

The 12 Questions to Ask Before You Wire

The questions experienced LPs ask every private deal sponsor, as a checklist. Ask them all. Write the answers down. Then check the sponsor's public record, free, at partnerfacts.com/check.

1. Who exactly is the sponsor, and who are the key people?

Get the legal entity name and the names of the principals. Match them against the Form D "related persons" and against FINRA BrokerCheck / SEC IAPD if anyone has a licensing history.

2. What has this sponsor filed with the SEC before?

Form D filings show prior offerings, amounts sold, investor counts and whether sales were to non-accredited investors. Look for a track record of filings, not just a pitch deck.

3. How much of their own money is in the deal?

Ask for the sponsor co-invest as a dollar figure and as a percentage of total equity - and whether it's cash or fee-credit.

4. What are all the fees, and when are they paid?

Acquisition, asset management, construction, disposition, refinance, guarantee fees. Get the schedule in writing and run it through the Fee Load Calculator.

5. What is the preferred return and the waterfall?

Is the pref cumulative? Compounding? Is there a catch-up? What are the splits above the hurdle(s)? Does the sponsor get promote before you get capital back?

6. What assumptions drive the projected returns?

Rent growth, exit cap rate, refinance timing, interest-rate assumptions. Ask what happens to your return if each one is 10-20% worse.

7. What is the debt, and who guarantees it?

Fixed or floating? Rate cap? Maturity? Recourse? Who signed the guaranty and what is their liquidity?

8. Have the sponsor or principals been sued, sanctioned, or in bankruptcy?

Check SEC litigation releases, state securities regulator actions, and court dockets (PACER / state courts). Ask them directly and compare the answers.

9. Who are the third parties?

Property manager, lender, auditor, securities counsel, fund administrator. Independent, named parties are verifiable; "in-house" everything is not.

10. How and when will I get reports, and can I see a past one?

Ask for a redacted quarterly report and K-1 from a prior deal. Timeliness and candor in past reporting predict future reporting.

11. What are my exit options and what can block them?

Transfer restrictions, sponsor consent, redemption gates, lock-ups. Who sets the price if you need to sell early?

12. Can I talk to current and former investors?

Ask for two references from a deal that did not go to plan. How a sponsor behaves when things go wrong is the information you actually need.

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