



WHAT IT TAKES:

TEAM, COSTS, AND CONSIDERATIONS FOR A RETAIL CAPITAL RAISE



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Embarking on a retail capital raise requires a well-structured team and involves extensive upfront and ongoing costs. The following summary outlines the typical components and estimated associated expenses that sponsors may encounter when launching and distributing an offering through the retail channel. Exact costs will vary depending on the offering structure, provider selections, and the sponsor's chosen distribution team strategy.

STRATEGIC PLANNING & POSITIONING

Legal Formation & Offering Documents

Legal costs typically encompass the preparation of private placement memoranda (PPMs), operating agreements, subscription documents, and necessary regulatory filings (e.g., Form D, Blue Sky). These expenses can vary significantly based on the type of fund (REIT, LLC, DST, etc.), its complexity, and the chosen legal team.

Third-Party Due Diligence

Third-party due diligence reports provide an objective and comprehensive review of your offering and/or company. These reports are required and utilized by independent broker-dealers and certain RIAs during their internal due diligence process. Costs vary depending on whether the report covers the sponsor, the offering, or both.

Note: These reports are generally required for independent broker-dealer (IBD) distribution but may be optional if targeting only RIAs or family offices.

Accounting & Audit

Many firms prefer that a sponsor provide audited financials (or at the very least a cash-basis audit) to be considered. These requirements may apply at both the fund and sponsor levels. The costs depend on whether you engage a Public Company Accounting Oversight Board (PCAOB) registered firm, the complexity of your fund structure, and the number of entities being audited.

Fund Administration & Transfer Agent

The primary role of a fund administrator is to provide accounting, NAV calculations, investor servicing, and reporting for investment funds.

The primary role of a transfer agent is to maintain the official investor register and manage the transfer of ownership of fund shares or units, process purchases and redemptions, issue statements and confirmations, distribute dividends, commissions/fees, or interest payments, and support compliance with AML/KYC requirements.

In some cases, a single firm may offer both fund administration and transfer agent services (especially in private funds or smaller fund structures).

Escrow Services

Escrow accounts are used to hold investor funds until a minimum raise threshold is met. Many broker-dealers require escrow to add a layer of separation to comply with regulations, like Anti-Money Laundering (AML) and Know Your Customer (KYC). Costs vary based on the selected escrow bank and typically include setup, wire, ACH, and check processing fees.

Investor Accreditation

Under Regulation D Rule 506(c), all investors must be verified as accredited. The issuer can conduct this verification, or a licensed CPA, attorney, or third-party service provider can perform it. Some sponsors also include a verification letter within the subscription documents that investors can have completed by their professional advisor.

DISTRIBUTION & MARKETING INFRASTRUCTURE



Managing Broker-Dealer (MBD)

The MBD is a FINRA-registered firm that serves as the primary regulatory partner for a sponsor's offering in the retail channel. The MBD is responsible for reviewing offering documents, conducting initial due diligence, obtaining the required regulatory filings (e.g., Form D, Blue Sky), and ensuring compliance with distribution practices, among other things. They may also assist with onboarding selling agreements, providing supervisory oversight, and facilitating communication between the sponsor and third-party distributors. Engagement fees may be charged and are typically offset against the MBD fee at closing. Total costs vary based on the complexity of the offering, ongoing support needs, and the amount of capital raised.

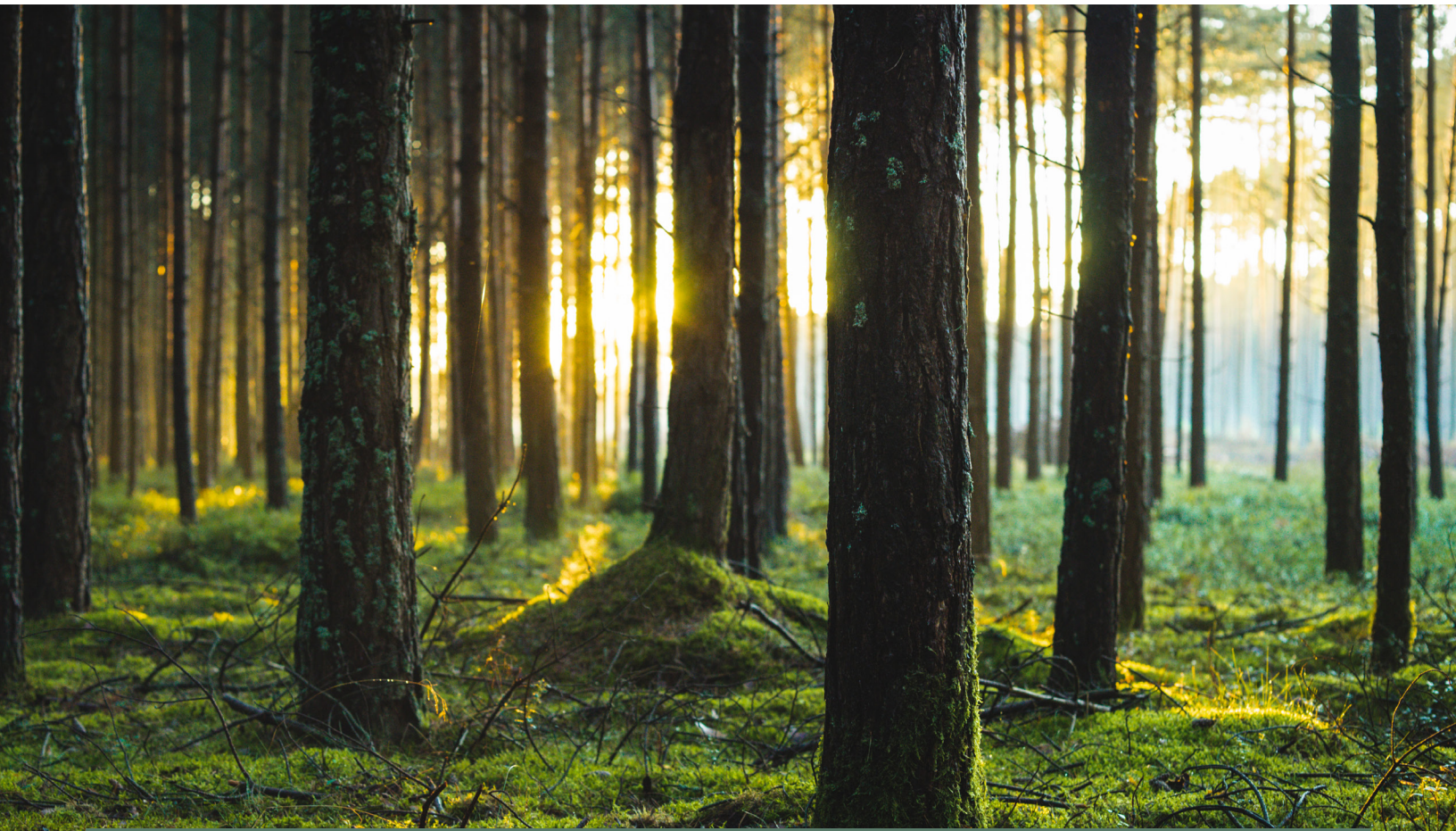
“Selecting the right MBD is critical for establishing credibility and managing compliance throughout your capital raise.”

National Accounts

The National Accounts manager, also referred to as Key Accounts manager, is responsible for developing, managing, and expanding relationships with broker-dealer and RIA home offices. This role serves as the central point of contact between the sponsor and the gatekeepers who evaluate and approve investment offerings for distribution on their platforms.

Wholesaling

Wholesalers are the frontline sales professionals responsible for driving capital raising efforts by building and managing relationships with financial advisors. Together, internal and external wholesalers work as a team to generate awareness, educate advisors, and support them throughout the investment process.



MARKETING & VISIBILITY

Establishing visibility in the retail channel requires a thoughtful marketing strategy and consistent presence. Costs in this category include conference sponsorships, travel, branded materials, and collateral development. Sponsors typically participate in 6–10 industry, due diligence, and/or broker-dealer conferences per year. Sponsorship levels vary—from exhibitor booths to speaking engagements—and pricing reflects the prominence of the placement.

“A strong, compliant marketing presence fosters credibility with due diligence officers, financial advisors, registered representatives, and C-suite executives, while also supporting the development of long-term relationships.”

TESTING & TECHNOLOGY

Certain firms require that registered representatives/investment advisor representatives pass a test administered by a third-party provider to demonstrate product knowledge before they can offer the investment to clients.

Additionally, sponsors may benefit from using online subscription document processing platforms. While optional, these systems can streamline the investment process, reduce paperwork errors (commonly referred to as NIGOs—“Not In Good Order”), and accelerate onboarding.

If you are working with a transfer agent, it is helpful to compare the cost of a digital onboarding platform against the NIGO-related fees your transfer agent may charge.

For newer sponsors, a more budget-conscious approach may involve using fillable PDFs or setting up custom DocuSign templates to handle subscription documents—an efficient option until the offering reaches a larger scale with a broader selling group.





Sales Load Components

The sales load represents the total compensation paid to the distribution network for selling an offering. It consists of several components, and the total amount may vary depending on the offering structure, investment type, and target channels (IBD vs. RIA). These costs are typically incorporated into the offering and disclosed in the PPM. Common components include:

- **Managing Broker-Dealer (MBD)**
Paid to the MBD for regulatory oversight and administrative support. May be offset by any engagement fee paid upfront.
- **Due Diligence/Marketing Fee**
Paid to broker-dealers to cover internal review costs, marketing access, and platform participation.
- **Wholesaler Compensation**
Covers external wholesaling efforts and is typically paid to the broker-dealer affiliated with the wholesaler.
- **Selling Commissions**
Paid to registered representatives through their broker-dealers for introducing investors to the offering. This is often waived for RIA or institutional channels.

Actual allocations depend on the program type, distribution strategy, and platform expectations. Sponsors may offer alternative fee structures or fee waivers for RIAs or institutional investors.

Organizational & Offering Expenses

These are upfront expenses incurred by the sponsor to form the investment vehicle and prepare it for launch. They may include legal, accounting, marketing, travel, technology, and other administrative costs related to structuring and distributing the offering.

These costs are typically reimbursed to the sponsor (or its affiliate) from the fund's proceeds and must be disclosed in the private placement memorandum (PPM). The exact percentage will vary depending on the complexity of the offering and the scope of the services required.

This expense is standard across private offerings and helps sponsors recover necessary launch and compliance costs.

“There are no true shortcuts when it comes to entering the retail channel. If someone promises a guaranteed number of selling agreements or a specific capital raise within a defined timeframe, it’s a good idea to proceed with caution. Sustainable success takes time, preparation, and trust-building—and anyone suggesting otherwise may not have your best long-term interests in mind.”

TIMELINE GUIDANCE



While timelines can vary, here is what sponsors can generally expect:



In Closing

If you are feeling overwhelmed, that is a good sign! There is no shortage of new entrants in the alternative investment space, and there are no shortcuts to success in the channel. Sponsors must be prepared to invest the necessary time and resources to gain traction in the retail channel. Success requires not just capital—but also alignment with industry expectations and a clear, repeatable message that resonates with advisors and their clients.

SGS can function as your central point of contact for all relationships and activities associated with entering and growing your brand within the independent broker-dealer and RIA channels. Enter the channel by leveraging our experience and relationships — while you focus on what you do best: crafting compelling product offerings for investors.



WHO WE HELP

We work with emerging alternative investment sponsors to lay the foundation for success in the retail channel..



HOW WE DO IT

By leveraging our decades of experience and strong industry relationships, we work with you to create an effective and sustainable distribution system to raise capital in the retail channel.



WHAT'S IN IT FOR YOU

The ability to create a reliable income stream that requires lower returns than institutional capital and can help you achieve your growth objectives.

To learn more, contact Heidi Wheatley at heidi@sponsorgrowtholutions.com or 404-962-0026.

OVERVIEW OF POTENTIAL COSTS



Entering the retail channel requires significant investment of both time and money—often at least 12 months and up to \$1 million in the first year alone. Sponsors commit to this path because once they have proven themselves—by doing what they say they will do, taking care of advisors and investors, and responding to platform needs—the capital becomes more predictable and stickier. It is a heavy lift, but for those who practice patience and invest the necessary time and resources, the long-term potential is tremendous.

ITEM	COSTS
Legal Formation & Offering Documents	\$65,000 and up
Third-Party Due Diligence	\$22,000 – \$30,000+ (<i>Offering report only</i>) \$25,000 – \$30,000+ (<i>Sponsor report only</i>)
Accounting & Audit	\$5,000 – \$30,000+ • <i>Includes fund and sponsor-level audited financials and tax prep</i>
Fund Administration & Transfer Agent	0.10% – 0.40% of Assets Under Advisement
Escrow Services	Averages \$1,000 – \$5,000 per offering
Investor Accreditation (506(c) Only)	Approximately \$60 – \$75 per investor if using third-party verification. CPA/attorney verification may be free
Managing Broker-Dealer Fee	Potential \$10,000 – \$20,000 upfront engagement fee which may be offset against MBD fee at closing. MBD Fee: 1.00% – 2.0% of capital raised
Due Diligence/Marketing Fee	1.0% – 2.0%
Wholesaler Compensation	1.0% – 2.0%
Selling Commissions	3.0 – 7.0%
Organizational & Offering Expenses	0.5% – 2.0% of capital raised
National Accounts	Consultant: \$10,000+ monthly retainer Full Time: \$100,000 - \$250,000 base salary plus basis points and benefits

OVERVIEW OF POTENTIAL COSTS



ITEM

COSTS

Wholesaler

Outsourced: \$1,000 – \$5,000+ per month retainer, plus basis points
Full Time: \$150,000 - \$250,000 base salary plus basis points and benefits

Advisor Testing

\$5,000 and up, depending on scale and provider.

Electronic Subscription Document Processing

\$20,000 and up

Conference Sponsorships

\$5,000 – \$25,000+ per event

Travel and Lodging

~\$2,500 per attendee per event

Hosted Dinners/Events

\$500 – \$2,000 depending on group size

Marketing Materials and Giveaways

\$1,000 – \$2,500
(reusable signage, brochures, branded items)

Collateral & Marketing Campaign Development

Dependent on source

