

Promote Structure Explained

CEDARst GP Development Fund

What is a Promote Structure?

- A Promote is the General Partner's (GP) disproportionate share of profits above a predetermined threshold. In many instances, the Promote is also referred to as Carried Interest.

How is Promote calculated?

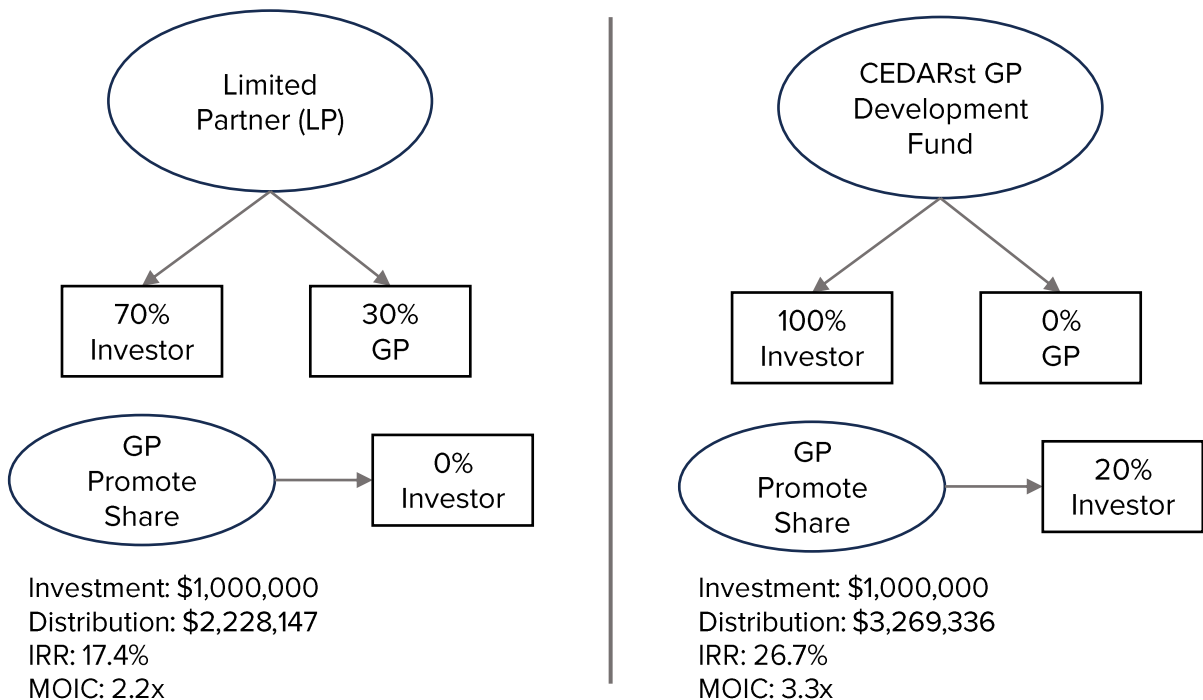
- In a typical real estate transaction, the Limited Partner (LP) receives a Preferred Return tied to a specific Internal Rate of Return (IRR). Once the Limited Partner receives the threshold IRR, the GP starts splitting profits disproportionately. For example, the GP may start receiving 30% of the LP's profits once the LP receives an 8% IRR. The IRR and profit splits negotiated between the GP and LP are collectively known as the Waterfall.

When does the General Partner typically earn their Promote?

- In most instances the GP begins to earn their Promote during a capital event. Most often than not the Promote is earned at sale of the property.

Promote Structure Example

- The below illustrates a project where the GP position invests \$1M and the LP position invests \$9M. The project is sold after five years and \$26MM is available to distribute to investors.
- The LP's preferred return is an 8% IRR and the profits are split 70% LP and 30% GP thereafter.
- CEDARst GP Development Fund members are not subject to a promote and share in 20% of the promote earned by the GP.



*Project-Level returns for a \$1,000,000 investment are a 21.1% IRR and 2.6x MOIC