1. Data center diligence, part one: lease, tenant, power

Appendix B, Halvard DC1 and any single-tenant data center. Each item is a document to request, a figure to reconcile or a question for the seller. Mark the status Y, N or Open.

Asset:		**Reviewer:**	
Data room ref.:		**Date:**	

Item	Status	Owner	Note
The lease			
■ Obtain the executed lease with every amendment, side letter and consent, and confirm that the rent roll matches it line by line.			
■ Record the capacity rent, the unit it is quoted in (per kW of critical IT capacity, not per square foot) and the escalator, fixed or indexed.			
■ Confirm the expiry date in years of ownership and the exact renewal mechanics: notice period, who may exercise, the rent on renewal, and whether renewal can be partial.			
■ Read what the tenant pays directly and what it reimburses, and list every cost the landlord keeps, including operations, management and the repair reserve.			
■ Find the energy clause and write down the PUE cap, the tariff, its indexation and whether it survives renewal unchanged.			
■ Check assignment and change-of-control provisions, so the fund knows whether its purchase needs the tenant's consent.			
■ List the tenant's termination rights, including any tied to service failures, casualty or a late expansion, and the cure periods for each.			
■ Identify service-level commitments on power and cooling availability, the credits they trigger, and any cap on those credits.			
■ Note restrictions on the landlord's use of the rest of the site, such as exclusivity or rights of first refusal over expansion.			
The tenant			
■ Confirm the legal entity that signed the lease and whether its parent guarantees it; a rating on the parent protects nothing unless the parent is bound.			
■ Record the rating the fund relies on and the date it was last affirmed, and note that a rating speaks to paying rent, not to renewing.			
■ Ask what the halls run today: which workloads, how critical, and whether the tenant has built capacity elsewhere that could absorb them.			
■ Establish how much of the tenant's footprint in the region this building represents, as far as the seller can say.			
■ Treat the tenant as a counterparty to understand, not an adversary: an early conversation about its plans can tell the fund more than any clause.			
The power supply contract and the meter data			
■ Obtain the landlord's supply contract, its price, its term and what happens at expiry; in the case, the fixed price ends with year 4.			
■ Ask for the full metered history the seller holds, at interval level, for total facility energy and for IT energy separately.			
■ Reconcile the energy billed to the tenant with the meter readings and with the energy bought, year by year, and explain any gap.			
■ Identify who carries imbalance, capacity and network charges, and whether any of them sit outside the tariff passed to the tenant.			
■ Test the margin against a rise in market price; in the case, a shock of 4.0 percent already takes equity below target, so the direction matters more than the forecast.			
■ Ask whether any on-site generation, storage or backup fuel contract affects the energy account, and who pays for testing.			
PUE			
■ Get the definition the lease uses (total facility energy over IT energy) and the measurement boundary, period and meter locations it specifies.			
■ Compare the contract cap with the PUE actually achieved, month by month and at different loads; partial load usually lifts it.			
■ Ask what would bring the actual PUE down to the cap, what it would cost, and whether the tenant must agree to any change.			
■ Check that the metering is calibrated and independently verifiable; a PUE that no one can audit is an assumption dressed as a fact.			

2. Data center diligence, part two: grid, cooling, capex, residual value

Appendix B, continued. The items that take weeks (the utility's commitments, the retrofit price, the demolition estimate) are the ones that decide the price.

Asset:		**Reviewer:**	
Data room ref.:		**Date:**	

Item	Status	Owner	Note
The grid connection			
■ Obtain the utility's written commitments for the expansion: the reserved capacity, the energization date and any conditions attached.			
■ Read the interconnection study results and list every upgrade they require, who builds it and who pays.			
■ Trace the application's history in the utility's queue: when it was filed, which studies are complete, and what remains outstanding.			
■ Record the pre-lease's delay terms: free rent per month late, standby costs, and the date at which the tenant may walk away.			
■ Ask the utility, not the seller, whether anything on its own side (substation work, transmission, other large loads) could move the date.			
■ Confirm whether curtailment or load-shedding obligations apply to the site in an emergency, and how the lease allocates the cost.			
Cooling and density			
■ Obtain the design basis for each hall: electrical capacity, cooling capacity, redundancy level and the density per rack it was built to serve.			
■ Establish whether the halls can take liquid cooling without structural work: floor loading, ceiling height, pipe routes and plant space.			
■ Check water supply and discharge permits, and whether the cooling design depends on water that could be restricted.			
■ Ask the tenant's engineers, where they will talk, what the next generation of equipment will need that these halls cannot give.			
■ Price a retrofit at the level of detail the case uses (cost per MW, months out of service) and confirm who would bear the downtime.			
Capital spending history			
■ Collect a full record of past capital spending by system, not by year alone: electrical, mechanical, fire, security, roof and envelope.			
■ Match the repair reserve to a condition survey and an equipment replacement schedule; a flat reserve that ignores the age of the plant is a gap.			
■ List deferred maintenance the seller knows of, and any capital work promised to the tenant but not yet done.			
■ Confirm warranties on major equipment and whether they transfer to the buyer.			
Residual value			
■ Estimate the value of phase 1 if the tenant leaves: re-letting, retrofit, or land with a connection and a building to clear.			
■ Obtain a demolition estimate and confirm that the grid connection stays with the land if the building goes.			
■ Test the exit cap rate for each outcome separately rather than applying one rate to all four.			
■ Check the debt maturity against the lease expiry; in the case, the loan falls due one year before the lease ends, which opens the refinancing gap of Chapter 15 if the tenant does not renew.			

3. Fiber network diligence

Appendix B, Oakmere Fiber and any network still being built. Ask for every series by build cohort, never as a single network total.

Asset:		**Reviewer:**	
Data room ref.:		**Date:**	

Item	Status	Owner	Note
Build cost			
■ Obtain invoices, contractor agreements and change orders for the homes already passed, and derive the cost per home passed from them.			
■ Split the cost between aerial and underground construction, and between labor, materials and make-ready work on existing poles.			
■ Check the build plan for the remaining homes: routes, contractors under contract, prices fixed or open, and escalation clauses.			
■ Reconcile the plan's cost per home passed with the history, and explain every difference before accepting the forecast.			
■ Confirm the cost of a connection (the drop and the equipment at the home) and of a reconnection after churn.			
Penetration evidence by cohort			
■ Ask for subscribers by build cohort and by month since the cohort was lit, not a single network figure.			
■ Rebuild the penetration curve from the data and compare each cohort with the curve in the business plan.			
■ Separate homes passed from homes that can actually order service today; a home passed but not yet serviceable is not a sales opportunity.			
■ Look for cohorts that have stopped climbing, and ask what happened there: a competitor, a price change, a sales pause.			
■ Test the plan against the case's threshold: a terminal penetration of 39.4 percent is enough for 10 percent, so every point of doubt matters.			
ARPU			
■ Obtain the price list, the promotions in force and the share of subscribers on each plan.			
■ Compute ARPU after discounts, credits and bad debt, and check how it has moved since each cohort launched.			
■ Identify any contracted price rises and whether subscribers have tolerated past ones.			
■ Ask what revenue comes from sources other than broadband and whether it is recurring.			
Churn			
■ Obtain monthly disconnections by cohort, split between moves out of the area and switches to another provider.			
■ Check that the reconnection cost in the plan matches what the operator actually spends to reconnect a home.			
■ Ask whether churn has risen after promotions ended, and what retention offers cost.			
Competitors			
■ Map every other network that can serve the same homes: another fiber build, cable, fixed wireless, and satellite where relevant.			
■ Ask whether any competitor has received, or applied for, a public subsidy to build in the same area; Chapter 18 describes the federal program.			
■ Compare prices and speeds with each competitor, plan by plan, and note where the network is behind.			
■ Consider the open-access question directly: would wholesale access reach more homes than a single retail brand in this area?			
Permits and access			
■ List the permits, franchises and rights of way the build depends on, with their terms and renewal conditions; counsel confirms their validity.			
■ Obtain pole attachment agreements, their rates, and the queue for make-ready work on poles owned by others.			
■ Check whether any permit or right of way lapses on a change of ownership.			
■ Record any build obligations owed to a public body and the penalty for missing them.			

4. Tower portfolio diligence

Appendix B, Pellam Towers and any carved-out tower portfolio. Rebuild every ratio from the site-by-site list, not from a summary.

Asset:		**Reviewer:**	
Data room ref.:		**Date:**	

Item	Status	Owner	Note
Master lease agreement terms			
■ Obtain the master lease agreement with every schedule, and confirm the number of sites it covers and the rent per site.			
■ Record the escalator, the remaining term and the renewal mechanics; in the case, renewal is all or nothing across the portfolio.			
■ Find the clauses that let the anchor operator remove equipment, decommission sites or reduce rent, and the notice each requires.			
■ Check what the agreement says about amendments: new equipment on existing sites, extra antennas, and whether they carry extra rent.			
■ Confirm the anchor's rights over space on each tower, so the fund knows how much room is actually left to lease.			
Tenancy			
■ Rebuild the tenancy ratio from the site-by-site tenant list, not from a summary.			
■ Separate signed tenancies from applications and letters of intent; only signed contracts carry rent.			
■ Obtain new tenancies by year for the past several years, and the pipeline with each operator.			
■ Check the colocation lease forms: rent, escalator, term, and any right to terminate early without penalty.			
■ Compare the growth the plan assumes with the case's threshold of 0.0296 new tenancies per tower a year for 10 percent.			
Ground leases			
■ List every site on leased land with its rent, escalator, remaining term, renewal options and the landowner's identity.			
■ Flag leases that expire before the fund's exit, and those with escalators faster than the anchor's.			
■ Check whether the landlord of the land may terminate, sell to a competitor, or share in colocation revenue.			
■ Review the buyout program's record: sites bought, prices paid in years of rent, and sites where owners refused.			
■ Confirm that easements for access and utilities are recorded and survive a sale of the land.			
Structural capacity			
■ Obtain a structural analysis for each tower, or at least for those where new tenancies are planned.			
■ Identify towers that need strengthening before they can carry another tenant, and check the cost against the plan's capex per new tenancy.			
■ Confirm inspection records, maintenance history and any open safety findings.			
■ Ask whether modifications to existing towers can proceed on the faster federal review path described in Chapter 18, and let counsel confirm it site by site.			
Consolidation exposure			
■ Map which operators share each tower and where two of them would duplicate each other if they merged.			
■ Read the colocation contracts for what happens on a merger: whether duplicate tenancies can be cancelled, and with what notice or penalty.			
■ Estimate the rent at risk from the overlap and run it through the model, as the case does with its 60 removed tenancies.			
■ Consider the anchor's own position: a smaller number of operators means fewer new tenants and more bargaining power at renewal.			

5. Threshold register: where each governing input breaks

Chapters 3 to 19. Write the evidence gathered on each parameter next to its threshold, then let the committee judge the distance. Thresholds are the book's, computed from its models; your own assets need their own.

Fund:		**Prepared by:**	
Model version:		**Date:**	

Asset	Input	Model	Threshold	Book	Evidence so far	Distance
Halvard DC1	Market power price from year 5 above plan	Plan: $67/MWh	+4.0% takes equity below 10%; +11.0% ($74.38/MWh) takes the energy margin to zero	Ch. 3, 19		
Halvard DC1	Rent reset on renewal	Plan: 90% of passing rent	87.9% returns exactly 10%	Ch. 6		
Halvard DC1	Colocation rent if the tenant leaves	Plan: $120/kW/month	$246/kW/month needed for 10%; no air-cooled rent closes the gap	Ch. 6		
Halvard DC1	Exit cap rate	Plan: 6.25%	6.36% returns exactly 10%	Ch. 7, 19		
Halvard DC1	DSCR, NOI less reserve over debt service	Year 1: 1.67x	Lock-up below 1.25x; default below 1.10x	Ch. 15, 19		
Halvard DC1	Refinancing at year 7 without renewal	Loan $495.0m, balloon $444.1m	Equity call of $328.9m; renewal instead returns $221.8m	Ch. 15		
Oakmere Fiber	Terminal penetration	Plan: 40%	39.4% returns exactly 10%	Ch. 11, 19		
Pellam Towers	New tenancies per tower per year	Plan: 25.5 a year on 850 towers	0.0296 per tower a year returns 10%	Ch. 12, App. B		
Pellam Towers	Tower EBITDA against the 8.50x leverage covenant	Year 1 plan: leverage 7.00x	Covenant breaks if EBITDA falls to $10.8m (17.6% below plan)	Ch. 14, 19		
Pellam Towers	Ground lease buyouts	Plan: 40 a year	None: equity IRR 10.06% falls to 9.24%	Ch. 13, 19		

6. The first year and the four decisions after it

Chapter 19. What to measure, when, and the decision each date forces. Tick each line when the reading is filed with the model rerun.

Fund:		**Asset manager:**	
Year of ownership:		**Date:**	

When	What it is	What to read and record	Done
Month 1	Definitions	Raw meter data behind IT load (model: 25.6 MW, 80% of contracted) and total energy (PUE 1.40 against a 1.30 cap); subscriber register by build cohort (18,000 on 60,000 homes); tenancy register tower by tower (850 towers, 382 colocations, ratio 1.45); covenant file in each lender's own definitions.	
Quarter 1	Run rates	Energy margin against the year-1 model ($2.42m on $61 supply and $74 tariff); phase 2 spend and the utility's side of the work; build cost per home (plan $1,150, 20,000 homes in year 1); new tower tenancies (25.5 a year expected).	
Month 6	Midyear note	Organized by threshold, not by asset: PUE and load against plan, phase 2 date and the delay terms; youngest fiber cohort against its curve, ARPU at $70; tower tenancies, strengthening capex, ground buyouts (40 a year).	
Month 9	Power file opens	Supply price from year 5: plan $67/MWh; +4.0% puts equity below target, +11.0% puts the margin at zero. Hedging options costed before the market moves.	
Month 12	First annual test	Covenants first: DSCR 1.67x (Halvard), leverage 7.00x and interest cover 2.29x (towers). Then year-1 plan against actuals: NOI $50.8m; 23,400 subscribers, EBITDA $6.4m; tower ratio 1.47, EBITDA $13.2m. Rerun every IRR.	
End of year 4	Fixed price ends	Sign a supply contract or record the decision not to; rerun the equity IRR at the price locked or the exposure kept.	
End of year 6	Renewal notice	The tenant's notice, 24 months before expiry, decides which of the four endings the fund holds. Cost both refinancing paths before the date.	
End of year 7	Refinancing	Renewed: about $221.8m back to equity. Not renewed: about $328.9m of new equity to retire the balloon. Undrawn commitment must be in place.	
Year 10	Exit	Exit cap 6.25% against a 6.36% threshold; the evidence file (meter history, cohort data, tenancy records) is what the buyer will price.	