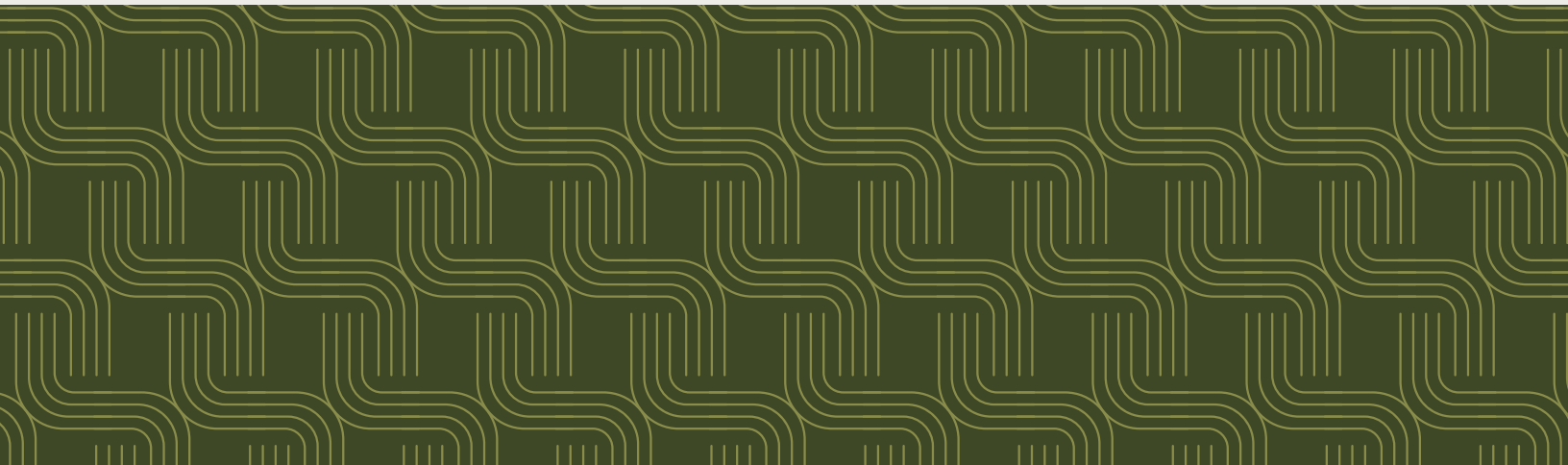




# **Legacy's Due Diligence Checklist for Evaluating a DST and Product Sponsor**



EXPERIENCE, STRATEGY, AND CAPABILITY VARY WIDELY FOR EVERY DELAWARE STATUTORY TRUST (DST) SPONSOR, MAKING A RIGOROUS EVALUATION PROCESS VITAL. TO MAINTAIN OUR COMMITMENT OF WORKING EXCLUSIVELY WITH REPUTABLE SPONSORS, LEGACY UTILIZES THE FOLLOWING QUESTIONS WITHIN OUR EXTENSIVE DUE DILIGENCE PROCESS.

## Determining Industry Expertise and Ongoing Success

- How long has the sponsor been in business and what is the general number of sponsored programs and total equity offered in that timeframe?
- Has the sponsor managed investment throughout different economic cycles? How did they navigate turbulent times?
- What level of real estate experience does the management team have?
- What types of assets are currently under management and what is their general performance like?
- How familiar is the sponsor with acquiring and managing real estate investments and how many properties are currently offered?
- Is the management team knowledgeable in the property types offered through the DST and up-to-date on the market trends where their properties are located?
- Does the sponsor have knowledge of the entire DST investment process?
- What level of support is the sponsor able to offer?
- What is the long-term goal and intended exit strategy of the DST?
- Does the sponsor manage their properties either personally or via an affiliated property manager? Or do they hire outside property management? If outside, what are the terms of the contract and how does the sponsor ensure quality control?
- Are there any conflicts of interest between the sponsor and other involved parties?



## Understanding Financial Strength

- What is the size of the sponsor company?
- How frequently does the sponsor perform cash audits on their DST properties?
- What type of pricing and loan terms can the sponsor obtain?
- Does the sponsor have the ability to offer their own capital to purchase properties, providing surety of close?
- If the sponsor is utilizing bridge financing, what are the terms?



## Alignment with Reporting and Underwriting Standards

- What is the sponsor's underwriting process like—does the approach lean more conservative or more aggressive?
- Does the sponsor underwrite and identify strong, creditworthy tenants?
- What independent analysis and reporting is performed on the sponsor and will the relevant information be shared upon request?
- Is the third-party reporting coming from a credible source?

## Ongoing Communication Standards and Fee Transparency

- What kinds of fees does the sponsor require? (acquisition fees, disposition fees, asset management fees)
- Are disposition fees and expenses capped?
- Are the outlined fees on par with industry standards?
- Does the sponsor maintain transparency about all fees?
- Does the sponsor provide timely information related to tax returns?
- What are the sponsor's communication standards and how informed are investors kept?
- What frequency can be expected for ongoing communications?

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There are material risks associated with investing in private placements, DST properties and real estate securities including illiquidity, general market conditions, interest rate risks, financing risks, potentially adverse tax consequences, general economic risks, development risks, and potential loss of the entire investment principal.

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