MIDDLE COAST · THE OPERATOR TEST · POCKET EDITION

The Twelve Questions.

What to ask any real-estate sponsor before you wire a dollar. Including us.

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FREE · NO SIGN-UP · NO ASK

Every sponsor sounds identical for the *first twenty minutes.*

Conservative underwriting. Skin in the game. Off-market deal flow. Say those phrases out loud and you have given most of every syndication pitch in America. Underneath the identical language there are two species: **the operator**, who runs buildings, underwrites the downside first, and walks deals when the math says walk. And **the promoter**, who assembles deals, rents credibility, and collects fees at closing whether the deal works or not.

You cannot tell them apart by listening to the pitch. The pitch is where they are identical. You can only tell them apart by interrogation, and most investors have never been handed the questions.

So here they are. Twelve questions, four tests, under an hour on any call. Every one is harder for a promoter than for an operator. **That is the design.** You will find no projected returns and no ask anywhere in this document; a return quoted to a stranger in a PDF is a promise nobody can underwrite, and you should treat anyone who offers you one accordingly.

HOW TO RUN IT

Ask, then stop talking. The question does the work; the silence after it does the rest. Most of what you need arrives in the second sentence, which only exists if you leave room for it.

Score afterwards, alone. A scorecard on the table changes the answers you get.

Any single score of 1 means walk, whatever the total. The test is built so charm cannot average out a disqualifier.

> Use these on every sponsor who ever asks for your capital. *Especially on us.*

SPONSOR

DEAL / PROPERTY

DATE

TEST ONE · THE OPERATOR

Can they run the building, or just assemble the deal?

01 THE OPERATOR

"Walk me through a deal you personally took from acquisition to disposition. Actual numbers, the hits you took, what you'd change."

A STRONG ANSWER

Specifics. Real numbers including the painful ones. The capex line they missed. What it returned versus the pro-forma. The lesson.

WATCH OUT FOR

"We've done many of these." A track record owned by "the team" where no individual owns any single deal.

SCORE / 5

02 THE OPERATOR

"Who actually runs your buildings day to day, and how are they paid?"

A STRONG ANSWER

Named people, clear lines. If management is third-party, they know exactly how the PM is compensated — percent-of-revenue versus NOI-incentive matters enormously — and when they last visited.

WATCH OUT FOR

A sponsor who has never met the on-site manager. A PM paid flat percent of gross with no NOI tie-in. A PM and sponsor who share an owner: vertical without alignment is just a fee-stack.

SCORE / 5

03 THE OPERATOR

"What's a specific operational mistake you've made on a building in the last 18 months, and what did it cost you?"

A STRONG ANSWER

A concrete story. A bad PM hire. An insurance binder that didn't cover what they thought. CapEx thirty percent over. A number attached, and a clear "here's the process now."

WATCH OUT FOR

"We've been pretty fortunate." Translation: they don't operate enough to have made the mistakes, or they don't track tightly enough to know.

SCORE / 5

OPERATOR'S NOTE

A track record with no owner is a rumour with a logo.

04 THE UNDERWRITING

"What's your insurance assumption per door at year three, and what happens to the deal if it's 25 percent higher?"

A STRONG ANSWER

They know the number cold, they've re-quoted with current carriers, and the stress test is a page they can show you.

WATCH OUT FOR

The seller's prior-year premium taken at face value. Insurance has broken more Midwest deals since 2024 than any other line item.

SCORE ____ / 5

05 THE UNDERWRITING

"What refi rate did you assume? Run the math out loud at 100 basis points higher."

A STRONG ANSWER

A stated assumption, a real sensitivity, and a plan for the bad case: extensions, reserves, cash-in refi, early sale. They have been awake at 3am over this.

WATCH OUT FOR

"Rates should be back down by then." Hope, wearing a spreadsheet.

SCORE ____ / 5

06 THE UNDERWRITING

"Show me the downside case. Zero rent growth, four percent expense growth, worse vacancy. Together."

A STRONG ANSWER

A downside-first culture. Debt still serviced and principal still protected in the stacked bad year, on a page that already existed before you asked.

WATCH OUT FOR

A single sensitivity line pretending to be a stress test. Real bad years arrive together, not one variable at a time.

SCORE ____ / 5

OPERATOR'S NOTE

Hope is not a capital structure.

07 THE ALIGNMENT

"What's your co-investment, in dollars, and where did those dollars come from?"

A STRONG ANSWER

A real number from the sponsor's personal balance sheet. One to five percent of LP equity is the common band; more is a strength signal, not a norm.

WATCH OUT FOR

"We co-invest meaningfully," with no number. Or co-invest recycled from fees charged on the same deal. That's your money wearing their nametag.

SCORE ____ / 5

08 THE ALIGNMENT

"Walk me through the waterfall. What do you make if the deal returns partners a flat eight percent?"

A STRONG ANSWER

Pref before promote, a worked example, and an operator visibly poorer in the mediocre case. That's what aligned looks like.

WATCH OUT FOR

Fees at every step stacked on a full promote. Sponsor comp that doesn't suffer when partner returns suffer.

SCORE ____ / 5

09 THE ALIGNMENT

"What reporting do I get, how often, and can I see a sample from a prior deal?"

A STRONG ANSWER

Property-level actuals versus underwriting, monthly or quarterly, variance commentary, K-1 timing they'll commit to. The sample produced without flinching.

WATCH OUT FOR

"We send a quarterly letter." Summaries that never face the original underwriting. K-1s that mysteriously arrive in September.

SCORE ____ / 5

OPERATOR'S NOTE

Alignment you can't see in the waterfall doesn't exist.

10 THE REALITY

"Have you ever walked away from a deal you couldn't make work? Tell me the story."

A STRONG ANSWER

Yes, recently, with the line item that broke it and what walking cost.

WATCH OUT FOR

"We're selective up front, so we haven't had to." Most active operators have walked at least one deal in the last 24 months. The ones who never have may never have tested their own discipline.

SCORE ___ / 5

11 THE REALITY

"When can you require me to contribute additional capital, and what happens if I don't?"

A STRONG ANSWER

The mechanism matches the vehicle, and it was explicit before you invested. In a committed-capital fund: commitment, draw schedule, permitted uses, notice period, default remedies. In a fully funded deal: narrow emergency mechanics, spelled out.

WATCH OUT FOR

Open-ended obligations you didn't understand at signing. Undefined rescue-capital discretion. Or a sponsor who says additional capital will never be needed.

SCORE ___ / 5

12 THE REALITY

"If something happens to you, what happens to my money?"

A STRONG ANSWER

Named key-person provisions in the documents: what triggers them, what pauses, and how a successor plan gets approved by investors. A sponsor who has imagined his own absence, in writing.

WATCH OUT FOR

"I'm not going anywhere." That's a health plan, not a succession plan. Almost nobody has a real answer here.

SCORE ___ / 5

OPERATOR'S NOTE

A sponsor who has imagined his own absence has finished the documents. The rest are improvising.

Total
60 POSSIBLE

50+	Rare. Verify the references and lean in.
40–49	Credible. Dig where they lost points.
Below 40	The polite phrase is "not yet."
Any 1	Walk, whatever the total.

> *Twelve questions. Under an hour. Few promoters survive them; operators tend to enjoy them. Run this on us before you run it on anyone else — if the instrument only flattered the people who printed it, it wouldn't be an instrument.*

The full playbook goes *three levels deeper.*

The Operator Test, complete edition, 31 pages, adds the instruments behind these questions: the Napkin Underwrite, the Fee Decoder, the Stress Test Card, the Pro-Forma Autopsy, the five gates every acquisition must clear, the sourced Midwest data, and the chapter where we take this test ourselves, in public, including the answers that do not flatter us.

It costs what this one cost: nothing but attention.

THE PLAYBOOK

middlecoastholdings.com/playbook

THE WORKING INSTRUMENTS

middlecoastholdings.com/toolkit

And if a conversation ever makes sense: bring either edition, ask the twelve questions in order, and mark the scorecard while I answer. You interviewing us is genuinely how we prefer to start.