

ASSET CLASS: MULTIFAMILY REAL ESTATE

Passive Investing Due Diligence Checklist





Are you interested in adding real estate investments into your investment portfolio? This checklist will help you vet most real estate opportunities so you can invest with knowledge. Whether you are a new or seasoned investor, you can add such investments to your portfolio with very little barrier to entry, very little day to day work, and as little as \$50,000.

Investing in real estate can significantly fast-track your goal of building your net worth and passive cash flow compared to public equities, such as stocks, bonds, and index funds. With this knowledge, you can take the next steps to diversify your portfolio and become a sophisticated investor!

KESHAV KOLUR

CEO/FOUNDER



LEGAL DISCLAIMER

This is not an offer. Offers will be made only by means of the Regulation D Offering Documents, which may be updated or amended from time-to-time with the most recent Offering Circular or Offering Documents. The Regulation D offering under Rule 506(c) is for accredited investors only.

The acquisition of any investment opportunity identified in this communication is subject to various contingencies and may not be consummated. Past performance is not an indication of future results. Investing involves risk and may result in partial or total loss. Prospective investors should carefully consider investment objectives, risks, charges and expenses, and should consult with a tax, legal and/or financial adviser before making any investment decision. For additional information, visit www.clivecap.com/disclosures

THE IMPORTANCE OF DOING YOUR DUE DILIGENCE

Conducting financial due diligence on a fund manager or syndicator before investing is paramount for safeguarding one's investments and financial future. A thorough assessment allows potential investors to gain insight into the manager's track record, investment philosophy, and risk management strategies. By scrutinizing past performance, investors can gauge the manager's ability to generate returns in various market conditions and evaluate the consistency of their investment approach. Furthermore, understanding the manager's background, qualifications, and regulatory history provides valuable context for assessing their credibility and trustworthiness.

Ultimately, conducting comprehensive due diligence empowers investors to make informed decisions, mitigate potential risks, and enhance the likelihood of achieving their financial goals.

We've compiled a listing of questions on the next several pages which we believe are applicable across real estate asset classes to help you gain comfort during the due diligence process. That said, seek out asset-class specific education to understand the specific Key Performance Indicators (KPIs) to use, along with the specific limits for those KPIs which indicate trouble spots.

When we evaluate an opportunity at Clive Capital, we'll leverage expert guidance to develop a level of expertise to vet the asset class and the opportunity in that context. Gain comfort in that Clive Capital has done their due diligence in all opportunities we present to our prospective investors.



THE OPERATOR

GENERAL

NOTES

- What is your firm's name?
- Who are your principals? What is their experience and bio?
- Are you doing this full time? What, if anything, did you give up to go do this?
How long do you see yourself doing this and why?
- What are the roles of each GP member? What skills and experience do they possess?
- Are you members of any trade boards in their respective asset class?
How long have you been together? How do you mesh? What happens if one of the partners decides to leave and where is this specified?
- Can you provide me with a list of employees you gained or lost in the past 5 years? What are your retention plans for keeping employees?
- What is your address?
- What is the best phone number to reach you?
- What is the best email address to reach you?
- What is your website address?
Who's responsible for the following?
 - Acquisitions
 - Due diligence
 - Underwriting
 - Marketing the firm
- Equity and debt structuring
 - Legal
 - Accounting
 - Asset management
 - Investor relations and reporting
 - Taxes / CPA
- Does your firm have a significant online profile?
- When you pull a background check, do the assets they claim to own show up?
- Do I know, like, and trust this sponsor?

THE OPERATOR

TRACK RECORD

NOTES

- What is your track record?
- Are you investing your own capital into the deal?
- How have your previous deals performed?
- How significantly did market conditions play a role in your track record, as opposed to operational proficiency?
- Have you ever operated through a recession?
- Describe difficult times faced as a team and how you overcome those challenges.
- What are your current assets under management (AUM) that you directly control?
- Can you provide past investor or professional business references?
- Do your professional referrals verify the claims that you have made about your experience, track record, and background?
- How many investors do you have currently, break them down by type, and what percentage do your four largest investors constitute?
- From your personal life, who close to you has invested with you? Any family members, friends, coworkers, professional contacts like doctors, lawyers, accountants, etc?
- How have you performed as compared to projections?
- Why did underperforming deals underperform, what did you learn from that, and what did you change in response?
- How many projects have gone full cycle? How did each of your actual performances compare to projected performances? Any special circumstances for any of these projects I should know about?
- Are there any criminal, civil or administrative lawsuits pending against the firm or principals? Have any occurred?
- Can you pass a personal and business background check? Is there anything you want to tell me before I run a background check?

THE BUSINESS PLAN

STRATEGY

- What is the core business model / investment thesis? What is your investing strategy/thesis?
- What is your team's competitive advantage/ differentiator over other similar funds?
- What are the strengths and weaknesses of your strategy?
- How active are you in the asset class(es) you focus on?
- What is your vision/goal/business plan?
- What is the corporate structure of the management company?
- How do you decide on an exit strategy and when do you decide to exit?
- What is your risk tolerance?
- How will this investment help me achieve my personal and portfolio objectives?
- How do you source your acquisitions?
- What is your investment criteria?
- Who is the investment decision maker?

NOTES

THE BUSINESS PLAN

RISK MITIGATION

NOTES

- What happens if the sponsor can't raise the money? What if you can't close the deal? What happens to investor money - whether returned, used for the next deal, or paid for the failed deal?
- Who pays for deposits like EMD, due diligence inspections, lender fees etc?
- Why would someone say no? Walk me through the downside?
- How can I lose money by investing with you?
- How will this investment impact my risk profile?
- What is your capital call policy?
- How would it be determined that the investment requires additional capital?
- What happens in the event that additional capital is required and an investor does not contribute?
- How would a downturn impact your plan?
- How do you monitor and mitigate risk outside of the underwriting?
- How often are risk tools and procedures reviewed (daily, monthly, weekly)?
- Who on the team is responsible for risk management? Is the portfolio stress tested? If yes, provide examples.
- How have the events of 2008 changed the way you manage the portfolio?
- What are your disaster recovery plans (structured approaches to getting back to work after a major, unforeseen incident) ?
- Who has the authority to wire cash in your firm? What is the procedure?
- Are you set up to send ACH deposits to investors?
- How do you vet investors? What is your process? What financial and other requirements must they satisfy?

THE MARKET

ECONOMICS (if applicable)

- Has this city shown consistent, strong population growth (>20%) since 2000?
- Has there been consistent job growth since 2000?
- How strong/diverse is the current economic outlook? Is the market controlled predominantly (>25%) by one or two industries?
- What is the market's unemployment rate and how does it compare against the national average and historical averages for that market?
- What is the median household income of the three-, five-, and ten-mile radius of the property?
- What is the crime-outlook for the submarket's neighborhood?
- Are there any natural disasters that are common in the market?
- Are there any specific insurance needs the market may require?

NOTES

RENTAL OUTLOOK

- What is the average rent growth for the past 3 years?
- What is the occupancy rate for the past 3 years? How does it compare to historical trends in that market?
- Are the laws favorable to tenants or landlords?
- Does the surrounding neighborhood consist of residential properties or commercial buildings?
- How many major competitors are within a three-, five-, and ten-mile radius of the property?
- What does the competitive set suggest about the ratio of supply-to-demand?
- Are there nearby properties which are being developed that could compete with the subject property?

THE BUSINESS PLAN

PROPERTY MANAGEMENT

NOTES

- Will the current property manager remain in place?
- Who is the property management company?
How did the sponsor source the property management company?
- Do they have experience with this type of asset and business plan?
- How did the sponsor source the property management company?
- Has the sponsor worked with the property management company before?
- How frequently will the property management company be providing reports to the sponsor?
- What other assets does the property management company have in the area and how are they performing?

STRATEGY

- What is the business plan? (Value-Add, Ground-Up Development, Buy and Hold)
- How will value be added to this asset?
- What is the corporate structure of the management company?
- How much is budgeted for capex? What improvements are planned?
- How long is the sponsor projecting to complete the capital expenditure?
- How much is budgeted for rehab per unit?
- What is the projected organic rent growth (1-3% is typically conservative)?
- What is the current physical and economic vacancy?

THE BUSINESS PLAN (CONT)

FINANCIAL STRATEGY

NOTES

- What is the cap rate at purchase?
- What is the cap rate based on all-in costs, including all fees?
- What is the terminal cap rate?
- What is the yield on cost?
- What is the stabilized occupancy rate compared to the market?
- What do the trailing three-month (T3) and T12 financials tell you about the asset’s past performance?
- What is the T3 and T12 physical occupancy?
- What is the operating expense ratio of the T12?
- What are the major differences between the T12 and the Y1 projections?
- What is the Y1 cash-on-cash return?

THE RETURNS

FINANCIAL PROJECTIONS

NOTES

- Can you share your underwriting with me?
- What are all the ways you are being conservative?
- What is the projected Cash-on-Cash return?
- What are the total projected returns? What is the projected Internal Rate of Return? What is the projected Equity Multiple?
- What are the fees paid to the sponsor?
- What is the equity split?
- Is there a Preferred Return? Does it roll-over? Is it considered return of or on capital?
- What is the split above the preferred return?
- Is operational cash flow above the preferred return counted as a return of capital?
- How is capital split in the event of a refinance?
- How are the returns structured such that our incentives are aligned and you are rewarded for overperforming?

THE RETURNS (CONT)

INVESTOR RELATIONS

NOTES

- What is the minimum investment?
- How long will the asset be held by the sponsors?
What is the typical hold duration?
- Under which rule—506(b) or 506(c)—is this deal offered?
- Can investment be funded through retirement plan (Self-Directed IRA)?
- How will investors receive distributions?
- How often will distributions be paid out (monthly, quarterly, annually)?
- Is it possible for investors to transfer shares?
- What percentage of the depreciation is passed through to investors?
- What are the reporting requirements of the investment?
- Do you send out investor and partner tax returns before the April tax deadline, and if so, how far in advance typically?

THE FINANCING

LOANS

NOTES

- What is the loan type? (Agency, Bridge, Portfolio)
- Interest-Only Period: Is there an interest only (I/O) period? If so, how long?
- Loan Term: What is the loan term?
- What is the amortization schedule?
- Interest-Rate: What is the interest rate? Is it fixed or adjustable?
- Loan-to-Value: What is the loan-to-value ratio (LTV) or Loan-to-Cost?
- Is the completion of the capital expenditure included in the loan-to-value?
- What is the loan-to-value, including any senior preferred equity?
- DSCR: What is the debt service coverage ratio in year 1?
- Assumable: Is the loan being assumed?
- Recourse: Is the loan recourse or non-recourse?
- Prepayment Penalty: Is there a prepayment penalty? If so, how is it calculated?
- What is the loan-to-cost?
- Is there preferred equity in the deal that would be senior to your investment?

LENDER

- Who is the lender?
- Have you worked with the lender before?
- Does the lender have significant experience with the asset class?
- Is the lender knowledgeable about the market?

DOCUMENTS TO REQUEST

DOCUMENTS

NOTES

- Marketing materials, offering memoranda, sales package, (PPM), subscription documents, and operating agreement
- Sample Investor Report
- Historical Performance and AUM
- Snapshot of the Portfolio
- Firm Organizational Chart
- Audited Financials
- Performance track records from previous funds managed (if available)
- References: Professional / Personal

ABOUT US

WHY CLIVE CAPITAL?

Clive Capital is going all in on helping investors invest outside of the stock market and we would love to talk to you about it. We love building new relationships with individuals in the investments industry.

PASSIVE INVESTORS / LIMITED PARTNERS

You can partner with Clive Capital as a limited partner (LP) or passive investor in our investment opportunities. By doing so, you are investing in high growth, risk mitigated opportunities. How does it work? To start, [navigate to this link](#) and book a call on my calendar. In the meantime, hop over to www.clivecap.com, poke around for more educational resources on investing, and [subscribe to our newsletter](#), [YouTube channel](#), [social media accounts](#), [Facebook group](#), and [podcast](#). Following that, we will stay in touch until we receive a new investment opportunity, at which point we will share it with you via email. Should you decide to join us, we will walk you through the investment process and answer any questions you have. After your investment has been made, you simply sit back and enjoy the great tax benefits, cashflow, and capital growth without the headaches of having to manage the investment yourself. Leave that part up to professionals like us and we'll let you get back to what's important in life!

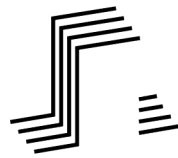
OPERATORS

You can partner with Clive Capital as an operator and bring us new investments. We love meeting other investors, seeing what they're working on, and seeing how we can partner together to work on amazing opportunities.

OUR PORTFOLIO

We currently have ~500 homes across 60 acres that will be under construction in the next year and 900+ apartments under renovation that will collectively be worth almost \$300M in 5 years as we execute our business plan. We have many more deals in the pipeline across the entire country as we continue to meet and work with more operating partners. With our decades of experience in the industry, we are scaling quickly and finding more investing opportunities. While our deal pipeline is robust, we are diligent about the deals we source, and find that capital sourcing and deployment is our limiting factor. To this end, we love to work with more sophisticated investors who are well capitalized to fund projects but are unable to find the opportunities themselves. We focus on finding investment opportunities through our boots-on-the-ground presence and network of acquisition partners so that you can focus on what's most important to you.

No matter who you are, we would love to learn more about you and see how we can grow together in this new exciting space of investments outside of the stock market. Please don't hesitate to reach out to us to learn more!



CLIVE CAPITAL

Thanks for taking the time to read through this E-book. We bet you're as excited about this new world of investing outside of the stock market as we are! Schedule some time to see how we can work together.

[SCHEDULE A CALL](#)



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About Clive Capital

Clive Capital is a private equity firm delivering superior, risk adjusted returns through alternative investments. We specifically target investments outside of the stock market and believe diversifying your portfolio across multiple asset classes is how you build generational wealth. We do the hard work of analyzing deals, building powerful relationships in the industry, and managing the operations.



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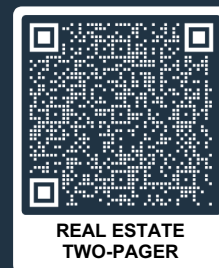


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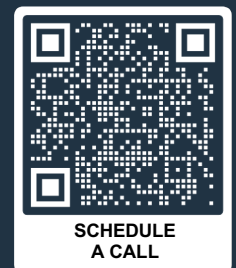


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