

2013

# HUD Community Acquisition Program (HCAP)

## Strategic Business Plan



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## **I. Executive Summary**

WCH Capital Holdings (WCH) has an unbeatable operations team. Together, the two team leaders have more than three decades of incredible experience in real estate, financial services, deal making and general contracting. Their collective talents assure that WCH can complete projects in a timely, effective and profitable manner.

A financial participant who chooses to put up \$400,000 of working capital can realize solid, above market rates of return on current and future projects. The WCH project is twofold. Here's how it breaks out: first, \$20,000 will be used to set up and execute a tax preparation operation for the 2014 tax season. The tax service will build a buyers list and create a revenue stream as well. The second is the development of a residential real estate portfolio composed of five (5) single family residences (SFR) which will be acquired, rehabbed, and sold to MLS buyers or one of the buyers selected from the "buyers pool", compiled through our tax operation.

WCH wants to earn and retain the trust a financial partner places in us through their participation. We can do this by providing consistent, professional performance in the areas of capital preservation and high yielding return rates on funds we handle. This spectacular opportunity allows us to use the 2014 tax service as an income stream to strengthen our own financial standing and earn enough to co-invest in future projects. Additionally, we know that a consistent professional and profitable performance, in capital preservation and high yielding returns on the funds invested, will establish and solidify our growing reputation.

Each project leaves plenty room for a strong financial return. It offers an experienced team and a smooth, comfortable exit. For someone looking to put \$400,000 or more into this project, the estimated total return could be in the area of 32 percent to 47 percent in about 24 months.

Project costs for staff and the executive team are included in the budget. The WCH administrative and executive teams will handle daily project management. The financial benefactor receives a 60 percent equity stake of each project cycle, while WCH retains a 40 percent position. There is no equity position by team members or benefactors in wholly-owned WCH Capital Holdings.

The opportunity is to develop a portfolio of 5 single family homes which follows a formula that allows us to acquire and fix up homes through the U.S. Department of Housing and Urban Development (HUD). The homes we are looking to acquire will be HUD or bank-owned (REO) properties that are 2, 3, or 4 bedrooms, below market value homes, in need of minimum repair (cosmetic rehab) that have an after repair value (ARV) of between \$80,000 to \$150,000. The possibilities for this project are huge. In addition to an above average rate of return the project holds three strategic advantages. The first is creating associates who will qualify our program to purchase properties as owner-occupied buyers. The second is the lease/purchase agreement for a minimum of 25 SFR homes requested over the next 24 months from one of our clients, a non profit organization (The Just Grace Foundation). The third is building our buyers list through implementing the tax preparation service.

## II. Company Overview

### WCH Capital Holdings

We Can Help! Business Services, LLC is a management support provider for entrepreneurs, practitioners and small businesses. Our mission is to provide financial and administrative services, consumer education programs and marketing or management products that assist our clients in growing the size and value of their businesses. We Can Help! is our name, our goal, and our promise to save each business we serve time, money and materials via a broad base of services with just one call. We are expanding our business portfolio by creating WCH Capital holdings, our real estate holding, acquisition, rehab and project management company. This company was designed with the mission to not only make profitable moves in the real estate market, but also to ensure that we are giving back to our community.

### Affiliates

WCH Capital Holdings has 3 key affiliates, The Just Grace Foundation, Arizona Real Estate Alliance and The Applied Business Investor and Career Institute. The Just Grace Foundation is a primary client of ours, building long term, residential, transitional properties to house their guest who are rebuilding financially and transitioning back into society and putting a roof back over their head. Arizona Real Estate Investors Alliance is our buyer associates group of up and coming investors that we will bring in and use their unique buying powers to work with us in our business strategies. The Applied Business Investment and Career Institute is a joint venture residential program with The Just Grace Foundation for those who choose not to take college as their path. This program creates a path for those who want to have a career in real estate investing and affiliate support services.

## III. Market Analysis

### Acquisition Area Analysis

For this project we are looking to the greater phoenix area, which includes but is not limited to Phoenix, Tempe, Mesa, Laveen, Glendale, Surprise, Chandler and other growing cities within the



metroplex. Currently, Phoenix is enjoying one of the highest real estate appreciation values in the country at 16.38 percent, which is higher than appreciation rates in 99.44 percent of the cities and towns in the nation. The population continues to grow at about a two to one ratio, bringing people into the area from across the country. As we continue to grow we see a city that is rich with art and culture, resorts, shopping, nightlife, attractions and events, all surrounded by beautiful desert scenery. Some of the cities named above house many of the top companies to work for including Intel, American Express and Mayo Clinic. The Phoenix area is also home to top universities Arizona State University, University of

Arizona and Northern Arizona University. This fast growing urban area is very livable with almost anything you need is about 15 minutes away thanks to efficient public transportation and easily navigated highways.

## **VI. Financial Summary**

### **Required Funds**

The required funds: \$400,000 for a term of 24/36 months. Below is a breakdown of how these funds will be used:

#### **Projected Startup Costs**

Business Startup Year	September 2013
5 home acquisition	\$290,000
Property Improvements	\$60,000
Closing transactional fees	\$25,000
2014 tax preparation operation	\$20,000
Miscellaneous and Unforeseen	\$5,000
Total Startup Costs	\$400,000

### **Funder Equity**

The financial benefactors' equity position in this project is 60 percent.

### **Management Equity**

WCH Capital Holdings will have a 40percent equity position in the project with the final say on all financial, operational, administrative and daily project issues.

### **Exit Strategy**

Funders will be able to exit their financial participation in the projects upon the sell of properties through the MLS or by the selling of the properties wholesale. We expect to be ready to market and sell the properties within a 12 to 18 month time frame that begins with acquiring the property. The second exit is to refinance and hold the property for 12 to 18 months, and during that time receives lease payments by operating them as rentals.

### Proforma 5 Year Annual Income Statement for Home Portfolio

	FY 1	FY 2	FY 3	FY 4	FY 5
<b>Revenues</b>					
Revenues	\$70,000	\$625,455	\$10,125	\$10,125	\$101,248
<b>Total Revenue</b>	<b>\$70,000</b>	<b>\$625,455</b>	<b>\$10,125</b>	<b>\$10,125</b>	<b>\$101,248</b>
<b>Direct Cost</b>					
Direct Costs	-	\$378,181	-	-	-
<b>Total Direct Costs</b>	<b>-</b>	<b>\$378,181</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>GROSS PROFIT</b>	<b>\$70,000</b>	<b>\$247,274</b>	<b>\$10,125</b>	<b>\$10,125</b>	<b>\$101,248</b>
<b>GROSS PROFIT(%)</b>	<b>100%</b>	<b>40%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Other Expenses</b>					
Salaries	-	-	-	-	-
Marketing Expenses	-	-	-	-	-
Rent/Utility Expenses	-	-	-	-	-
Other Expenses	-	\$10,791	\$1,215	\$1,215	\$20,249
<b>Total Other Expenses</b>	<b>\$0</b>	<b>\$10,791</b>	<b>\$1,215</b>	<b>\$1,215</b>	<b>\$20,249</b>
<b>EBITDA</b>		<b>\$236,483</b>	<b>\$8,910</b>	<b>\$8,910</b>	<b>\$80,999</b>
Depreciation	-	-	-	-	-
Amortization	-	-	-	-	-
Preliminary Exp Written off	-	-	-	-	-
<b>EBIT</b>	<b>\$0</b>	<b>\$236,483</b>	<b>\$8,910</b>	<b>\$8,910</b>	<b>\$80,999</b>
Interest Expense	-	-	-	-	-
<b>PRETAX INCOME</b>	<b>\$0</b>	<b>\$236,483</b>	<b>\$8,910</b>	<b>\$8,910</b>	<b>\$80,999</b>
Net Operating Loss	-	-	-	-	-
Use of Net Operating Loss	-	-	-	-	-
Taxable Income	\$70,000	\$236,483	\$8,910	\$8,910	\$80,999
Income Tax Expense	\$24,500	\$79,217	\$3,118	\$3,100	\$35,436
<b>NET INCOME</b>	<b>\$45,500</b>	<b>\$157,266</b>	<b>\$5,792</b>	<b>\$5,810</b>	<b>\$45,563</b>
Net Profit Margin (%)	65%	25%	57%	57%	45%

## Proforma Portfolio Deal Summary

12 month income Or min. whole net	Deals	Total Cost	ARV	Sale Price	75% 1st	Carry 15% seller	Down 10% cash
\$12,000	1 <sup>st</sup> deal	\$38,707	\$ 48,000	\$69,120	\$51,840	\$10,368	\$6,912
\$12,000	2 <sup>nd</sup> deal	\$120,960	\$150,000	\$216,000	\$162,000	\$32,400	\$21,600
\$12,000	3 <sup>rd</sup> deal	\$95,679	\$118,650	\$170,856	\$128,142	\$25,628	\$17,086
\$12,000	4 <sup>th</sup> deal	\$64,774	\$ 80,325	\$115,668	\$86,751	\$17,350	\$11,567
\$12,000	5 <sup>th</sup> deal	\$8,061	\$ 72,000	\$103,680	\$77,760	\$15,552	\$10,368
<b>Total: \$60,000</b>		<b>Total: \$378,181</b>	<b>Total: \$468,975</b>	<b>Total: \$675,324</b>	<b>Total: \$593,214</b>	<b>Total: \$101,298</b>	<b>Total: \$67,533</b>
		↑ - Refi at 12 months - 80% LTV 6.5% - 24 month term			↑ - Refi or sale - 7 mo/12 mo - With private lender	↑ - 10% to 12% - Interest only	

## Proforma 5 Year Annual Cash Flow Statement for Home Portfolio

	FY 1	FY 2	FY 3	FY 4	FY 5
<b>CASH FLOW FROM OPERATIONS</b>					
Net Income (Loss)	\$45,500	\$157,266	\$5,792	\$5,810	\$45,563
Change in Working Capital	(\$400,000)	\$0	\$0	\$0	\$0
Plus Depreciation	\$0	\$0	\$0	\$0	\$0
Plus Amortization	\$0	\$0	\$0	\$0	\$0
Plus Preliminary exp written off	\$0	\$0	\$0	\$0	\$0
<b>Net Cash Flow from Operations</b>	<b>(\$354,500)</b>	<b>\$157,266</b>	<b>\$5,792</b>	<b>\$5,810</b>	<b>\$45,563</b>
<b>CASH FLOW FROM INVESTMENTS</b>					
Fixed Assets	\$0	\$0	\$0	\$0	\$0
Intangible Assets	\$0	\$0	\$0	\$0	\$0
<b>Net Cash Flow from Investments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>CASH FLOW FROM FINANCING</b>					
Cash from Equity	\$400,000	\$0	\$0	\$0	\$0
Cash from Debt financing	\$0	\$0	\$0	\$0	\$0
<b>Net Cash Flow from Financing</b>	<b>\$400,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Cash Flow</b>	<b>\$45,500</b>	<b>\$157,266</b>	<b>\$5,792</b>	<b>\$5,810</b>	<b>\$45,563</b>
Cash at Beginning of Period	\$0	\$45,500	\$157,266	\$5,792	\$5,810
<b>Cash at End of Period</b>	<b>\$45,500</b>	<b>\$202,766</b>	<b>\$163,058</b>	<b>\$11,602</b>	<b>\$51,373</b>



## V. Acquisition

### HUD

The U.S. Department of Housing and Urban Development (HUD) is a government agency created to provide affordable housing for all. Through this program there is the ability to acquire homes as investors or as regular buyers. HUD allows buyers to get quality homes at prices well below market value. It has a simple bidding process with two ways to bid.

The first way to bid is through priority bidding as owner occupant, government agency or a non profit agency. Priority bidders get first choice of the homes 15 days before others. The second way is to bid as an investor who bids after the priority bidders. The beauty of the way we outlined our program is that we have a buying network built of people who are able to bid in both priority and regular bidding. This strategy allows us to place up to multiple bids on each house we are looking to acquire while staying within the budget outlined by our formula below.

### REO (Bank owned properties)

The other way that we are able to acquire homes for this project is through purchasing bank owned properties. This process also allows us to acquire quality homes well below market value through the MLS.

### The Formula

Each house that we attempt to acquire will be 2, 3, or 4 bedroom homes in the Phoenix metroplex area with a ARV that ranges from \$80,000 to \$150,000. Through this project we will follow a formula that we have come up with that calls for us to bid between 37 percent and 79 percent of the ARV of each home. The rate at which you bid is dependant on how many bedrooms the house is. We would bid on a two bedroom home at 37 percent ARV, three bedrooms between 56 percent and 72 percent ARV, and four bedrooms between 65 percent and 79 percent ARV. This formula allows us to acquire and fix up the homes to be sold or leased for a maximum total of 80 percent of the ARV.

### Example

Asking price: \$100,000

Offer price: \$68,000 (68% of ARV)

\$44,200: 65% of the 68% of the ARV, hard money, 1st position, interest only, 6 to 12 months

\$23,800: 35% of the 68% of the ARV, equity, down payment, 2nd position

\$12,000: 12% of the 68% of the ARV, rehab cost

\$80,000: 80% of the total AVR, acquisition and rehab

### Example Home 1

9411 S 13th Ave, Phoenix, Arizona 85041

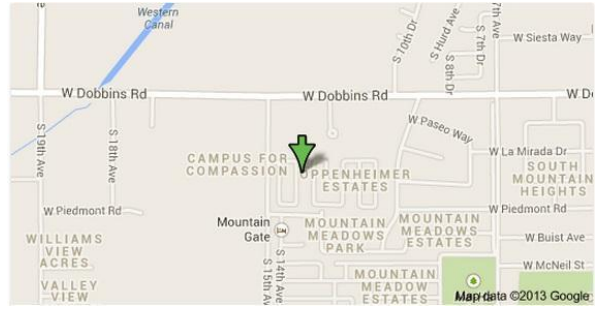
Price- \$48,000

Bed- 3

Bath- 2

1,581 sf

Built- 1997



Minimum offer price (56%) - \$26,880

65%- \$17,472 hard money 1st

35%- \$9,408 equity down 2nd

12%- \$5,760 rehab

Total \$32,640 (68% of the ARV)

Maximum offer price (72%) - \$34,560

65%- \$22,464 hard money 1st

35%- \$12,096 equity down 2nd

12%- \$4,147.20 rehab

Total \$38,707.20 (80% of the ARV)



## Example home 2

5414 W Jessica Ln, Laveen, Arizona 85339

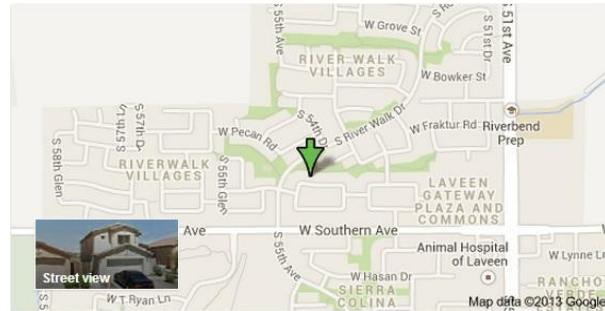
Price- \$150,000

Bed- 4

Bath- 3

1,895 sf

Built- 2004



Minimum offer price (65%) - \$97,500

65%- \$63,375 hard money 1st

35%- \$34,125 equity down 2nd

12%- \$11,700 rehab

Total \$109,200 (72% of the ARV)

Maximum offer price (72%) - \$108,000

65%- \$70,200 hard money 1st

35%- \$37,800 equity down 2nd

12%- \$12,960 rehab

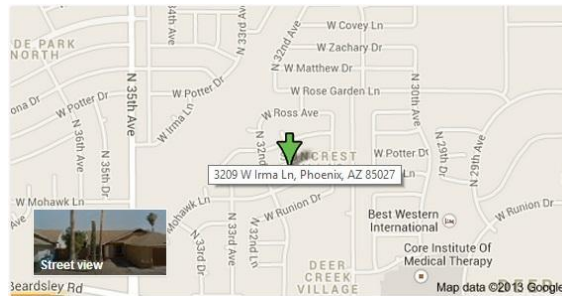
Total \$120,960 (80% of the ARV)





**Example home 3**

3209 W Irma Ln, Phoenix, Arizona 85027  
 Price- \$118,650  
 Bed- 3  
 Bath- 2  
 1,373 sf  
 Built- 1986



Minimum offer price (56%) - \$66,444  
 65%- \$43,188.60 hard money 1st  
 35%- \$23,255.40 equity down 2nd  
 12%- \$7,973.28 rehab  
 Total \$74,417.28 (62% of the ARV)

Maximum offer price (72%) - \$85,428  
 65%- \$55,528.20 hard money 1st  
 35%- \$29,899.80 equity down 2nd  
 12%- \$10,251.36 rehab  
 Total \$95,679.36 (80% of the ARV)

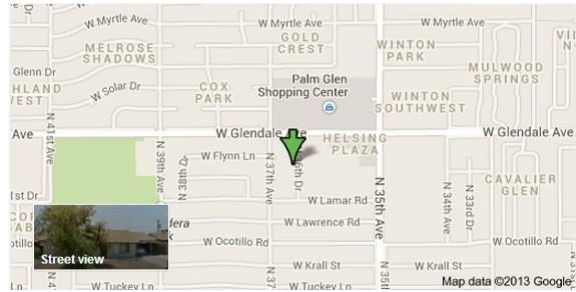






**Example home 4**

6830 N 36th Dr, Phoenix, Arizona 85019  
 Price- \$80,325  
 Bed- 3  
 Bath- 2  
 1,528 sf  
 Built- 1959



Minimum offer price (56%) - \$44,928  
 65%- \$29,203.20 hard money 1st  
 35%- \$15,724.80 equity down 2nd  
12%- \$5,391.36 rehab  
 Total \$50,319.36 (63% of the ARV)

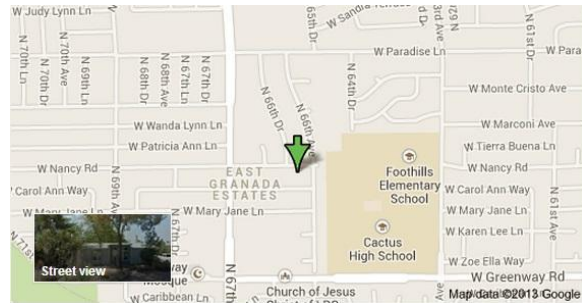
Maximum offer price (72%) - \$57,834  
 65%- \$37,592.10 hard money 1st  
 35%- \$20,241.90 equity down 2nd  
12%- \$6,940.08 rehab  
 Total \$64,774.08 (80% of the ARV)





**Example home 5**

6611 W Nancy Rd, Phoenix, Arizona 85306  
 Price- \$72,000  
 Bed- 3  
 Bath- 2  
 1,901 sf  
 Built- 2002



Minimum offer price (56%) - \$40,320  
 65%- \$26,208 hard money 1st  
 35%- \$14,112 equity down 2nd  
 12%- \$4,838.40 rehab

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Total \$45,158.40 (63% of the ARV)

Maximum offer price (72%) - \$51,840  
 65%- \$33,696 hard money 1st  
 35%- \$18,144 equity down 2nd  
 12%- \$6,220.80 rehab

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Total \$58,060.80 (80% of the ARV)





## **VI. Management Plan**

For this project WCH Capital Holdings will handle all parts of acquisition, rehab, sale, building tenant and buyer list, negotiating lease and sale contracts and maintenance of the property while in our portfolio. If outside help is required WCH will contract outside vendors for whatever task may need to be done.

## **VII. 2014 Tax Preparation Operation**

\$20,000 dollars of the working capital will be used for the tax preparation operation. The primary function of this part of this project is to build our buyer list by surveying the housing needs of the tax preparation clients to see if we could work together with them to help them build a property portfolio. The projected return on this part of the project is the principal plus a minimum of \$10,000.

## **VIII. Conclusion**

Let us get started together on a long and profitable financial working relationship. For the investor willing to put up \$400,000, for a term of 12 to 24 months, the projected total return could be in the range of 32 percent to 47 percent over the life of this project and those are moderate projection in comparison to our business models true potential. The investor will have a 60 percent equity stake in net cash flow and all capital gains realized, while WCH retains a 40 percent position. The homes which our formula allows us to acquire and fix up through the U.S. Department of Housing and Urban Development and banks are 2, 3, or 4 bedrooms, below

market value, in need of minimum repair (cosmetic rehab) and have an ARV of between \$80,000 to \$150,000, making the possibilities for this project huge. With prudent exit options like one, building an aggressive buyers list via our 2014 tax preparation operation, two, an expanding host of buyer associate who can qualify for new financing once the rehabs are complete and any short term multiple listing service agreement (30 days maximum) has passed, and three, which is most promising, our long term agreement with The Just Grace Foundation to provide their organization 25 homes over the next 24 to 30 months, to be taken under lease/purchase contracts, with the sales to be completed in more than 24 months from them receiving occupancy of each property. Further specific operational information and agreement details will be provided to investor upon the execution of a signed letter of intent to financially participate. Thank you for your time and attention given in reviewing this proposal.