



Offshore Fund Resolutions

Offshore funds generally operate as corporate entities and, as such, observe more formalities than one might be accustomed to in a domestic hedge fund. Resolutions are formal directives signed by the directors to approve certain events or formalize changes to the fund. They are normally prepared by counsel and signed by one or more Directors. Following are some of the events that may trigger a resolution.

- ✓ acceptance of a below-minimum subscription
- ✓ granting special redemption terms
- ✓ approval of other side letters
- ✓ approval of agreements with counterparties (usually where it is requested by the counterparty)
- ✓ approval of the audit engagement letter and audit report
- ✓ creation of new classes of shares
- ✓ entering into new material contracts and changes of service providers
- ✓ approval of material changes in investment strategy (also consider notices to investors)
- ✓ filing of regulatory documents with regulatory agencies (e.g., MF-1 in the Cayman Islands)
- ✓ approval of deferred compensation agreements

Resolutions are generally initiated by the Investment Manager and drafted by offshore counsel. Copies of resolutions should be distributed to the Administrator, each Director, and originals retained at the fund's registered office (usually the offshore counsel's office for a PMI-administered fund).

We also note that some of the example situations requiring a Director resolution will also require the creation of a new share class in the offshore fund (e.g., where the fund enters into a side letter approving a lower management fee).

This information was prepared with assistance from dms Management Ltd. (www.dms.com.ky), a Cayman Islands firm that provides independent directors for offshore funds.

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