

## ATTORNEYS

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## PRACTICE AREAS

Fund Formation  
Tax

## Changes Coming to Fund Compensation Structures?

**Jahan Sharifi and Kenneth E. Werner**

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Three factors have been important in structuring investment fund compensation in the past: deferral of taxes on offshore fee income, favorable tax treatment of carried interest, and the prevailing view that compensating a fund manager primarily based on the performance of the fund was the best way to align the interests of the manager and the investors. Recent changes and proposed changes in the tax laws and this past year's market events may cause both investors and fund managers to reconsider the optimal way to structure compensation for management. Our partners Jahan Sharifi and Ken Werner consider these issues in this memorandum.

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