

If Sponsors Go Dark

One of the most difficult areas for RIAs and BDs is how to stay current and know what is happening with closed alternative investments. It is hard enough to keep up with what is going on while funds are being raised; but after the raise is closed and your investors are into the program for several years, how do you keep them informed? While public programs are required to file quarterly and annual reports, their written information often makes it difficult to respond to investors' questions when there is potentially bad news.

Buttonwood Due Diligence always asks to review sponsor communication with investors and their system to maintain ongoing contact. Since Private Placements aren't required to provide regular reporting, we make it a point to report whether their intent is to maintain regular communication with investors. Unfortunately, some sponsors of private programs are not as willing to keep investors informed, so all of the research falls on the Advisor or BD. Problems that may arise include:

- A significant drop in the NAV
- Poor operating results
- Significant increase in leverage/change in investment style
- Changes in senior management and/or auditor
- New litigation
- Refinancing and impact on future cash flows
- Property sale(s) with proceeds not returned to investors

All of us have seen instances where programs stop raising funds and then become very limited with communication. This may create regulatory and legal challenges for RIAs and BDs.

Buttonwood Due Diligence has been hired by RIAs and BDs to investigate and acquire updated information about programs with questionable results, both public and private. Our staff of Securities Attorneys, MBAs, and CPA will engage management to provide information that is often more insightful and illuminating than information provided in a conference call, or even written communication.

We would welcome the opportunity to work with you and your team to keep you up to date on significant changes with Alternative Investments. We can provide an updated summary of the status to help keep your advisors and investors informed. Often this can be completed within a week's time. Please let us know if you are interested and we can discuss further.



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