



INVESTOR **DUE DILIGENCE** CHECKLIST

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?



INVESTOR DUE DILIGENCE CHECKLIST

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



INVESTOR DUE DILIGENCE CHECKLIST

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?



INVESTOR DUE DILIGENCE CHECKLIST

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