PASSIVE INVESTOR CHECKLIST

Deal Name :

Sponsor :

Know Who You're Investing With

- ○ Does the sponsor or issuer have a verifiable track record?
- ○ Are they personally investing alongside you ("skin in the game")?
- ○ Do they provide full bios, past project info, and third-party references?
- ○ Have you looked for legal issues, past failures, or regulatory flags?
- ○ Are their incentives clearly aligned with yours (not just fee-driven)?
- ○ Is their communication professional, prompt, and transparent?
- ○ Can they articulate a clear investment thesis in plain language?
- ○ Have you spoken to or researched feedback from past investors?
- ○ Is there any potential conflict of interest they've disclosed?
- ○ Do they welcome your questions—or try to rush you through?

Understand the Deal & Risks

- ○ Is this equity, debt, or a hybrid—and do you understand what that means?
- ○ Are fees (setup, management, profit splits) clearly disclosed and reasonable?
- ○ Are investor rights and protections spelled out in the legal docs?
- ○ Is the capital stack defined—where do you sit in the risk waterfall?
- ○ Are there preferred returns, minimum hurdle rates, or clawback provisions?
- ○ Do financial projections include conservative scenarios or downside modeling?
- ○ Are assumptions (growth, valuation, revenue) backed by credible data?
- ○ Is the deal liquid or locked up—can you exit, and under what terms?
- ○ Have you reviewed all legal documents (PPM, Operating Agreement, etc.)?
- ○ Is the asset backed by collateral, insurance, or any other protections?

Make Sure It Fits **You**

- ○ Does this deal align with your investment strategy (cash flow, growth, tax)?
- ○ Are you comfortable with the time horizon for returns or exit?
- ○ Is the investment amount appropriate for your net worth and liquidity needs?
- ○ Have you considered how this affects your overall portfolio diversification?
- ○ Are you prepared for tax implications (K-1s, UBTI, capital gains, etc.)?
- ○ Are you expecting regular distributions—or is it backloaded?
- ○ Do you understand the reporting and communication schedule?
- ○ Can you monitor performance or ask questions post-investment?
- ○ Does the investment add value beyond returns (access, impact, learning)?
- ○ Would you still make this investment if you never saw your money again?