

QUESTIONS TO ASK A GENERAL PARTNER IN A SYNDICATION BEFORE INVESTING



Questions for passive investment in a syndication

1. Who are the actual sponsors or KP's for this deal?
2. What is their experience?
3. How long have you been doing real estate personally and how long has the company been in business?
4. Does anyone on your team have construction experience?
5. What is the team's exact target market?
6. Do you hold an operating reserve for this property? How much?
7. What is the team's investment criteria and why?
8. Can you provide any of your investors as references?

9. Why did you choose this market and this property?
10. Do you own other assets in this market?
11. What is your business Plan for this asset?
12. Have you completed your appraisal? Value?
13. What kind of financing are you getting on this deal?
14. How long is hold time for this property and why?
15. Do you plan to refinance, get supplemental loan or sell as your liquidation event?
16. What is your capx budget and is any of it for deferred maintenance?
17. Who is going to do the actual work? GC? Third Party Property Management company? Has anyone worked with them before?
18. Who will manage the renovation process on your team?

19. Who is going to be the asset Manager on the deal and what is their experience?
20. What happens if one of the KP's or sponsor's fall ill or there is a death?
21. Will you be performing a cost segregation study on this asset?
22. How do you plan to mitigate the business interest limitations?
23. When do you issue K-1's to equity investors? How do you plan to manage cash flow?
24. How do you plan to manage cash flow?
25. What third party property manager are you hiring?
26. Have you worked with this third party property manager before?
27. Have you worked with the regional overseeing this property before?

28. What are your plans to hold your on-site manager and/or third property management company accountable?
29. How is your accounting handled?
30. What CPA firm are you working with?
31. What transactional law firm are you working with?
32. What syndication law firm are you working with?
33. When and how often can I expect my financial reports?
34. When do you send distributions? Monthly or quarterly? ACH or checks?
35. What is your communication policy with investors? Frequency and method?
36. What will you do to communicate issues, such as performance below expectations or delays in distributions and report issuance?

37. Can I do a background check on you and your partners? What will it find?

38. Have you had any failures and how you dealt with?

39. Tell me about a time when a deal went sideways. What did you do?

40. Have you been through a full cycle on any property and what was the ROI on that deal?

41. What kind of offering is this 506(b) or 506(c)?

42. What is the preferred return, waterfall splits and are there any hurdles?

43. Who are your biggest investors in this deal and how much?

44. Do you invest your money in your deal and how much?

45. What will the operating capital be for the deal?

46. What do your cash reserves look like in the team?

47. What is the average annual total return you project I can expect on my investment? IE: COC return?

48. What is the targeted IRR (Internal Rate of Return)?

49. What is target equity multiple and over what time frame?

50. Does investing with your company have liquidity options, buy out options, or ratchet clauses?

51. How do you stress test your deals?

52. Are they on FNMA watch list?

53. Have they ever given back a property to a lender?

54. Do you do sensitivity analysis and what is your breakeven occupancy.

55. Do you consider your underwriting conservative and if you do why do you think it is conservative?

56. Ask lots of questions!