



CFC
MENTORSHIP
PROGRAM

Leading the Round: 111 Questions Passive Investors Should Be Asking

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Syndications Are Here To Stay

Every day, more and more people are realizing that the investment mantras of previous decades were either misinformation, exaggeration, or complete fabrication. *Put your money in a 401k and you'll retire at 65. Mutual funds are the best way to diversify. Twenty percent of your portfolio should be in bonds.* We have heard it all.

Thankfully, due to the incredible educational power of the internet, these old investment fables are constantly being analyzed, evaluated, and eventually disregarded as investors get access to new information and more favorable investment vehicles. This is particularly true in the real estate sector, where investors can now access passive investment opportunities with the click of a mouse.

While some investors already have experience investing in residential properties, the most notable change is taking place in the world of commercial real estate, where many investors are entering the market for the first time. This shift towards commercial assets is due in part to the signing of the JOBS Act of 2012, which allowed companies to provide access to passive syndicated investments through online crowdfunding platforms.

However, it's important to note that with this increased access comes great responsibility, especially for new real estate investors. While residential investments are relatively straightforward, commercial assets can be highly complex, therefore requiring a more thorough analysis and a deeper understanding of the investment as a whole.

Seeing this change happen before our eyes, we launched the **Cash Flow Connections Real Estate Podcast**. This weekly program allows investors to learn the intricacies of commercial real estate from the comfort of their home, car, or office. The response to the podcast has been incredibly positive, and I am confident it is one of the most sophisticated commercial real estate podcasts on iTunes. The show has been a helpful resource for investors of levels of experience, from those who are considering making their first real estate investment to real estate operators who have been in the business full-time for over 30 years. We've been incredibly fortunate to have many noteworthy guests, including Grant Cardone, Oren Klaff, Cameron Herold, Doug Casey, and Robert P. Murphy, as well as many other influential investors, operators, and authors.

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Already Enjoy The Podcast? There's More...

While the podcast's conversational approach is an easy, informative listen, some aspects of investing simply can't be covered in a 45-minute discussion. For example, evaluating a proforma, using a financial calculator, and conducting detailed deal analysis are all important skills, but are challenging topics to teach through an audio-only interview.

This challenge inspired me to create the CFC Mentorship Program, which is a supplement to the Cash Flow Connections Real Estate Podcast. Designed for passive investors, real estate entrepreneurs, and capital raisers of all levels of expertise, this program is designed to provide attendees with everything they need to be an expert in the world of syndications. The information-rich content is stimulating for even the most experienced investors, but even if you only retain parts of the program, you will be light-years ahead of many passive investors succeeding in the market today.

This eBook is based on the underlying topics which are covered in Module 5 of the CFC Mentorship Program: Expert Due Diligence for Passive CRE Investors. In this module, I discuss at length some of the potential answers investors may receive when asking the questions, what would be considered favorable for investors, and what to stay away from. In fact, there are more than three hours of video discussing the due diligence process alone!

Essentially, I created the exact program I wish I had when I started my career.

Several investors have completed the program, with a 100% satisfaction rate. You can learn about some of their experiences by checking out the [Testimonials](#) section below.

Here are the modules in the program:

1. **Setting and Accomplishing Your Real Estate Goals**
2. **Creating Your Dream Investment Network**
3. **The Money Behind the Math**
4. **Understanding CRE Terms and Communicating Effectively**
5. **Expert Due Diligence for Passive CRE Investors**
6. **Deal Analysis of Previous Opportunities**
7. **Selecting, Creating, and Utilizing the Most Effective Legal Structure**
8. **Building a Brand That Establishes Credibility**
9. **Communicating to Attract Investors**
10. **Tips, Hacks, and Service Providers That Will 10x Your Productivity**

Regardless of if the **CFC Mentorship Program** is right for you, it would be prudent to ensure you know the answers to the questions below, prior to moving forward with any investment. Once you begin to incorporate these questions in your due diligence process, you will be well on your way to making educated passive investment decisions, thus better protecting and growing your investment capital.

Remember, in order for these questions to help you, you have to actually ask them! Get out there and network, review some opportunities, and strike up conversations with sponsors. Once you gain an understanding of the potential range of responses, you will get a better sense of what is available in the marketplace, what suits your personality, and which investments are best positioned to achieve your goals as a passive investor.

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111 Questions Passive Investors Should Be Asking

■ Operator

1. How many years has the operator been in business?
2. What is their track record as a company?
3. How significantly did market conditions play a role in their track record, as opposed to operational proficiency?
4. Have they ever experienced a recession?
5. What does the reporting look like that you would be receiving as an investor?
6. What is their current assets under management?
7. How many investors do they currently have?
8. Are they members of any trade boards in their respective asset class?
9. Does their firm have a significant online profile?
10. Are they set up to send ACH deposits to investors?
11. What is their current bandwidth compared to their upcoming projects?
12. Do their professional referrals verify the claims that they have made about their experience, track record, and background?
13. Can they pass a background check?
14. When you pull a background check, do the properties they claim to own show up?
15. How active are they in the subject property's asset class?
16. What does your gut tell you about the operator?

■ On-site Property Management

17. Will the current property manager remain in place?
18. Is the sponsor projecting a significant increase in performance from the same management company?
19. How did the sponsor source the property management company?
20. Has the sponsor worked with the property management company before?
21. Does the property management company accept ACH payments?
22. What software does the property management company use?
23. How frequently will the property management company be providing reports to the sponsor?
24. What other assets does the property management company have in the area and how are they performing?
25. What is the corporate structure of the management company?

■ Loan

26. What is the loan-to-value ratio?
27. How is the loan-to-value being established?
28. Is there additional capital expenditure budgeted in the projections?
29. Is the completion of the capital expenditure included in the loan-to-value?
30. What is the loan-to-cost?
31. Is there preferred equity in the deal that would be senior to your investment?
32. What is the loan-to-value, including any senior preferred equity?
33. What is the duration of the loan term?
34. Is there any pre-payment penalty and, if so, what is it?
35. Is the interest rate fixed or flexible?

36. What is the amortization schedule?
37. How long is the interest-only portion of the loan?
38. Is the property projected to experience a refinance?
39. What is the assumed loan-to-value at the time of refinance?
40. What does the Net Operating Income (NOI) need to be in order for the refinance to be effectuated?
41. What is the assumed interest rate in the event of a refinance?
42. What is the debt-service-coverage-ratio (DSCR) in Year 1 (Y1)?
43. Who is the lender?
44. Does the lender have significant experience with the asset class?
45. Is the lender knowledgeable about the market?
46. Has the sponsor worked with the lender before?
47. Is the loan being assumed or is it going to be a new loan?
48. Is the loan assumable?

■ Property-specific Due Diligence

49. What is the age of the property?
50. Has the property been renovated and, if so, when?
51. What percentage of the units have already been renovated?
52. What is the replacement cost of the property?
53. What is the cost per square foot?
54. What is the number of units or tenants?
55. Is the property in a flood zone?
56. What is the unit-to-parking spot ratio and how does it compare with the competitive set?

57. Is there an office on the property?
58. Will the office need to be upgraded?
59. Will the property manager live on the property?
60. What is the physical occupancy of the property?
61. Does the signage need to be upgraded?
62. Does upgrading the signage require approval by the city?
63. When was the last time the roof, plumbing, elevators, and electrical were replaced or upgraded?
64. What is the class of the property and how does that align with the surrounding area and tenant base?
65. Are there cameras surrounding the property?
66. What type of security will be provided at the property?
67. How does the property compare to the competitive set in terms of amenities?

■ Market

68. What is the population of the market?
69. What is the market's projected population growth?
70. What sectors of employment are present in the economy?
71. Is there a sector of the economy that is responsible for more than 25% of the employment of the market?
72. What is the medium household income of the three-, five-, and ten-mile radius of the property?
73. What is the medium household income-to-rental rate ratio?
74. What is the property's number of daily traveled vehicles?
75. Does the surrounding neighborhood consist of residential properties or commercial buildings?

76. How many major competitors are within a three-, five-, and ten-mile radius of the property?
77. What does the competitive set suggest about the ratio of supply-to-demand?
78. Are there nearby properties which are being developed that could compete with the subject property?
79. What is the crime rate like in the market?
80. Are there any natural disasters that are common in the market?
81. Are there any specific insurance needs the market may require?

■ Previous Property Performance & Projections

82. What do the trailing three-month (T3) and T12 financials tell you about the property's past performance?
83. What is the T3 and T12 physical occupancy?
84. What is the operating expense ratio of the T12?
85. What are the major differences between the T12 and the Y1 projections?
86. What is the cap rate at purchase?
87. What is the cap rate based on all-in costs, including all fees?
88. What is the terminal cap rate?
89. What is the stabilized occupancy rate compared to the market?
90. What is the Y1 cash-on-cash return?
91. What is the assumed increase in rental rates?
92. How long is the sponsor projecting to complete the capital expenditure?
93. Did the sponsor adjust the tax basis to match the new purchase price?
94. What are the underlying assumptions on the major determining factors of the property's performance and how are they justified?

■ Legal Docs

95. Under what circumstances do the investors get to vote?
96. Can the investors remove the manager?
97. What percentage of the vote is required to remove the manager?
98. Is it possible that investors will be required to contribute additional capital above their investment amount?
99. How would it be determined that the investment requires additional capital?
100. What happens in the event that additional capital is required and an investor does not contribute?
101. Is there a management fee paid to the sponsor before the waterfall?
102. What is the preferred return?
103. What is the split above the preferred return?
104. Is operational cash flow above the preferred return counted as a return of capital?
105. How is capital split in the event of a refinance?
106. Is it possible for investors to transfer shares?
107. Are the sources and uses clearly outlined?
108. Do you recognize all parties outlined in the sources and uses?
109. Is there a co-invest?
110. What percentage of the depreciation is passed through to investors?
111. What are the reporting requirements of the investment?

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Are You Ready To Take Your Investing Career To The Next Level?

The **CFC Mentorship Program** is designed to help investors, real estate entrepreneurs, and capital raisers cut through the noise and become passive syndication investment experts in less than three months.

Your instructor, Hunter Thompson, will lead you through the process step-by-step, from understanding rates of return to deep analysis of asset-class-specific real estate offerings.

The modules begin with simple yet effective goal setting and prioritization strategies, eventually moving into advanced techniques for real estate underwriting and due diligence. Even seasoned real estate investors will gain significant insights into the level of detail utilized by multi-million dollar private equity investors.

Once attendants have a solid foundation of knowledge, Hunter will review several previous investment opportunities and highlight some of the key takeaways from each offering. Of course, no real estate program would be complete without learning how to effectively communicate and attract investors. This topic is covered in the later portion of the program.

The curriculum covers everything an investor needs to confidently review new investment opportunities, raise capital from friends and family, and even create their own investment offerings.

What Attendants Can Expect:

- Ten modules that will help you identify and achieve your real estate goals
- More than seven hours of instructional videos
- Over 100 due diligence items to review prior to investing
- Excel template underwriting models for self-storage, mobile home parks, office, retail, and multi-family apartments
- Analysis of six previous investment properties
- Tools to increase your productivity levels times 10 and automate your work flow
- Our complete list of service providers so you can get started immediately without hiring and firing for months
- Network with other mentorship graduates
- Opportunity to partner with CFC to leverage your network with your track record
- 30-day, 100%-money-back guarantee

Modules In The Program:

1. **Setting and Accomplishing Your Real Estate Goals**
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Testimonials



Going through this class and the coursework was one of the best personal investments I have made. There are so many key takeaways that you learn about real estate, business, finance, as well as how to unlock your own personal potential. It's an incredible program.

- Adam Carswell, Real Estate Entrepreneur and Realtor



I've learned in leaps and bounds in the past weeks, and I've been able to confidently pursue many more investment opportunities in different asset classes knowing that I possess a solid foundation of knowledge and skills required to make sound decisions about how to handle and position my money.

- Rena Nakasaka, Attorney and Passive Investor



The program also completely changed my business plan. I went from being an average agent, to having a five-year investment plan. Additionally, as a result of completing the program, my conversations with investors have been much more informative. I have landed more appointments and converted more leads than I ever was beforehand.

- Cory Sayles, Realtor

CHECK OUT THE CFC MENTORSHIP PROGRAM

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About the Author

Hunter Thompson is a full-time real estate investor and founder of **Cash Flow Connections (CFC)**, a private equity firm based out of Los Angeles, CA. Since starting CFC, Hunter has helped more than 250 investors allocate capital to over 100 properties. He has personally raised more than \$20mm in private capital and controls more than \$60mm in commercial real estate. In connection with these investments, Hunter has worked with some of the most respected asset teams in the United States and Canada.



Hunter has been featured in *Forbes*, *GlobeSt.*, *Inside Self-Storage*, and a variety of other media outlets, podcasts, and radio shows.

Hunter is also the host of the **Cash Flow Connections Real Estate Podcast**, which helps investors learn the intricacies of commercial real estate from the comfort of their home, car, or office. The podcast has hosted many noteworthy guests, including Grant Cardone, Oren Klaff, Cameron Herold, Doug Casey, Robert P. Murphy, and a variety of other influential investors and authors.

Click below to the Cash Flow Connections Real Estate Podcast in iTunes!



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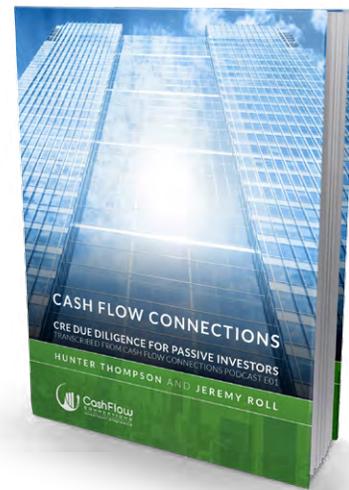
Bonus FREE eBook: CRE Due Diligence for Passive Investors

Enjoy this eBook? Here's another.

CRE Due Diligence for Passive Investors is a transcript from the first episode of the Cash Flow Connections Real Estate Podcast (E01), which was hosted by Hunter Thompson and featured Jeremy Roll of Roll Investment Group. The audio version of the episode is one of the program's most popular to date.

The eBook goes into detail about the following:

- Initial due diligence which will help you avoid making huge mistakes
- Key takeaways when conducting due diligence on mobile home parks, multi-family apartments, retail, and self-storage
- What to watch out for when reviewing the legal documents
- Advice for any investors who are just getting started



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