



INVESTOR DUE DILIGENCE CHECKLIST



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SPONSOR DUE DILIGENCE

- SPONSOR NAME
- PRINCIPAL NAMES
- YEAR FOUNDED
- CURRENT INVESTOR CAPITAL MANAGED
- BACKGROUND CHECKS ON PRINCIPALS
- TYPICAL K-1 DELIVERY DATE
- PAST DEALS REVIEW
- EXAMPLE INVESTOR REPORTING PACKAGE
- TRACK RECORD REVIEW
- ARE THEY VERIVEST VERIFIED?
- WHAT ARE YOUR SCALING PLANS FOR THE FUTURE?

INTRODUCTORY QUESTIONS FOR SPONSORS

- HOW DID YOU GET INTO REAL ESTATE? WHAT IS THE ORIGIN STORY FOR THE
- SPONSOR FIRM?
- HOW DO YOU HANDLE STRESS?



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INTRODUCTORY QUESTIONS FOR SPONSORS CONTINUED

- WHAT IS THE HARDEST PROJECT YOU HAVE EVER MANAGED?
- WHAT IS YOUR HEALTH REGIMEN?
- WHAT IS YOUR BIGGEST ASSET ACQUISITION STRATEGY? HOW DO YOU SOURCE NEW INVESTMENT OPPORTUNITIES?
- WHAT KEY MARKETS DO YOU OPERATE IN AND WHY DO YOU OPERATE IN THEM?
- WHAT IS YOUR INVESTMENT PHILOSOPHY? HOW DO YOU DETERMINE WHETHER OR NOT A DEAL IS WORTH DOING?
- WHAT DO YOU DO TO ENSURE YOU GET A RETURN OF CAPITAL AND A RETURN ON CAPITAL? WHAT ARE SOME WAYS THAT YOU MITIGATE INHERENT RISKS?
- HOW DO YOU STRESS TEST?
- WHO ARE THE KEY PLAYERS INVOLVED THAT ALLOW YOU TO EXECUTE YOUR ACQUISITION AND ASSET MANAGEMENT STRATEGY?
- HOW IS YOUR PORTFOLIO PERFORMING TO PROJECTED CASH FLOW?

TRUST AND VERIFY

- REVIEW LIST OF AFFILIATED ENTITIES/COMPANIES (SHOULD BE LISTED IN PPM)
- REVIEW TRACK RECORD/ASSET LIST - VERIFY ASSET EXISTENCE
- CONFIRM PERFORMANCE METRICS



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TRUST AND VERIFY CONTINUED

- ASK FOR A MONTHLY FINANCIAL REPORT FROM A THIRD PARTY
- CALL THE THIRD PARTY TO MAKE SURE THE REPORT IS NOT PHOTOSHOPPED
- IF NOT POSSIBLE, ASK FOR A SAMPLE K1 AND IF THEIR CPA VIEWS BANK RECORDS
- WHEN DOING TAXES TO PROVE THE DOCUMENTS ARE NOT FALSIFIED
- IF IT IS A LIQUID FUND, START SMALL - TEST LIQUIDITY RULES BEFORE ADDING MORE

INVESTMENT DUE DILIGENCE CONTINUED

- PROPERTY TYPE / ASSET CLASS
- REVIEW CONFLICTS OF INTEREST: WHAT OTHER BUSINESSES MIGHT BE INVOLVED?
- REVIEW THE OPERATING AGREEMENT
- WHAT ARE THE TAX BENEFITS?
- WHAT ARE THE FEES PAYABLE TO THE GP. I.E. 2% ASSET MANAGEMENT FEE?
- WHAT IS THE PREFERRED RETURN?
- WHAT IS THE CATCH-UP?
- WHAT IS THE PROFIT SPLIT?



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INVESTMENT DUE DILIGENCE CONTINUED

- HISTORICAL TRACK RECORD
- CURRENT PORTFOLIO
- WHAT'S YOUR DELINQUENCY RATE IN YOUR PORTFOLIO
- WHAT IS THE OCCUPANCY RATE IN YOUR PORTFOLIO
- HOW ARE EVICTIONS GOING IN YOUR PORTFOLIO
- WHAT IS YOUR DEBT SERVICE RATIO IN YOUR PORTFOLIO
- HOW IS YOUR PORTFOLIO PERFORMING TO PROJECTED CASH FLOW?
- DEBT: LOOK FOR FIXED RATE DEBT, FOR A TERM LONGER THAN THE EXPECTED HOLD PERIOD, WITH NO PREPAYMENT PENALTY OR THAT IS ASSUMABLE

INVESTMENT MONITORING

- NAME OF ENTITY INVESTING INTO
- REPORTING FREQUENCY (QUARTERLY, MONTHLY, ANNUALLY)
- REPORTING DELIVERY DUE DATES
- DISTRIBUTION FREQUENCY
- ANTICIPATED DATE OF FIRST DISTRIBUTION
- MINIMUM INVESTMENT AMOUNT
- WHEN AND HOW QUICKLY IS YOUR INVESTMENT DEPLOYED?
- WHEN ARE K-1S DELIVERED



INVESTOR DUE DILIGENCE CHECKLIST

TO GET THE COMPANION VIDEOS ON:

- **CONDUCTING DUE DILIGENCE**
- **READING A PPM**
- **AVOIDING FRAUD AND PONZI SCHEMES**

SCAN THE QR CODE!

**(POINT YOUR PHOTO APP ON YOUR CAMERA AT THIS CODE - A
WEBSITE WILL OPEN)**

