



## DUE DILIGENCE CHECKLIST

Thank you for your interest in learning more about the Promanas vetting process for new deals. Throughout our years of syndicating millions of dollars' worth of deals we've learned that kicking "bad" deals to the curb is even MORE important than picking "good" deals to invest in. The reason for this is that trying to salvage a "bad" deal will take up nearly all of your time, energy and money that could otherwise be used for doing "good" deals.

With this in mind, these are the questions we like to ask ourselves and the boxes we like to check before we get into a deal:

### **General:**

- Where are we in the real estate cycle? Is it time to buy property, develop property, refinance property, do nothing, other? Generally, we look to "zig" when everyone else "zags" and that tends to keep us ahead of any given cycle.
- Where is the country headed and what macro events can affect what we are looking to do?
- Is the particular state, county, city, etc. in which we are looking to do a deal developer friendly? There's no sense in wasting time on a development project that isn't likely to get approved.
- Do the people that live in this area want development, and in particular this specific project, here?
- What's the attraction to the project?
- Why is demand greater than supply?
- Is the demand sustainable and will that trend continue?
- What is this particular neighborhood like (demographics and feel) and what is close by?
- What are the specific benefits of being in this area? Are there any drawbacks?
- Is it possible to gauge demand for this particular type of asset?
- Who are the direct competitors for this type of asset? Will adding more of this product oversaturate the market?
- Who is the deal sponsor? What experience do they have? Do they have references? We always complete thorough background checks on all key team members of the deal sponsor.
- Why do they need us?
- Can we create value for them?
- How much skin in the game will the sponsor have?
- Does the sponsor have the financial wherewithal and willingness to sign a personal guarantee on a loan for the project if necessary?
- Why hasn't the deal sponsor already partnered with someone else for this project?

For more information please contact our Investor Relations department at [ir@promanas.com](mailto:ir@promanas.com)

### **Deal Specific Questions:**

- Who is providing the construction estimates? Need references.
- Who is the architect? Need references.
- Have there been any environmental studies completed on the property?
- Have there been any feasibility studies on the project?
- Who is the seller and is the land under contract currently?
- Does the deal sponsor presenting the opportunity have any relationship with the seller of the property? If so what is it?
- Is this type of project financeable? If so, who is the lender and what are the terms? Different asset types (i.e. hotel vs. multi-family) warrant different types of loan to cost ratios from lenders.
- Are there any current or pending lawsuits relating to this property or project?

### **Deal Structure, Return and Exit:**

- What's the potential downside?
- What's the worst-case scenario?
- What are my exit strategies?
- If plan A doesn't work, is there a Plan B?
- What's the potential upside?

There's a lot to think about when vetting a potential deal. As a rule, if the deal isn't a resounding "YES", it's a "NO". If you have questions about our process or are interested in receiving more information on our current offerings, please email me at [ir@promanas.com](mailto:ir@promanas.com) or track me down at the Secrets of Successful Syndication seminar hosted by the Real Estate Guys in Dallas, TX on March 3 & 4, 2017.

Sincerely,



John Bogdasarian, CCIM  
President, Promanas Group