

MEDALIST DIVERSIFIED REIT

DST Investment Trigger Framework

Credit-First | Metro-Disciplined | Simple & Predictable

This framework defines the non-negotiable investment criteria used by Medalist to source, underwrite, and sponsor DST offerings aligned with long-term REIT ownership.

"We are a credit-first, metro-disciplined DST sponsor focused on simple, institutional-grade net lease assets with 10+ year leases, public or rated tenants, top-tier demand metros, and structures designed for predictable income and clean exits."

GATE I: CREDIT DISCIPLINE

First Gate — must pass before anything else matters

A. Tenant Credit — Hard Triggers

A deal must meet ONE of the following tiers:

✓ TIER 1 — PREFERRED (Target 80%+ of portfolio)

- Publicly traded company, OR
- Rated corporate debt B+ or higher (S&P / Moody's / Fitch equivalent)

Rule: If the tenant accesses public capital markets, we consider them underwritable.

⚠ TIER 2 — LIMITED (Rare exception — ALL criteria required)

- Audited financials (minimum 3 years)
- Multi-unit operator (10+ locations)
- Unit-level rent coverage $\geq 2.0x$
- Corporate or parent guarantee
- Proven performance across economic cycles

Rule: Private credit must overcompensate for lack of public transparency.

✗ AUTOMATIC NO (No Exceptions)

- Single-location operators
- Franchisee-only risk without corporate guarantee
- No audited financials
- Story-driven credit ("they're growing fast")
- Tenants dependent on discretionary consumer spending without scale

B. Lease Economics — Hard Triggers

Metric	Target / Requirement	Exception Conditions
Remaining Term	Target: 10+ years Floor: 7 years Under 7 years: generally disqualified	7-year floor only if: public/rated tenant AND rent clearly below market
Lease Type	True NNN preferred	Landlord roof/structure responsibility acceptable on buildings <10 years old with long-term warranty protection. No operating expense exposure, co-tenancy, or mgmt obligations.
Rent Escalations	Fixed 1.5%–3% preferred	Flat rent allowed only if: IG credit OR clearly below-market rent
Rent Coverage	Minimum: $\geq 1.75x$ Preferred: $\geq 2.0x$	Weak coverage must fail on price or lease length to compensate

GATE II: METRO DISCIPLINE

Second Gate — exit optionality focus

A. Population & Scale — Hard Triggers

Metro (MSA or CSA) must meet ONE of the following:

- Population \geq 500,000, OR
- Part of a **Top-75 MSA**, OR
- Established, supply-constrained submarket within a **Top-50 MSA**

Rule: No tertiary markets unless extraordinary credit + pricing.

B. Demographics — Required Signals

Metro must show **at least 2 of the following 4 signals**:

1. Population Growth \geq 1.0% annually (5-year trend)	2. Household Income At or above national average
3. Net Migration Positive inbound migration	4. Employment Diversity No single-industry dominance

Note: Flat population acceptable only with dominant credit tenant.

C. Liquidity — Non-Negotiable

Must answer YES to ALL:

- ✓ Minimum 5 comparable STNL transactions in the MSA within trailing 24 months (verifiable via CoStar or RCA)
- ✓ Multiple buyer profiles (1031, private capital, institutional)
- ✓ Clear cap-rate comps within last 12–24 months

Rule: *If we can't pull 5 comps, pricing is a guess — we pass.*

✗ METRO DISQUALIFIERS

- One-employer towns
- Declining population without offsetting income growth
- Markets reliant on volatile or shrinking industries
- Political / regulatory risk directly impacting tenant economics

GATE III: STRUCTURAL SIMPLICITY

Third Gate — portfolio cohesion / low drama test

A. CAPITAL STACK	B. HOLD PROFILE	C. OPERATIONS
<ul style="list-style-type: none">○ Conservative leverage or all-cash○ No refi-dependent returns○ Debt maturity beyond hold period <p><i>If debt creates a decision point mid-hold, it fails.</i></p>	<ul style="list-style-type: none">○ Clear 5–10 year hold thesis○ Defined buyer profile at exit○ No "we'll see" language	<ul style="list-style-type: none">• Single tenant preferred• Little to No landlord operational involvement• No CapEx assumptions to hit returns

THE FINAL LITMUS TEST

This is what makes you "those guys"

A deal only proceeds if ALL FOUR are true:

1. Explainable in 60 seconds by a broker
2. Underwritable in one page by an investor
3. Indistinguishable in philosophy from your last deal
4. Would we want to own this in the REIT at the end of the hold?

If the answer to any isn't a clear yes, we pass.

Every DST we sponsor is a potential UPREIT conversion. The DST pipeline must be strategically aligned with the REIT's long-term portfolio goals from day one.

This framework reflects target criteria and does not constitute an offer or guarantee of acquisition.