



SHINING ROCK - EQUITY -

Passive Investor Due Diligence

This checklist is intended as a high-level reference. Every deal is unique and requires asking the right questions. It should be used solely as a guide when evaluating private placements—not as definitive guidance or a basis for making investment decisions.

Sponsor & Team

- Relationship source
- Background checks; years in business; litigation/bankruptcies disclosed
- Org chart, staffing depth; vertical integration; succession/ key-person plan
- Financial capacity to bridge shortfalls; liquidity policy
- Track record: # acquisitions, # full-cycle; realized IRR/EM vs. projected; problem deals and lessons learned
- Portfolio health today; frequency/quality of investor updates
- Investor experience: K-1 timeliness; any capital calls/paused distributions/lost LP capital (why/what changed)

Market & Submarket

- Population, employment, income growth (3–5 yrs); major employers concentration risk
- Crime, schools, amenities; site visit/street view test
- New supply pipeline & future development; absorption and vacancy trends

Property & Business Plan

- Vintage/class/physical condition; major systems lifecycle & reserves; environmental/flood risks
- scope, costs, premiums; staffing post-takeover
- Lease/tenant audit supports economics; loss-to-lease, concessions, delinquency understood
- Expense underwriting benchmarked; insurance and taxes supportable with quotes/appeal plan

Underwriting & Sensitivities

- Going-in cap, stabilized yield-on-cost, and spread to market cap rate
- Rent & expense growth assumptions defensible; exit cap stress (+50–100 bps)
- Year-1 and stabilized DSCR; reserves/contingency/working capital (≥ 3 –6 months expenses)
- Plan viable without refi; downside case still protects principal?
- Insurance quote provided?
- Identify the situations that could cause you to lose money, then assess how likely each one is to occur.

Debt

- Loan type, rate, IO term, amortization, covenants, and prepay
- Rate-cap strike/ cost; replacement cap plan if needed
- Recourse/carve-outs; lender DSCR/breakeven tests

Fees, Structure & Alignment

- Preferred return & waterfall (hurdles, catch-ups); distribution schedule
- All fees listed: acquisition, asset mgmt, construction mgmt, PM, admin/marketing, refinance/disposition
- GP cash at risk (amount/% of equity) and whether GP equity is pari passu with LPs; any early promote or claw back?
- Drawbacks to note: outsized fees vs peers, promote before LP return of capital, thin GP cash, opaque reporting

Legal, Tax & Docs

- 506(b) vs 506(c); accreditation/sophistication verified
- PPM, OA, Subscription complete; reporting rights; major decisions & voting
- Capital call mechanics and penalties; transfer restrictions; key-man clause
- Tax plan: depreciation/cost-seg/bonus; K-1 timeline; state filing exposure

Ops 'Data Pack' to Collect

- Google Maps pin & recent photos
- Demographics, income & crime maps; 5-yr employment and future development info
- Ownership history (Propwire) and Google reviews; Apartments.com/Zillow listing
- T-12, rent roll, leasing/renewals; detailed rent comp package with adjustments

Asset-Type Modules

Multifamily

- Loss-to-lease bridge; renewals vs. new-lease spreads; delinquency/bad debt trend
- Unit renovation premiums proven by comps/tests; RUBS/utilities pass-through legality
- Parking ratios/fees; amenity add-ons; staffing ratios (units per FTE)

Self-Storage

- Street vs. web rates; dynamic pricing engine; unit mix; seasonal occupancy swings
- 3-mile supply, barriers to entry, visibility and drive-by traffic; tenant insurance

Industrial

- WALT and rollover schedule; tenant credit & sales; clear height/door mix/power
- Market vacancy and new supply near the node; TI/free rent assumptions

Retail

- Tenant sales (if % rent), health ratios; co-tenancy clauses and go-dark rights
- Anchor quality and lease expirations; shadow anchors; CAM recovery structure