MULTIFAMILY SYNDICATIONS

Frequently Asked Questions

OAK STREET ASSETS

STEADY GROWTH, STRONG RETURNS

Rule No. 1: Never lose money.
Rule No. 2: Never forget Rule No. 1.

–Warren Buffet

Welcome to Oak Street

Congratulations. If you are reading this, you already have some idea of how powerful passive investing in real estate syndications can be. It is still wise to perform your own due diligence before signing the Private Placement Memorandum (PPM) for any offering.

We want you to be confident about the deal and the sponsor team upfront. It is always better to resolve your doubts through research and direct questions before investing, especially if you are working with a sponsor team for the first time.

These 100 questions, organized into ten categories, will help you understand any deal and act as a guide to dig deeper. They will also show you what experienced investors ask that you might not have thought of. Some answers you can find yourself in the investment summary or through independent research. For others, you will need to ask the sponsor directly. How they answer is often as revealing as what they answer.

This guide pairs with our one-page First-Pass Scorecard, which distills these questions into a 20-minute screen. Use the scorecard to decide whether a deal deserves your time, then use this guide to go deep.

I look forward to speaking with you.

Tim Fergestad
Managing Partner, Oak Street Assets, LLC
Tim@OakStreetAssets.com | 480-225-9388

Steady Growth & Strong Returns

How to Use This Guide

You do not need to ask all 100 questions on every deal. Work through the categories in order, skip what the offering materials already answer clearly, and press on anything vague, missing, or inconsistent.

1	**The Sponsor & Team**
2	**Alignment & Skin in the Game**
3	**The Market**
4	**The Property**
5	**Financing & Debt**
6	**Underwriting & Projected Returns**
7	**Business Plan & Execution**
8	**Structure, Waterfall & Fees**
9	**Reporting, Taxes & Communication**
10	**Logistics, Liquidity & Risk**

A good sponsor welcomes these questions. Clear, documented, consistent answers are a green flag. Evasiveness, changing numbers, or pressure to wire quickly are answers too. Treat them accordingly.

1 | THE SPONSOR & TEAM

The sponsor is the single biggest factor in any deal. Great teams rescue average deals; weak teams sink great ones.

1. Who are the lead sponsors, and what are each person's roles and responsibilities?
2. What is the sponsor's track record? How many deals have gone full cycle, and how did results compare with original projections?
3. Has the sponsor ever lost investor money, paused distributions, or issued a capital call? What happened, and what changed afterward?
4. How long have the general partners worked together, and have they completed a deal together before?
5. How much experience does the team have in this asset class and this specific market?
6. Who is the property manager, and how many units do they manage in this market?
7. Who handles asset management, and how stretched are they across current projects?
8. Who is the SEC attorney preparing the offering documents?
9. Did background checks or a simple online search on the key principals surface anything of concern?
10. Can the sponsor provide references from current investors, ideally repeat investors?

2 | ALIGNMENT & SKIN IN THE GAME

You want a sponsor who wins only when you win, and who feels it personally when things go wrong.

11. Is the sponsor investing meaningful personal cash in this deal? How much?
12. Is the sponsor's compensation weighted toward performance rather than upfront fees?
13. What percentage of the sponsor's investors are repeat investors?
14. Are there related-party relationships, such as in-house property management, construction, or lending?
15. Are all conflicts of interest disclosed in writing?
16. Does the sponsor have the financial strength to support the deal through a rough stretch?
17. Who signs on the loan, and is there a personal guarantee?
18. Is this a 506(b) or 506(c) offering, and do you meet the requirements to invest?
19. If there is a co-GP team, what does each member actually do beyond raising capital?
20. What happens to the sponsor's economics if the deal underperforms?

3 | THE MARKET

A rising market forgives mistakes. A weak one punishes even good execution.

21. What is the population growth of the MSA and the submarket?
22. How is job growth trending, and is employment diversified across industries?
23. Who are the largest employers near the property? Any announced expansions or layoffs?
24. Does the median household income support projected rents at or below 30 percent of income?
25. What is the unemployment rate versus the national average?
26. How have home prices moved, and what does that mean for rental demand?
27. Is crime rising or falling in the immediate neighborhood?
28. What class is the neighborhood, and is its trajectory improving?
29. How much new apartment supply is under construction or permitted nearby?
30. What are the submarket's vacancy rate and recent rent growth, from third-party data?

4 | THE PROPERTY

The building itself: what you are actually buying, and what it will actually cost to own.

31. What year was the property built, and which major systems (roofs, plumbing, electrical, HVAC) are original?
32. How many units, and what is the unit mix?
33. What class is the property, and how does it stack up against its direct competitors?
34. What is the price per unit versus recent comparable sales?
35. What are current average rents and occupancy, physical and economic?
36. Why is the owner selling?
37. What do the rent comps and sales comps actually show, and were they cherry-picked?
38. What did the Property Condition Assessment and Environmental Site Assessment find?
39. Have a lease audit and full unit walk been completed? What did they reveal about the tenant profile?
40. Is there deferred maintenance that the CapEx budget does not address?

5 | FINANCING & DEBT

More deals die from bad debt than bad buildings. The loan terms must survive the whole business plan.

41. What are the loan amount, interest rate, and term?
42. Is the rate fixed or floating? If floating, is there a rate cap, what does it cost, and when must it be replaced?
43. Is this agency debt or a bridge loan, and why was that structure chosen?
44. Is the loan recourse or non-recourse?
45. When does the loan mature? Are extensions available, at what cost, and with what conditions attached?
46. What is the debt service coverage ratio in year one, and at stabilization?
47. Is the stated LTV based on the purchase price or a projected future value?
48. How does the total raise break down between down payment, CapEx, and reserves?
49. Does the plan depend on a refinance? What happens if rates are higher when it comes due?
50. Are there prepayment penalties or yield maintenance provisions that could limit the exit?

6 | UNDERWRITING & PROJECTED RETURNS

Projections are a sales document until proven otherwise. Your job is to find where the optimism hides.

51. What rent growth is assumed, and how does it compare with the trailing 12 months and third-party forecasts?
52. What expense growth is assumed, and is the overall expense ratio realistic for this vintage and market?
53. What are the going-in and exit cap rates? A conservative model assumes the exit cap is higher than the entry.
54. How were property taxes and insurance estimated? Both are frequent sources of nasty surprises.
55. What is the breakeven occupancy?
56. What is the projected year-one cash-on-cash return, and what supports it?
57. What are the projected IRR and equity multiple, and how sensitive are they to the exit cap rate?
58. Will early distributions come from operations, or from reserves or borrowed funds?
59. What sensitivity analysis has been run on rents, exit cap, lease-up pace, and occupancy?
60. What is the current loss-to-lease, and how quickly can it realistically be captured?

7 | BUSINESS PLAN & EXECUTION

The plan on paper is easy. Ask how it gets executed, by whom, and what proves the numbers.

61. What is the business plan: light value-add, heavy value-add, or a yield play?
62. What are the first three things the team will do after closing?
63. How many units will be renovated, at what cost per unit, and on what timeline?
64. What rent premiums are projected for renovated units, and what evidence supports them?
65. Is the CapEx budget fully funded from the raise, with a contingency built in?
66. Are documented contractor bids behind the renovation numbers, or just estimates?
67. Will the property be rebranded, and what is the marketing plan for lease-up?
68. How is the property management company incentivized to deliver the plan?
69. What on-site staffing will the property carry, full-time and part-time?
70. Will a cost segregation study be completed to accelerate depreciation for investors?

8 | STRUCTURE, WATERFALL & FEES

Who gets paid, in what order, and how much of it quietly comes out of your return.

71. What is the preferred return, and does it accrue or compound if it is missed?
72. What is the equity split after the pref, and are there waterfall hurdles that change it?
73. When do distributions start, and are they paid monthly or quarterly?
74. How and when is investor capital returned: during operations, at refinance, or at sale?
75. What is the acquisition fee?
76. What is the asset management fee, and is it charged on income actually collected or on gross potential income?
77. Are there construction management, refinance, or disposition fees? How much?
78. Are there any other fees: administrative, marketing, technology, or loan guarantee fees?
79. What are the capital call provisions, and what happens to investors who cannot participate?
80. What voting rights do investors have, including the right to remove the manager?

9 | REPORTING, TAXES & COMMUNICATION

After you wire, communication is the product. Know exactly what you will receive and when.

81. How often will I receive updates and detailed financial reports?

82. What does a typical update include: occupancy, collections, renovation progress, financials?

83. When will my K-1 arrive each year, and has the sponsor ever delivered K-1s late?

84. Who do I contact with questions after investing, and how quickly do they respond?

85. Is there an investor portal for documents, distributions, and tax forms?

86. How does depreciation flow through to investors, and will bonus depreciation apply?

87. What are the tax consequences at refinance and at sale, including depreciation recapture?

88. Can I invest through a self-directed IRA or solo 401(k), and are UBIT or UDFI a factor?

89. If distributions ever pause, how and when will the sponsor communicate the recovery plan?

90. How are missed preferred returns tracked and made up before profits are split?

10 | LOGISTICS, LIQUIDITY & RISK

The practical questions, plus the two most revealing questions you can ask any sponsor.

91. What are the minimum and maximum investment amounts?

92. What is the timeline: soft commit deadline, funding deadline, and expected close?

93. Is there an investor webinar, and can I review the recording and materials?

94. What is the expected hold period, and what circumstances could extend it?

95. What are my liquidity options if I need out early? Confirm the transfer restrictions; usually there are no options.

96. What happens if the capital raise falls short?

97. What insurance does the property carry, and does it cover the region's specific risks?

98. In the sponsor's own words, what is the single biggest risk in this deal?

99. What would make the sponsor walk away from this deal before closing?

100. Can I explain this deal, in plain language, to my spouse or advisor? If not, I do not understand it well enough to invest.

The Final Question

This is a thorough list, but no list is complete. What these questions will do is set you in the right direction and teach you what a well-run deal looks like.

And after all the diligence is done, one question remains, and only you can answer it:

Am I comfortable with the risk and return profile of this investment?

If the answer is no, walk away. There will always be another opportunity. Rule No. 1 is never lose money. Rule No. 2 is never forget Rule No. 1.

Oak Street Assets helps busy professionals diversify beyond Wall Street through carefully vetted passive real estate investments. We source, vet, and invest alongside our partners in every deal we offer, so you can build wealth for your family without taking on a second job.

The best time to plant a tree was 20 years ago. The second best time is now.

Chinese proverb

OAK STREET ASSETS

WEALTH DESIGNED FOR LIFE

- **Get the First-Pass Scorecard.** The one-page companion to this guide: score any deal in about 20 minutes. **OakStreetAssets.com/scorecard**
- **New to multifamily?** Grab the free Multifamily 101 guide and video training. **OakStreet101.com**
- **Keep learning.** Articles on passive investing, syndications, and legacy planning. **OakStreetAssets.com/blog**
- **Have a deal to vet?** Bring it to a call and we will walk through these questions together, whether the deal is ours or someone else's. That is the point.

SCHEDULE A CALL

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