Fees & Profit Sharing

Four Things to Know about AV Fees

We encourage our investors to thoroughly review our policy on fees and profit sharing before committing any capital with us.

1. We do one capital call at the time of your investment and don't have hidden fees or charge any costs back to the funds. There are no additional fees, ever, even if funds are extended beyond 10 years.

2. AV charges an amount equivalent to a 2% annual management fee for the fund's 10-year term. The fund collects and typically pays to AV the entire amount — 20% of the capital commitment — up front.[1]

3. AV offers loyalty reward payments to investors with a lifetime commitment of $500K or more. See the chart on page 2 for details.

4. AV has two types of profit sharing, and which one applies to an individual fund is included in the fund's offering documents. Some follow a "Fund Carry" model, while others follow a "Deal Carry" model. With Fund Carry, after all capital contributions via portfolio exits are returned to investors, including the entire management fee, AV and the fund share profits 80/20 (80% to investors and 20% to AV). Refer to your specific fund subscription agreements for details on the carry treatments for your specific funds and product offerings. With Deal Carry, the 80/20 profit share is calculated for each investment. So, after investors are returned the capital contribution, including management fees, allocable to an individual investment, 80% of additional returns for that investment are paid to investors and 20% to AV. A similar calculation is applied to each investment, and AV earns a profit share on those investments that are profitable regardless of the overall performance of the fund.

1. So long as sufficient reserves for the ongoing costs of operating the fund are maintained, the entire amount of the management fee can be, and typically is, paid to AV upon launch of the fund.

EXAMPLE: HOW IT WORKS

- You might decide a $100K commitment is the right amount for you.
- $80K is considered investable capital, $20K is allocated for fees. The manager can access all or some of the fees at any time, including at the time of investment.
- Within the fund and pooled with capital commitments from other investors, we invest about $60K-$70K from your commitment within about 12-15 months in a diversified portfolio of venture investments. We'll keep about $20K of your commitment within the fund to invest in follow-ons, typically invested within the first few years of the fund.
- The equivalent of ten years of your fees ($20,000 in this example) are collected and paid to AV at its discretion, typically upon launch of the fund. AV also maintains a "vault" program of segregated assets so that AV retains sufficient reserves to cover the ongoing costs and expenses of operating the fund for the remainder of its life.
- While no distributions in any fund are certain, with Fund Carry, after portfolio exits, we send all proceeds back to you on a quarterly basis[2] until your $100K capital commitment is returned. Any profits beyond your $100K capital commitment are shared 80% to you and 20% to AV. With Deal Carry, after you receive the capital commitment, including management fees, allocable to each investment, any profits on that investment are shared 80% to you and 20% to AV. See Deal Carry calculation examples below.

Sample Investment 1

Fund deploys 5% of investable capital in an investment
Your share of investment = $4,000
Your allocable management fee = $1,000
Investment return = 2x
You receive $5,000 (your capital & fee) + $2,400 (80% of profit sharing)
AV receives $600 (20% of profit sharing from this investment)

Sample Investment 2

Fund deploys 5% of investable capital in an investment
Your share of investment = $4,000
Your allocable management fee = $1,000
Investment return = $0
You receive $0 distributions
AV receives $0 profit sharing

While the success of individual investments could offset losses from others so that overall your fund investment is profitable, with Deal Carry, AV might receive profit share even if your capital commitment and management fees are not returned in full.

2. Distributions will follow the process outlined in the AV Policies for Potential Exits document.

Why One Capital Call?

- It's logistically more efficient. Investors avoid the hassle and additional expense that AV would have to charge if we did regular collections for 10 years.

- We think it's in the best interest of the funds — and all fund investors — not to be at risk if one investor has a problem funding a capital call or for an investor to face the risk of losing their entire investment if they missed a payment.

- Many of our investors have expressed a preference not to be subject to paying annual charges, multiple capital calls, and hidden fees.

- A one-time collection allows AV to focus on what you pay us to do: identify and access attractive venture investments for your portfolio that have the potential for strong returns.

- Unlike most institutional VC funds that invest their funds over 3-5 years, our funds are largely deployed over ~12-15 months.

Other Frequently Asked Questions

1. Are there any other fees involved?

No. Unlike some other venture firms, we do not charge any other costs to cover travel, fund formation, accounting, or other admin-related expenses.

2. What is your policy on fee returns if a fund winds up early?

For any Fund investment that wraps up earlier than 10 years, if we've not returned your entire committed capital (including fees), a non pro-rata portion of fees will be returned to you. See Fund legal documents for additional details.

3. Can I qualify for any fee breaks?

Yes, we reward investors with loyalty payments as they commit more to AV (see Tier Benefits below). Note that loyalty considerations are not retroactive and are subject to change. Committed capital totals are cumulative, across all AV investments — including funds, the management company, and Syndications.

Have questions?

For more information, please reach out to our VP of Investor Engagement, Stephanie King, at stephanie@av.vc.

Tier Benefits

Tier benefits are subject to change. AV's undiscounted management fee is an amount equivalent to a 2% fee per year for the fund's 10-year term. Investments in the AV management company are included when determining tier level. AV provides other tier benefits pursuant to agreements with certain institutions that provide access to AV Funds.

Annual Management Fee Equivalent for 10 Years

Fees apply to dollars invested within their respective tiers. All 10 years of fees are collected upfront.

AV typically charges a management fee equivalent to an annual 2% fee for the fund's 10-year term. For investments that qualify for each tier in the chart at right, investment dollars within the ranges noted in the first column will receive a loyalty rewards payment* equivalent to the difference between the standard 2% and the percentage noted for that tier. **Loyalty reward payments for the prior calendar year are typically distributed in early Q2.**

Committed Capital (Lifetime)		Annual Management Fee Equivalent for 10 Years
$10M and up	TIER 1	1.75%
$5M up to $10M	TIER 2	1.80%
$3M up to $5M	TIER 3	1.85%
$1M up to $3M	TIER 4	1.90%
$500K up to $1M	TIER 5	1.95%
$0 up to $500K	TIER 6	2.00%

Examples

$12M of investments will pay effectively 18.3% in total fees for the life of the fund:
20.0% on the first $500K (Tier 6),
19.5% on the next $500K (Tier 5),
19.0% on the next $2M (Tier 4),
18.5% on the next $2M (Tier 3),
18.0% on the next $5M (Tier 2), and
17.5% on the final $2M (Tier 1).

$4M of investments will pay effectively 19.1% in total fees for the life of the fund:
20.0% on the first $500K (Tier 6),
19.5% on the next $500K (Tier 5),
19.0% on the next $2M (Tier 4), and
18.5% on the final $1M (Tier 3).

* Loyalty Rewards payments are subject to taxation, and investors with a payment of $600+ should expect to receive a coinciding Form 1099 for tax purposes. Loyalty Reward checks are issued to the individual investor, regardless of the method of investment.

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LEGAL EXPLANATION OF AV MANAGEMENT FEE POLICY

For its services and in exchange for bearing all of the Fund's organizational and offering costs, the Manager receives the Management Fee (as defined below) from each limited liability company member of a Fund ("Member") as set out in the Series Supplement for the applicable Fund. When a Member makes a capital commitment, the entire aggregate amount of the Management Fee to which the Member would be subject over 10 years (for example, 20% of the contribution if the Management Fee rate is the equivalent of 2% per year for ten years) will be set aside for payment of the Management Fee. The amount set aside for the annual Management Fee is not invested in portfolio securities which means that, in the example in the preceding sentence, only 80% of the Member's contribution will be invested in portfolio securities. The Manager may draw from or borrow against the Management Fee at any time, and usually the Manager draws the entire amount at the time of the Fund launch. Note that this aspect of the Management Fee means that it will generally be paid earlier than management fees are paid by other investment funds. The Fund's single capital contribution structure avoids requiring a Member to make repeated contributions in response to capital calls over time, without requiring the Fund to repeatedly send capital call notices to Members, chase Members for late payments, consider waivers for late payments, or impose strict default provisions for missed payments. If the Fund term is extended beyond 10 years, no additional Management Fee will be charged for the subsequent years. For a Syndication investment, if the term ends before 10 years, a portion of the Management Fee will be returned, but the returned portion will be lower than the fee rate per year. Instead, amounts will be returned in accordance with a schedule (as set out in the Series Supplement) intended to reflect the upfront costs of bearing the Syndication investment organizational and offering expenses and deploying the Fund's capital, as well as the Manager's ongoing investment advisory and management services. The Manager also bears all other fund-related operational and management costs (other than the costs of investments themselves, taxes imposed on investments, and third-party fees for investment transactions, such as brokerage fees, legal fees or other similar costs, which are reductions to investment proceeds). To the extent that the market does not otherwise offer similar opportunities for accredited investors to invest relatively small amounts in venture capital investments, let alone professionally managed diversified portfolios of investments made alongside established venture firms that act as lead investors, the Fund believes that its terms allow it to provide interested investors with a reasonable solution. Nevertheless, an investor who objects to the Fund's Management Fee structure or other terms should not invest in the Fund.

Profit-sharing is a type of performance fee. In a Fund with "Fund Carry" the Manager will not participate in any performance fees until the entire amount of an investor's capital commitment, both invested capital and the Management Fee, is returned to the investor. In a Fund with "Deal Carry" the Manager will participate in performance fees on an investment by investment basis within the Fund. This means that the Manager may receive performance fees within a Fund with "Deal Carry" even if an investor's full capital commitment of invested capital and the Management Fee have not been returned.

Important Disclosure Information

AV offers smart, simple venture investing to accredited investors. Specifically, AV provides a path for individuals to own an actively managed diversified venture portfolio with a single investment co-investing alongside experienced VC firms. Traditionally, with limited investment capital and contacts, individual investors have had limited access to desirable deals alongside experienced VC firms, and even if they could access one or more such deals, it would take an inordinate amount of time, money and negotiation to build a diversified portfolio. With AV Funds, investors can choose from a number of funds to make a single investment to gain exposure to a diversified portfolio of investments selected by an experienced manager. AV Funds' simple fee mechanism permits investors to avoid constant capital calls throughout the life of the fund as found in other private investment vehicles.

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