success

How to establish your management company, board, and more

THE UPSHOT

Managing for success starts with your management structure. Is it a single limited partnership that acts as both the General Partner (GP) and Investment Manager (IM), or are the GP and IM set up as separate entities? How will you manage your records? Will you outsource or handle the financials in house? Do you have a board, and if so, who's on it? This section will help answer these questions and more.

Once you've nailed down your operational infrastructure, it's time to turn your attention to your management structure. Remember, investors want to know you're building a company with a solid foundation. Show them you are by setting it up properly from day one.

How you structure your management company should reflect both how you'll structure your fund and how you see investment decisions being made. The management company also determines employee salaries, benefits, and other aspects of a traditional business.

Management Structures. Your management structure will usually take one of two forms:

- An entity (commonly a **limited partnership** but could be an **LLC**), whose main purpose is to receive the incentive allocations/fees from your fund (the General Partner or GP) and a separate entity (commonly a **Limited Liability Company** (LLC) or could be a **limited partnership**), which pays operational expenses (the Investment Manager or IM) from your fund's management fee income
- A **single limited partnership** (or could be an **LLC**) that would receive the incentive allocations/fees and management fees and incur all operational expenses (a GP that also acts as the IM)

When deciding on a management structure, you'll have tax implications to consider. For instance, in many states it wouldn't matter if you separated the GP and IM for tax planning, but if you're located in California, New York, or Texas, it's very common, and generally beneficial, to separate these two entities. Before making a final decision, we recommend consulting a tax professional. From a tax planning standpoint, each structure has pros and cons.

Here's a quick rundown.

Limited Partnership General Partner and LLC Management Company (Separate Entities)

Pros:

- Can be taxed as a partnership, S-Corp, or C-Corp, depending on elections (Note: An LLC can make elections to be treated as an S-Corp or C-Corp.)
- Does pass-through income and deductions to partners
- Can benefit from keeping revenue streams separate/no entity-level tax

Con:

- Subject to more paperwork and higher startup and maintenance costs

Single Limited Partnership Management Company (Combined)

Pros:

- Lower startup and annual maintenance costs
- Can be taxed as a partnership, S-Corp, or C-Corp, depending on elections

Cons:

- Can be limiting in terms of growth
- In some states, like California, New York, and Texas, management fee income could taint the incentive allocation and create additional filing fees for the GP/IM

Managing your records. Once you've established your management structure, you'll need to decide how you're going to manage your books. It bears repeating that your investors will expect high-quality audits of your books. Keep in mind that auditing can be highly technical, so putting your financials in the hands of a specialized accounting firm just makes good business sense.

Richey May Client Accounting and Advisory Services (CAAS)

Fund managers need advisors who know how to find opportunities between the lines. Our seasoned team of accountants spends every day doing just that. Our expertise in alternative investments runs deep, from special purpose vehicles to management companies. We can act as your outside finance team or work with your in-house team to lighten your accounting load. Learn more about how our CAAS offering can help you dig into the financials to build your fund and grow with you as you scale.

Fund Governance. You can always count on at least two things from investors, especially institutional investors: They'll want to conduct due diligence on your fund and operations, and they'll be very interested in how you track, monitor, and report your company goals, as well as your executive pay, shareholder rights, internal controls, and audit findings. A few best practices can go a long way toward gaining their confidence: establishing a board, recording meeting minutes, and setting compliance policies.

Advisory Board/Board of Directors. Most investors want to know you have either an advisory board or a board of directors. At a minimum, make sure there's someone on your board with **financial expertise** and/or a background in accounting who knows how to analyze and identify important financial statements. It's also a good idea to have someone with a background in **risk management** as well as tax law or corporate law. Plan for your board to meet in person or virtually about a half-dozen times a year.

Meeting Minutes. Recording meeting minutes is one of the most important practices you can maintain for your business. Designate someone you trust to type up clear, accurate, and comprehensive records of every meeting, including:

- Meeting agenda with relevant attachments
- List of attendees with full names and titles
- Description of the meeting (when, where, etc.)
- Details of discussions, decisions, and action items

Compliance Policies. The risk of regulatory non-compliance is all too real in the fund management realm. The best way to minimize it is to **outline your policies and procedures** for complying with the laws, rules, and regulations governing your operation or trading activities. Bring in legal counsel, tax advisors, and/or auditors as you're drafting docs to help ensure your policies and procedures are complete and cover all legal, tax, and audit requirements.

A few best practices to follow:

- Record transactions promptly and accurately
- Determine if you have SEC/state filing requirements and know their deadlines
- Create processes to prevent, detect, and address the misuse of proprietary information, such as insider trading
- Consider hiring a Chief Compliance Officer or third-party service provider to help prepare your fund for SEC and state examinations/registration if an investment advisor registered with the SEC or the state

03

SET UP YOUR FUND STRUCTURE

Set up your fund structure

Five structures and key tax considerations

THE UPSHOT

Before you choose a fund structure, you need to closely consider a few deciding factors. This section dives into those factors, as well as the five most common structures and their tax implications. Our best advice: Focus on your investors and your investment strategy and talk it out with your legal counsel, tax advisors, and auditors.

You have plenty of ways to go in terms of structuring your fund. But first, you need to look closely at a few key deciding factors: **investor profile, investment strategy, growth objectives, and tax considerations.**

You're a step ahead if you have some initial idea of who your investors are or the type of investor you'll target, since this will have a significant impact on your structuring decisions. You'll also want to estimate the size of your fund and determine the types of investments you'll make. Long or short, fixed-income, cryptocurrency, global macro — how you invest will play a major role in how you set up your fund structure.

Other fund-specific questions to ask yourself:

- **Will the fund be open-ended or closed?** Most hedge funds are open, and most private equity funds are closed.
- **Will the fund be fixed term with fixed investors or indefinite, allowing investors to come in and out of the fund?**
- **Will you hold both liquid and illiquid investments?**
- **Where's your base of operations (U.S. or abroad)?**
- **Whom will you target as investors?** Institutions with hefty minimums or family, friends, and smaller investors?
- **Will you need to have an audit based on investor or regulatory requirements?** An audit provides credibility to your fund's financial statements and gives current and future investors confidence that the information reported to them is fair and reasonably accurate. Some fund managers do an extended audit for their first partial year of operations to save on cost. *(See Section 6 for details.)*

THE BOTTOM LINE

Raising funds raises its own set of questions. **How will you market your fund? What sets you apart from competitors? Will you use a capital introduction? What's your elevator pitch? What are your credentials? Do you have a business plan that's robust yet flexible enough to respond to marketplace changes?** *(See Section 5 for more on marketing your fund.)*

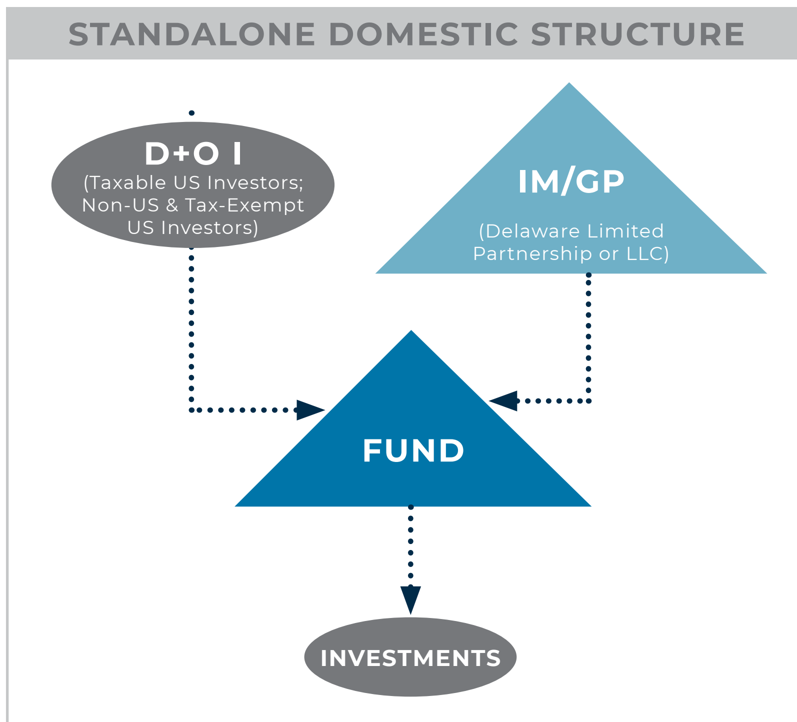
FUND STRUCTURES

As you set up your fund, you'll have many types of fund structures to consider. To help streamline your decision, we've narrowed down the options to the top five fund structures, plus a few others that offer a little more flexibility in terms of where to invest.

Standalone Domestic. The simplest structure from a tax perspective and the most popular, the standalone domestic fund works best when your capital comes from U.S. investors, with few to no tax-exempt or foreign investors.

Foreign and tax-exempt investors may be averse to investing in a standalone domestic fund if the fund is using leverage or investing in anything that generates **Unrelated Business Taxable Income** (UBTI). UBTI applies to tax-exempt investors and **Effectively Connected Income** (ECI) applies to foreign investors. Generally, ECI is generated if an entity or foreign persons are engaged in a trade or business in the U.S. To avoid tax issues after the fund is up and running, it's a good idea to discuss potential tax implications of UBTI and ECI with your tax team early on. Down the line, you could consider converting a standalone domestic fund to a mini-master or master-feeder, which could help block UBTI and ECI from impacting tax-exempt or foreign investors.

NOTE: While partnerships can be formed in any state, they often take the form of a Delaware Limited Partnership (LP) or a Delaware LLC, although it's not uncommon to see LPs and LLCs in Wyoming or other states. The general partner of this type of fund receives an incentive allocation. The investment manager receives a management fee.

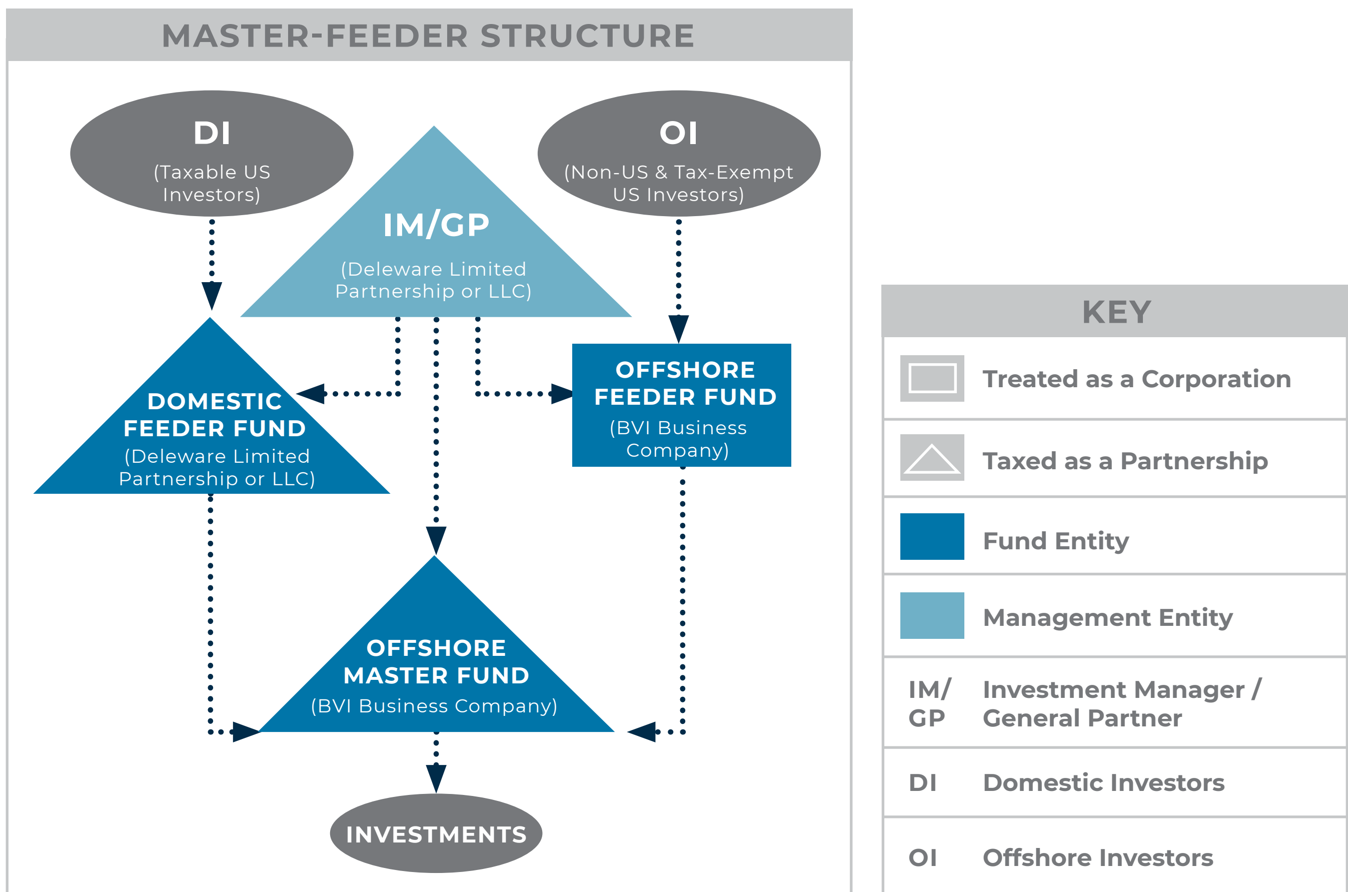


KEY	
	Treated as a Corporation
	Taxed as a Partnership
	Fund Entity
	Management Entity
IM/ GP	Investment Manager / General Partner
DI	Domestic Investors
OI	Offshore Investors

Standalone Offshore. Used by offshore managers who expect capital from non-U.S. investors or U.S. tax-exempt investors, the standalone offshore fund can have tax advantages. Depending on how the fund is set up and what type of income it generates, you would likely not create a U.S. tax filing requirement.

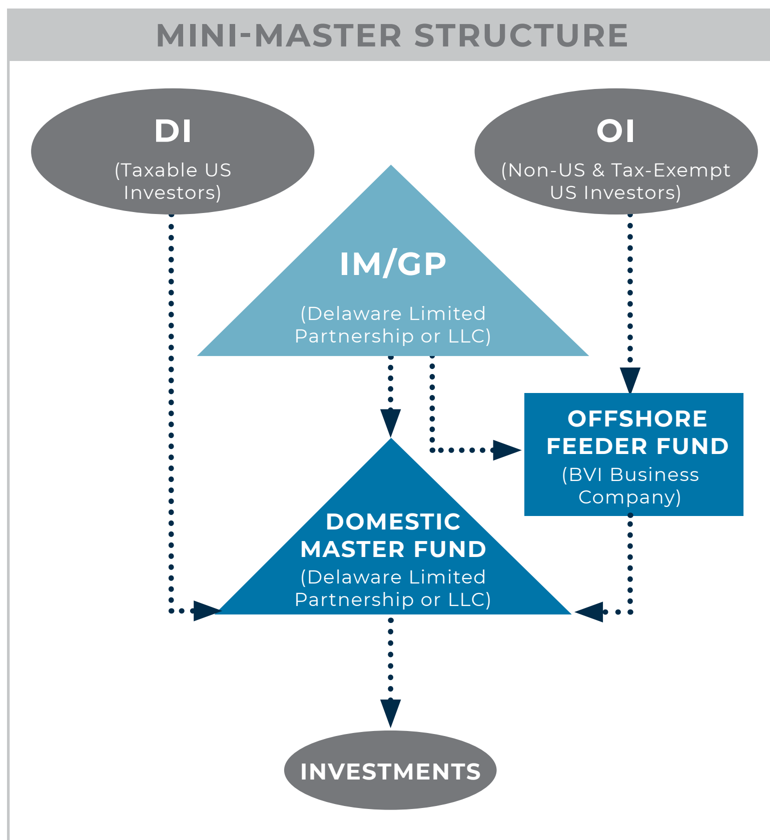
Offshore funds appeal to foreign and tax-exempt investors because they block UBTI and ECI from the use of leverage or from investments in a U.S. trade or business. Foreign investors can invest freely without direct U.S. tax liability.

Master-Feeder. When your investor base is a mix of tax-exempt, foreign, and U.S. taxable investors, the master-feeder is commonly the structure of choice. The master fund is typically located in a low-tax jurisdiction like the Cayman Islands, the British Virgin Islands, or Bermuda. Both onshore and offshore feeders invest in the master fund: U.S. investors via the onshore feeder, and foreign and tax-exempt investors via the offshore feeder. The master fund holds the investments and incurs all fund expenses shared by both feeders, which provide various tax benefits. By design, the structure eliminates UBTI and ECI concerns from passing (or flowing) through, relieving foreign partners of domestic tax burdens, such as filing any U.S. compliance.



This structure can also benefit U.S. investors who want to engage in foreign investments that don't allow U.S. investors, like some cryptocurrency exchanges. This structure also benefits the GP by enabling the incentive to be reallocated from the master fund rather than receiving it as fee income from the offshore feeder. The master-feeder structure does require separate audits for each entity within the structure, but typically will require that tax returns be prepared only for the master fund and onshore feeder, since the offshore feeder generally has no U.S. filing requirement.

Mini-Master. When your investor base is a mix of tax-exempt, offshore, and U.S. taxable investors *and* the fund's trading strategy is to invest in U.S.-based investments, look to the mini-master. The master fund in this structure is U.S. based, with only an offshore feeder. The master fund holds the investments and incurs all fund expenses shared with the offshore feeder. U.S. investors hold an interest directly in the U.S.-based master fund, while foreign and tax-exempt investors hold an interest in the offshore feeder.



CHECK THE BOX

To be treated as a partnership for U.S. tax purposes, a master fund that is located outside of the U.S. must file an 8832 "Check the Box" election. Failing to check the box could cause the master fund to be treated as a Controlled Foreign Corporation (CFC), which has complex rules and disallows the benefits of a partnership. If you're considering a Master-Feeder structure, consult with your legal counsel and tax expert about this easy election early in the structuring process — and make sure you understand who will be doing the filing.

KEY

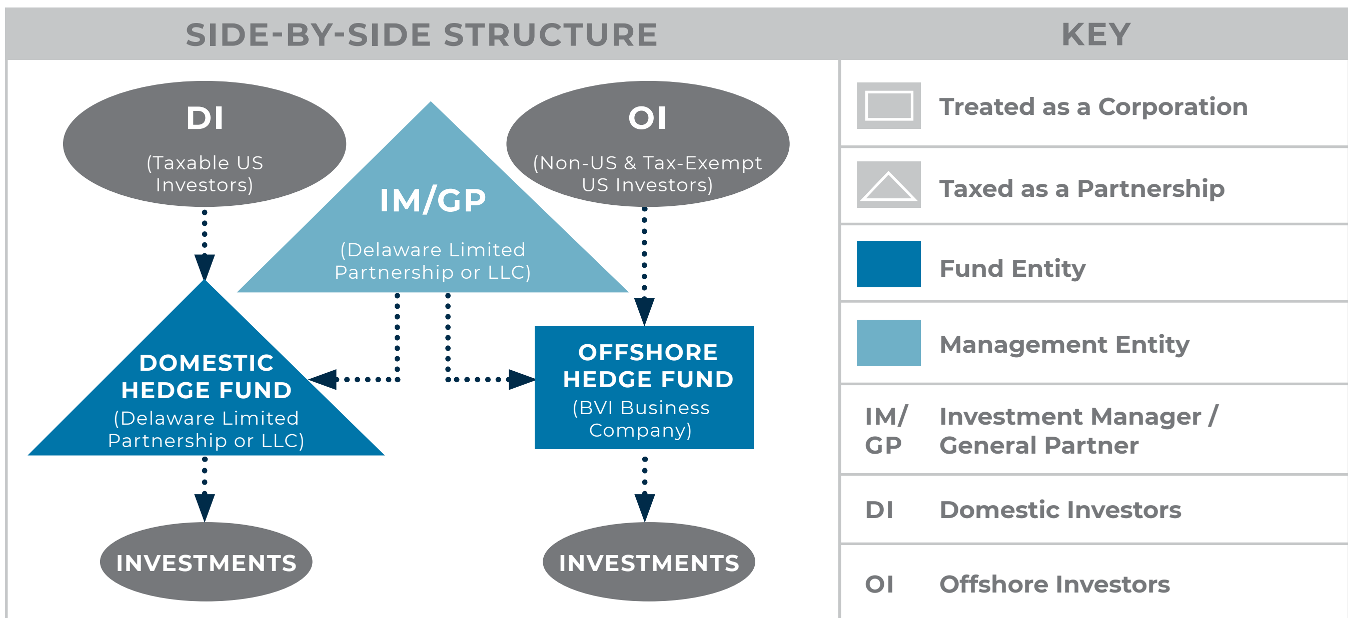
(box)	Treated as a Corporation
(triangle)	Taxed as a Partnership
(dark blue)	Fund Entity
(light blue)	Management Entity
IM/ GP	Investment Manager / General Partner
DI	Domestic Investors
OI	Offshore Investors

The advantage: You keep your U.S. and foreign investors separate, which benefits the U.S. tax-exempt and foreign investors alike.

The main difference: The mini-master costs less to set up and operate than a master-feeder, because there's one less entity to manage. That means one less audit, tax return, and entity to prepare books and records for, and fewer foreign jurisdiction and state filings.

Parallel or Side-By-Side Fund. More complex yet also more flexible than other fund structures, the side-by-side model uses a standalone domestic fund and a standalone offshore fund that make similar or substantially identical investments. One investment manager oversees both funds based on an overarching investment strategy, and the standalone domestic fund is typically formed as an LP or LLC. This structure gives the fund manager flexibility to operate two different funds and pick appropriate investments for each.

NOTE: You cannot do an incentive allocation from a standalone offshore fund to a U.S.-based GP. The incentive allocation would be treated as "fee income" and would be considered self-employment income to a U.S.-based GP. It would be taxed at ordinary income rates and would not receive any preferential U.S. tax treatment.



The challenges: With a parallel or side-by-side structure, you have to trade and manage two portfolios. You also need to run two sets of books, which means audits for each of the two funds and a tax return for the domestic fund. The GP will receive incentive income from the offshore fund in the form of a fee versus a reallocation, which does not provide preferential tax treatment.

The advantage: You can vary your trading strategy based on beneficial tax considerations for your investor base.

OTHER STRUCTURES

If you have investors who want to make designated versus diversified investments, you have other options besides the five structures outlined above. The structures below let you choose your investment and exposure, giving you a more flexible and targeted approach.

Segregated Portfolio Company (SPC). As the name suggests, an SPC is a company that segregates the assets and liabilities of different classes of shares from each other and from the company's general assets. Only the assets of each segregated portfolio are available to meet creditor liabilities associated with that portfolio. SPCs allow for more security and flexibility in investment structure. Depending on your investment strategy, you can choose to form domestically or as an offshore vehicle.

Delaware Series Trust. There's a reason Delaware is the most favorable jurisdiction for domestic hedge funds. It boasts well-conceived trust laws, a supportive judiciary, and a strong legal and banking community. Having a trust in Delaware offers distinct tax advantages, creditor protection, and flexible distribution rules.

A Delaware Series Trust (DST) is an investment vehicle that lets investors hold equity in the types of commercial real estate properties typically found in pension funds, REITs, insurance companies, and the like.

Thanks to the **Delaware Statutory Trust Act** (DSTA), this structure gives investors legal protection from the assets held by the trust. The DSTA defines a "series" as a group of segregated assets, the administration around them, and the rights of equity holders. Section 3804(a) of the DSTA allows for limiting liabilities in a series so creditors of one series can only take recourse against the assets of that series versus the entire trust.

NOTE: Assets held in a DST must be held and accounted for separately from the investment series, and the fund must maintain separate books and records for each series within the trust.

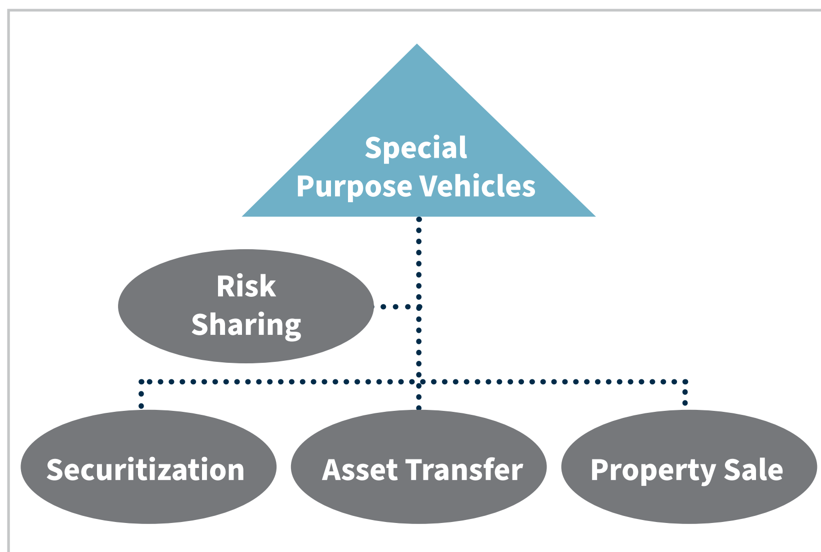
Offshore SPC. There are two common types of offshore SPCs, the **Cayman SPC** and the **British Virgin Islands (BVI) SPC**. Claiming roughly 70% of the world's offshore funds, the **Cayman Islands** is the largest and among the most reputable offshore jurisdictions for forming a fund, owing to its stable political and economic environments, business-friendly structure, and well-defined investment laws. The Cayman Islands is also a tax-exempt jurisdiction, allowing both offshore investors and U.S. tax-exempt investors to take investment gains tax free.

British Virgin Islands. The second most popular jurisdiction for forming offshore hedge funds, with about 15% of all offshore funds, BVI offers two significant benefits: cost-effectiveness and convenience. BVI filing fees are notably lower than Cayman's. And unlike Cayman, BVI does not require a BVI domiciled CPA firm audit.

Special Purpose Vehicles (SPVs). An SPV is a business entity with a special limited purpose. SPVs are often created to protect a hedge fund's assets and separate liabilities. While they may share the same managing and sponsoring entity (an SPV organizer), each SPV has its own operating structure, ownership structure, and balance sheet. It's also financially independent of any other SPV with the same SPV organizer. While an SPV can be any type of entity, offshore or domestic, it usually takes the form of an LLC or limited partnership.

Fund managers who plan to manage multiple funds and are interested in trying out new ventures commonly use SPVs. For example, you might consider an SPV if you have five or more funds, particularly if you have cryptocurrency investments in one and equities in another. The freedom and flexibility of this type of structure lets a fund manager venture into an investment that its main funds might normally avoid. Since an SPV spreads the risks among a larger pool of investors and offers favorable tax benefits, it creates an atmosphere for an attractive investment approach that gives more control to anyone involved.

NOTE: With choosing a fund structure, remember that your goal is to limit the burden on your investors. Proper setup will help you attract the right investors and retain them.



04

NEGOTIATE FEES AND INCENTIVES

Negotiate fees and incentives

The ins and outs of incentive allocation and management fees

THE UPSHOT

As you set up your fund structure, consider how you'll handle management fees, incentive allocation/fees, and fund-level expenses. Coordinate with your legal counsel on aligning fees, terms, and conditions with your investment strategy and discuss the language in your fund documents with your administrator, auditor, and tax team.

Fund managers typically charge their investors a **fixed management fee** equal to 1%-3% per year of net assets to help cover the management company's operational and overhead costs. Think of it as the firm's working capital based on assets under management. And how do you decide which expenses should flow through the fund? That's dictated by your partnership agreement.

You also earn an **incentive allocation or fee** based on fund performance. Typically, the incentive is 10%-20% of net income. Before taking an incentive, you may want to consider requiring that a hurdle rate (a minimum return) be earned and consider whether losses should be carried forward and recovered. An incentive can be taken as either a reallocation or fee, depending on the fund structure and on which option provides a more favorable tax benefit.

WORDS OF CAUTION

All expenses incurred at the fund level must be specified in the fund's operating agreement. Common industry practice is to expense the organizational costs (one-time expenses incurred in year one), administrative fees, legal fees, audit and tax fees, investment transaction fees, and bank fees at the fund level. The fund manager could run other expenses through the fund, but doing so could raise red flags with investors, as well as with the IRS. Ask your legal counsel, administrator, auditor, and tax consultant about this practice when preparing your fund documents.

We can't overstate the importance of determining the right method of collection for incentives. When preparing your fund's documents, be sure to consider the fund's structure and how incentive income is taxed. Check with your legal counsel and your tax consultant before finalizing your documents. Finally, keep in mind that the more complex your terms, the more work your administrators and auditors may need to do, which could, in turn, increase the fund's annual fees.

Close the GAAP

In the launch phase, fund sponsors determine how to split expenses between the fund manager and the fund account. In most cases, the fund covers startup and operational costs, including legal, accounting, and administrative fees. While it can be tempting to amortize those costs over five years to lessen the impact on early investors, that practice deviates from the **generally accepted accounting principles** (GAAP) of expensing startup costs within the first year — and that can pose a problem for your first-year audit. **Talk to our audit team** for advice on how to close the GAAP.

05

MAXIMIZE MARKETING TO RAISE CAPITAL

Maximize marketing to raise capital

What you need to solicit investors and stand out in the market

THE UPSHOT

The fund market is a crowded and competitive one. To cut through the clutter and stand out, you need a smart marketing strategy that starts with the basics: Know your market. Hone your brand story. Build your pitchbook. And then create the marketing materials you need to raise capital.

KNOW YOUR MARKET.

Before you can dive into your brand story or marketing toolkit, you need to know your market and **define your investor base**. First, identify investors you see as the best fit for your fund and most likely to engage in a long-term relationship with you. While they may hold off on your early-stage fund, they may dive in later, especially if they see that you have skin in the game.

SOURCES OF CAPITAL

- Past employers
- Friends & family
- Seed investors
- Capital introduction specialists
- You

Once you've sketched out your target audience, drill down into what your **investor mix** might look like. Are your investors accredited or non-accredited? U.S.-based or non-U.S. offshore? Aggressive or conservative? Then think about how you might find them — via online databases, prime brokers offering "capital introductions," third-party marketers, or other sources.

Investors and limited partners get countless requests from investment opportunities. Your best go-to-market approach is one that's **customized for your target audience**.

5 TIME-TESTED TIPS

1. **Experiment with multiple channels** to reach your audience, as well as co-investors and entrepreneurs looking for funding opportunities.
2. **Use a variety of marketing materials** and tactics to manage an efficient sales funnel.
3. **Think holistically** and take a long view (year-to-year needs, loyalty, referrals) of how you're going to raise capital and share your plan with your investors.
4. **Act strategically.** Don't expect to have a capital intro and start raising capital. It takes a lot longer than most fund managers imagine.
5. **Engage and educate** prospective investors on the opportunity in your market, what you're offering, and how you'll structure your fund to address their specific needs.

HONE YOUR BRAND STORY

Every good marketing strategy starts with a brand story that you articulate in several forms, from a two-minute elevator pitch to a fully developed website. So, how do you deliver your value proposition with equal parts emotional and rational reasons to believe? By telling an authentic and relatable brand story.

The Why. Start with "the why" to answer the question "Why invest with you?" Explain why you do what you do, why your approach is different, and why that's important.

The What. What's your skill set? Your outlook? Your pedigree? What problem will your fund solve? What differentiates you from your competitors?

7 ESSENTIAL ELEMENTS OF A MARKETING TOOLKIT

1. Logo/brand design
2. Elevator pitch
3. Pitchbook
4. Website
5. LinkedIn profile
6. Thought leadership
7. Due Diligence Questionnaire (DDQ)

The When. For a deeper connection, share your "aha!" moment when you decided to start your firm — or when you went from a two-person to a 10-person operation.

The Who. Decide who'll tell your brand story. Who has the personality and passion to do it best? And who's more comfortable managing the fund than calling on clients or prospecting? Whether it's you, someone else on your team, or a third party doing this work, remember that while it may be exciting to build your marketing toolkit, it will take time and energy away from other early-stage priorities — not to mention from managing your clients' money.

THE BOTTOM LINE

How you tell your brand story starts with your pitch and unfolds from there, with the specific tactics or channels that make up your marketing toolkit.

BUILD YOUR PITCHBOOK

Once you have your brand story, you can begin to build out other elements, starting with your **elevator pitch**, a critical part of your pitchbook and a touchstone for your marketing toolkit. Think of your elevator pitch as a quick capsule of:

- Who you and your partners are
- What you do/your expertise
- Why you're launching your fund
- What unique value you offer

> **TIP!** If you're in your comfort zone with data calculations and methodology, write elevator pitch scripts you can commit to memory. Then, practice them like you would for a performance.

Write your elevator pitch to fit various lengths, from the 30-second version you'd rattle off on an elevator ride to a 10-minute version with details that you'd discuss over dinner.

Your **pitchbook** is a high-quality presentation of your brand story, preferably 15 to 20 slides. You'll need to build out your presentation with several slides that answer the initial questions a sophisticated investor would ask. Once you have a draft, ask people you trust to review your presentation. If you get the same suggestions for improvement from most of them, you know you still have work to do.

The Pitchbook in Four Parts

1. **Bios and Headshots.** Open your presentation by showing who you are in words and photos to help prospective investors connect with people.
2. **Investment Philosophy.** State your philosophy and approach in the form of an executive summary that covers your investment universe, what you will and won't invest in, and why. Frame it in terms of securities, geographies, and market caps.
3. **Process.** Describe your resources, your investment criteria, your protocol for decisions around allocating capital, your approach to risk, and finally, your track record. Reference your performance upfront and provide details later in a table of monthly returns.
4. **Terms and Service Providers.** Most investors in the alternative asset space not only understand the benefits of outsourced service providers but will look for this in your pitchbook. List your service providers, from administrators to auditors to outsourced CFOs.

5 RULES OF THUMB FOR BUILDING A PITCHBOOK

1. Keep it to 15-20 slides, plus an appendix if needed.
2. Place contact information at the beginning and end.
3. Highlight key takeaways in the first few slides.
4. Sum up each chart and graph in a sentence or two.
5. Keep the content clean, concise and readable.

CREATE YOUR MARKETING MATERIALS

Marketing collateral is critical to asset raising. And by **marketing collateral**, we mean a written presentation, fact sheet, regular performance updates, quarterly letters — anything that grabs and holds investor attention long enough to get you an allocation.

The pandemic put an even sharper point on this. Fewer in-person meetings only heighten the need for a handful of basics, including:

- **Logo/Brand Design.** Establish these design elements from the outset so you have a cohesive brand. They need to be professional, with a good color palette that works across all of your collateral, from fact sheets to social media.
- **Written Presentation.** The minimum price of admission to managing other people's money, your presentation should stand on its own without a voiceover.
- **Fact Sheet.** A piece you can email as a PDF or leave behind after a meeting. Think of the fact sheet as a quick rundown of the first five slides in your presentation.
- **Website.** A web presence is critical, especially if you can't meet in person. Start with at least a simple landing page and contact info. You can always expand later. Keep in mind most users don't get past the homepage, so make it big, bold, and exciting. NOTE: Keep the content fresh and make sure it works on mobile.

5 WAYS TO MAXIMIZE YOUR WEB PRESENCE

If you have a limited budget, launch a small website with tabs for:

1. Approach/philosophy
2. Team bios
3. Portfolio companies
4. News (blogs, videos, PDFs of fact sheets, etc.)
5. Contact information

Choose your social channels carefully. Focus on LinkedIn, a business channel that lets you start a dialogue with your followers. Use it for thought leadership but not to pitch your products. You can describe yourself and your fund, but you can't advertise or pre-qualify investors on LinkedIn. Use your posts to ask questions, curate content, and build relationships. And be sure to include your logo and headshot in your profile.

Be a thought leader. Thought leadership is another integral marketing tool to promote your knowledge and expertise. If creating social media content seems daunting, start by gathering other people's content and curating instead. If you're specializing in cryptocurrency or global macro or a specific sector, use thought leadership to reinforce your specialty.

Keep your website compliant. Unless your fund is one of the 3% that run under an SEC exemption called Rule 506c, using your site to describe or even name your fund is a no-no. Use it strictly to promote your people and your knowledge of the industry and industry trends. Ask your attorney or compliance officer to review your site before it goes live.

Keep your leads warm. Once you start cultivating leads, a customer relationship management (CRM) system for the alternative investments industry can help you nurture relationships and build brand equity and credibility with investors. You can also use a CRM system to give investors access to portfolio-level information and lend more transparency to your relationship. **Learn more** about what to look for in a CRM system.

THE BOTTOM LINE

Don't wait for investors to ask you for information. Share it proactively. And don't forget to follow up after your pitch. Too many managers never do. For more on how to build the perfect pitchbook and a killer marketing toolkit, see **Part 6 of the Richey May Capital Education Series**.

06

UNDERSTAND THE TECHNICALITIES AROUND TAXATION

Understand the technicalities around taxation

Best practices to prepare your fund for capital investments

THE UPSHOT

Taxes come with this territory. Word to the wise fund manager: Do your homework upfront. A thoughtfully considered tax strategy that accounts for technicalities around things like Unrelated Business Taxable Income (UBTI) and Effectively Connected Income (ECI) will pay dividends down the line.

For many fund managers, the topic of taxes is a classic case of you don't know what you don't know. And little wonder: There's a whole heck of a lot to know. In the next two sections, we'll cover the key issues to consider before you put together a tax strategy — one that protects your business and your clients' investments.

TAX, STRUCTURE, AND STRATEGY

Which comes first, your tax strategy or your investment strategy? Or your fund structure? Short answer: They all do. Since your tax strategy will impact both your investment strategy and fund structure, it's equally important. For instance, you can't really lay out your fund structure without understanding the tax implications of having offshore investments in your fund. Or without knowing what kind of income your fund will generate.

Start with investors. Are they individuals or institutions? Domestic or offshore? Tax-exempt or taxable? Once you know what your investors look like, you can define your investment strategy and start to develop a tax structure. No foreign investors? You want a Domestic Fund. Tax-exempt plus foreign investors? You're probably looking at a Mini-Master or Master-Feeder. *(See Section 3 for details on fund structures.)*

Determine the tax impact. To set up your fund properly, you need to consider the potential tax impact of both tax-exempt and foreign investors. We highlight a few of the most important items to consider on the next page.

TRADER OR INVESTOR?

You need to be aware of the distinction and tax implications of taking one or the other position. How do you know? Determining factors include:

- Number of trades
- Percentage of trades held less than 30 days
- Percentage of trades held less than 60 days
- Size of trades
- Type of income produced
- Consistent trading on most trading days

NOTE: If you're a trader, your deductions aren't subject to portfolio limitations. If you're an investor, they are (i.e., your fund-level expenses are no longer deductible by some investor types.) However, if you qualify as a trader in securities, you can make **Tax Election 475(f)**, which treats the fund as if everything is sold at year-end and wipes out loss deferrals. Ask Richey May how we can help with this election.

Technicalities of UBTI, ECI and FDAP. Before structuring your fund, you need to think about three common types of taxable income: **Unrelated Business Taxable Income** (UBTI), **Effectively Connected Income** (ECI) and **Fixed, Determinable, Annual or Periodic** (FDAP).

UBTI taints income that is generally tax-exempt for tax-exempt investors who engage in unrelated taxable activities such as **trading on a margin account** or **investing in underlying partnerships** that have trade- or business-type income. Traditional investment income like interest, dividends, and capital gains typically aren't subject to UBTI. But investment income generated by the use of leverage or from debt-financed investment activity is UBTI. Does it really make sense to have your tax-exempt investors subject to that tax?

3 TAX CONSIDERATION FOR MANAGEMENT ENTITIES

1. Avoid New York City Unincorporated Business Tax on carried interest by setting up a separate GP.
2. Structure the management company as a Limited Partnership to prevent self-employment taxes.
3. Give key employees equity in the GP or management company or both.

ECI is income that is "effectively connected" to or generated by a U.S. trade or business. It comes into play when a foreign person or entity is allocated income from a U.S. trade or business. ECI creates both withholding and a filing obligation at the investor level, though blockers can help to mitigate filing obligations.

Fixed, Determinable, Annual or Periodic (FDAP) is one other taxable income source worth having on your radar. Like ECI, withholding applies to foreign investors in U.S. funds who receive FDAP income. The most common sources of FDAP income are U.S. sourced interest, dividends, rents, and royalties, and the standard withholding rate is 30%, subject to treaty relief.

THE BEST DEFENSE IS A GOOD OFFENSE

Don't be surprised if foreign or tax exempt investors want assurances that your fund won't invest in UBTI or ECI generating activates. If you do, your best defense is a good offense: Discuss any concerns about taxable income, disclose any potential triggers in your offering documents, and remember the "Check the Box" election when you are setting up a master-feeder. Need more details on tax considerations for funds with tax-exempt and foreign investors? **Read this blog post**.

07

CONSIDER THE TAX IMPLICATIONS

Consider the tax implications

What to watch for at the trading level of your fund

THE UPSHOT

In this section we get into the details about the tax implications to look out for at the trading level. Among the big ones are loss deferral rules, carried interest, management fees and entities, and contributed securities.

Now that you know the technicalities around taxes, let's do a deeper dive into the implications at the trading level.

What's deductible and what's not? The basic rule of thumb: The way your fund is classified determines how your expenses are treated. If you're an investor fund, you'll generate portfolio expenses, which are no longer deductible to most investor types. Trader fund expenses, on the other hand, are generally fully deductible.

What is the distinction between a trader and investor fund? The IRS does not have stead fast rules on the differentiation between a trader or investor fund as these terms are not defined in the code. Generally, the classification is determined based off of the daily, monthly, and yearly trading activity as well as the intent of the fund. If a fund is designed to have heavy daily trading, it will fall more in line with a "trader" classification, while a private equity fund that holds minimal investments and has only a few deals a year will resemble more of an "investor" classification. The classification is often gray, so make sure you have the trader vs investor conversation with your legal consul and tax advisor while developing your fund.

NOTE: The Section 475(f) "mark-to-market" election is a powerful election for funds that have substantial trading. Typically, funds with substantial trading activity will encounter problems with the loss deferral rules. The 475(f) election helps alleviate the burden as funds that make this election are not subject to loss deferral rules such as wash sales, straddles, and constructive sales. However, the drawback to the election is all the positions held at the end of the year are deemed as sold. There is not a deferral of recognizing income/loss.

TRADING CONSIDERATIONS

Loss Deferral Rules. Three common types of trades or strategies can have negative tax consequences that good tax planning can help you minimize or avoid:

1. **Wash Sales.** At any point during the trading year, if the fund recognizes a position at a loss, the fund will have to wait more then 30 days before repurchasing a substantially identical position in order to recognize the loss. If a substantially identical position is entered into within less than a 30 day period, the loss will be deferred into a later tax year." Bottom line, you can not take the loss in the current year.
2. **Straddles.** A tax straddle is any set of offsetting positions, such as a stock, futures contract, a forward contract, or an option on actively traded stock or personal property, that seeks to diminish an investor's risk of loss (Code Sec. 1092). Loss realized with respect to a straddle position is deductible only to the extent it exceeds the taxpayer's unrealized gain in the offsetting position. Unused losses are carried forward to the next tax year and holding period of the still held position can be negatively impacted.
3. **Constructive Sales.** A constructive sale gain will likely need to be recognized for tax purposes if an appreciated position was held, and then an offsetting position was opened. The constructive sale rules are a factor when a hedge position at a later date is taken on a security and the investor is essentially locking in their gain.

Incentive Allocation Considerations. Incentive allocation, also known as **carried interest**, is a share of profits from a fund that's reallocated from the LPs and to the GP — and it's a critical tax consideration for GPs. A newer rule under Section 1061 of the tax code lays out the potential implications of incentive earned or carried interest through an applicable partnership interest. In general, Section 1061 requires a three-year holding period for an investment fund manager's share of capital gains earned through a fund as carried interest to be eligible for the lower tax rates applicable to long-term capital gain.

THE BOTTOM LINE

Carried interest is something you'll want to review carefully and structure correctly in the partnership agreement.

MANAGEMENT COMPANY AND GP CONSIDERATIONS

Management Fees/Incentive Allocation. Aside from what you learned about management fees and incentive allocations in Section 4, there are the tax implications, and they vary by state. For example, in some states, it's beneficial to separate the investment manager from general partner funds. States like California, Texas, and New York (and especially New York City) have more rules and more complexity. And there are scenarios under which the incentive allocation can become subject to unfavorable tax implications. Curious to hear more? Our **Alternative Investments team** advises on this area all the time.

Management Entity Structure Considerations. Where do your partners live? Where you live can have an impact on taxation. If all partners live in the same state, there's generally no issue from a tax perspective. But if fund management is located in different states, apportionment comes into play with additional filings — at an extra cost to you. A few things to consider:

- **Create separate GP and management companies** if you're located in New York City to avoid the city's Unincorporated Business Tax (UBT) on carried interest.
- **Consider how you'll compensate key employees.** You may want to give them equity in the GP entity, management company, or both.

NOTE: Be mindful about redeeming your incentive in early years. This practice can send a message to your investors that you may not believe in your own product and don't want to keep skin in the game.

OTHER CONSIDERATIONS

Timely Delivery. It's important to schedule tax work early and hit your tax deadlines to help ensure you meet investor expectations. For instance, you'll want to distribute partner K-1s in a timely manner and give investors plenty of advance notice if their Schedule K-1s will not be ready before the April 15 individual filing deadline.

Contributed Securities. When an investor joins the fund and makes contributions in-kind, any built-in gains from their contributed investments will be allocated to the contributing investor only upon sale. Investors get this "built-in gain" before the rest of the gain is allocated to other investors. You'll need to track and document the original asset purchase date, original cost basis, and fair market value as of the contribution date. You can skip the tracking if your investor recognizes the gain when the investor makes the in-kind contribution of securities.

The choice comes down to the timing — whether the gain is recognized in year one, two, three, or later — and the work it takes to track each item and make sure it's rolling correctly from year to year. If your records are good, you can delay recognizing gain until the sale of the position. If keeping track is too much of a burden on your administrator, you may want to consider recognizing the gain upfront to avoid paying additional administrative fees over an extended period of time.

08

HANDLE AUDITS LIKE A PRO

Handle audits like a pro

Why you need a strong valuation policy, strong internal controls, and a solid grasp of GAAP

THE UPSHOT

Audited financial statements play a vital role in fund management. They signal to current and potential investors that you're complying with financial reporting requirements and that your books and records are reasonably accurate and free of material misstatement. In a nutshell, your investors can rely upon the information you provide regarding their investment.

There's a lot of stigma attached to the word "audit." But in the investment world, an audit is a positive. It tells your investors and stakeholders that you're complying with your financial reporting requirements and managing your expenses — and their investments — responsibly.

GETTING STARTED

Fund Documents. Once you're done setting up your fund documents guided by your legal counsel, your auditors should review terms and conditions to ensure they comply with GAAP. For example, a common departure from GAAP that's often written into fund documents relates to how the fund will expense organizational costs. Per GAAP, organizational costs must be fully expensed in the initial year of operations, but many fund managers prefer to amortize this cost over 60 months. Proactively discussing this with your auditor before fund documents are finalized can help avoid journal entry adjustments during the audit. *(See Section 4.)*

Internal Controls. Once you've built out internal control processes with the guidance of your administrators and you're ready to begin operations, your auditors can review the processes and provide feedback on whether your processes implement best practices that comply with GAAS. Strong internal control processes help mitigate risk of fraud, an important consideration for potential investors. They can also help reduce the amount of work that has to be done for audit purposes.

HOW CAN YOU BENEFIT FROM AN AUDIT?

An experienced accounting firm can provide the high-quality services you need, including:

- Guidance on your fund's governing documents and policies and procedures
- Insight on your audit's implications
- Help meeting reporting deadlines and coordinating timelines with your fund administrator
- Feedback on your valuation policies, models, and memos
- Support to tax preparers to facilitate timely and accurate delivery of K-1s and other tax reporting to your investors

For example, there should be proper segregation of duties over cash transactions. A fund can help prevent fraud by using two-factor cash authorization, with its administrator acting as the second authorization. Such safety measures can also defend you against cyberattacks like ransomware and their potentially devastating consequences. Learn more about Richey May's **cybersecurity services**.

PREPARING FOR YOUR INITIAL AUDIT

Interim Books and Draft Financial Statements. Prior to year-end, you'll need to deliver interim books and records and a draft financial statement to your auditor for review. By looking at these documents before the year-end audit, your auditor can suggest revisions before closing your year-end books, allowing for a smoother, more efficient, and timelier audit.

Valuation. Having a formalized, detailed valuation policy that's in accordance with GAAP is often a focal point for current and potential investors, and you'll need it for your audit. Consulting with your auditors before closing your year-end books can help avoid year-end valuation judgments and smooth the audit process, especially if your fund is holding private investments.

5 QUESTIONS AUDITORS ALWAYS ASK

1. What's your trading strategy?
2. Will you invest in publicly traded securities or private companies?
3. What's your time horizon?
4. Are you registered with the SEC or the National Futures Association (NFA)?
5. What does your investor base look like?

NOTE: Don't have the capabilities or bandwidth to create a valuation policy? Hire a consultant or valuation firm. Ask your auditor for recommendations and introductions. Getting your auditors involved as you start to build out your fund documents and implement policies and procedures will build a strong foundation for your fund operations and ensure greater administrative efficiencies and a smooth, timely audit.

09

WORK WITH RICHEY MAY

Work with Richey May

Who we are and how we can help”

THE UPSHOT

When you start a fund, you need an expert advisor in your corner. Richey May provides that big accounting firm expertise you need, with the service of a small shop. Our Alternative Investments team members focus exclusively on serving this industry, enabling them to understand your business needs on a deeper level and deliver more valuable support. These specialists are dedicated to educating our clients to help drive their business.

Chances are, you’ve already proven your success as a trader, and launching your own fund feels like the next logical step. But this is about more than trading somebody else’s money. It’s about managing investor relations and forming a strong team of service providers that will help support your operations, so you can focus on what you do best.

At Richey May, we have the deep industry expertise you need in your corner to help with assurance, tax, management consulting, and technology needs unique to your business. We serve over 1,000 funds each year from our U.S. and Cayman Islands offices. Unlike many big accounting firms, our team members are dedicated solely to the alternative investments industry, so they have the expertise to help your business be successful. This intentional specialization enables us to provide the hands-on service you’d expect from a boutique provider, along with the expertise of a larger accounting firm.

Richey May can help with audit, accounting, and tax services at any stage of your business, from the startup needs of emerging managers to veteran fund managers looking for new growth opportunities. We’re also dedicated to educating our clients. Work with us, and you’ll get access to the kind of high-quality educational content you need to help drive your business.

OUR ALTERNATIVE INVESTMENTS LEADERSHIP TEAM

Our **Alternative Investments team** boasts top industry audit and tax experts in the alternative investment field. Together, they've worked on hundreds of funds in their respective careers and can provide a level of quality, customer service, and expertise few other firms can match. Our team of seasoned professionals is completely dedicated to the alternative investments industry and led by a deep roster of skilled professionals with strong backgrounds. They work on all types of alternative investment funds, assist with quality control reviews, issue technical memos, and provide thought leadership.

DANIEL O'CONNOR

Assurance Partner, Alternative Investments Practice Leader

Daniel O'Connor joined Richey May in 2014 as an audit partner leading the firm's Alternative Investments practice. As the leader of that group, Danny focuses on highly complex financial entities, such as domestic and offshore hedge funds, funds of funds, REITs, broker dealers, '40 Act funds, commodity pools, and asset/mortgage-backed securities partnerships. His clients include financial institutions, private equity funds, and real estate investment groups. They rely on Danny's insights on everything from organizational structure to ongoing compliance with applicable accounting rules.

Danny gained considerable experience in a variety of investment strategies and products during his 11 years at Rothstein Kass. He worked closely with instruments such as long and short securities, debt and structured credit instruments, swaps, commodities and futures, and private investments. Danny has earned a reputation as a go-to resource in the transaction community when it comes to the valuation of asset/mortgage-backed securities. He has performed numerous quality control reviews and valuations for highly specialized unique asset/mortgage-backed securities funds. He headed up the RIC (Registered Investment Company) team at his prior firm and has co-authored many white papers and thought leadership pieces about these complicated entities.

JONATHAN SHARON

Tax Partner, Alternative Investments Practice

Jonathan Sharon joined Richey May in 2014, specializing in alternative investment vehicles such as hedge funds, funds of funds, private equity funds, and venture capital funds. Prior to joining Richey May, Jon built his knowledge of this complex area of tax law while working at Rothstein Kass and JD Clark & Company, a division of UMB Fund Services.

Jon has been recognized as a leader throughout his career, and we're fortunate to have him leading the Alternative Investments tax team. He has often served on and led teams that focused on improving systems, implementing best practices, and presenting internal and external training. Clients and peers alike value Jon's opinions and insights on fund tax issues such as formation and structure, taxation of financial products, and tax law changes.

SEAN SAWEY

Tax Partner, Alternative Investments Practice

Sean Sawey joined Richey May in 2014 and serves as a tax partner in Alternative Investments, specializing in the taxation of hedge, private equity, and venture capital funds. Sean consults with clients and attorneys on many types of fund tax issues, including the startup, formation, and ongoing operational issues of a fund; state tax issues; taxation of financial products; tax law changes; and the development of tax reporting databases and software applications. Prior to joining Richey May, Sean worked at Rothstein Kass, where he focused on the tax treatment of many different types of financial instruments and trading strategies.

ERIK EDSON

Audit Partner, Alternative Investment Practice

Erik joined Richey May in 2014, following an eight-year tenure at Rothstein Kass and serves as an audit partner in our Alternative Investments service line. He specializes in serving clients across the financial services industry, including domestic and offshore hedge funds, broker dealers, commodity pools, master-feeder structures, ’40 Act funds, and fund of funds. Erik advises his clients on initial organizational structure, audit processes, management of operational matters, and guidance on valuation issues specifically in relationship to ASC 820. Erik has authored a number of articles on U.S. GAAP and regulatory compliance matters in the alternative investment industry. Erik has also been actively involved in best practice committees, helping to implement new processes and procedures, as well as firm-wide training initiatives.

TRAVIS THOMASON

Audit Partner, Alternative Investments Practice

Travis serves as an Audit Partner in the Alternative Investments Practice at Richey May. He has specialized in performing audits for clients in the alternative investments industry since he began his career at Rothstein Kass in 2006, subsequently serving as an Audit Manager for several years at Spicer Jeffries. When he joined the alternative investments team at Richey May, Travis reconnected with many of the same practice leaders he had worked with at Rothstein Kass. After joining Richey May, he recognized the possibilities the developing crypto space offered and helped lead the development of Richey May’s crypto audit practice. He works with emerging managers with no prior fund experience as well as established firms looking to take opportunity of the growth potential. Travis works with funds in both the crypto and traditional private equity, venture and hedge spaces and advises multiple clients with over $1 billion in assets under management. He specializes in financial operations, accounting, reporting and valuation for the various fund structures as well as advising on initial organizational structure, audit processes and the management of operational matters.

STEPHEN VLASAK

Partner, Alternative Investments Practice Business Development

Stephen (Steve) Vlasak is a partner in the Alternative Investments practice at Richey May. He develops new client relationships for the firm, working extensively to market the firm's top-notch audit, tax, and advisory services to hedge, private equity, venture capital, and real estate funds. Steve enjoys his role as a connector in the business community and is very involved with providing introductions and advice that help newly launched entities grow and thrive.

In addition to the business development role, Steve provides audit services to clients backed by over 20 years of audit experience within the commercial and financial service industries. Steve specializes in alternative investment clients, including domestic and offshore hedge funds, broker dealers, investment advisors, commodity pools, master-feeder structures, and funds of funds. Steve advises his clients on initial organizational structure, audit processes, the management of operational matters, and regulatory needs. In his current position at Richey May and his prior job at Rothstein Kass, Steve has accumulated significant operational experience. He has been heavily involved in the development and leadership of local office practices, including business development, recruiting, networking, budgeting, scheduling, and forecasting.