	Pros	Cons
Investor	• Relatively small investors can negotiate better economics (lower fees, better waterfall) for the investor. For example, a $20m investment representing 2/3 of the sponsor capital in a $600m partnership requiring $30m (5%) of sponsor capital will likely have more negotiating strength than a $20m "traditional" investment in a $600m partnership. • Similarly, relatively small investors can achieve more control over and/or visibility into partnership decisions.	• Additional liability such as personal recourse to the investor must be addressed or avoided through careful structuring and documentation.
Sponsor	• Frees up otherwise illiquid sponsor equity for use in other projects, enabling sponsors to diversify their capital across more deals. • Increases the expected IRR & equity multiple on the "true" sponsor capital in the deal.	• May require providing more observation rights, or even higher control levels, to investor. • Presence of third-party sponsor capital should be disclosed, and may inhibit fundraising efforts.