

# **Westridge Capital Properties, LLC**

## **A Wholly-owned Subsidiary of Westridge Capital, LLC**

### **Mission and Goals**

#### **Mission and Vision**

The mission of Westridge Capital Properties, LLC (the “Property Owning Company”), a wholly-owned subsidiary of Westridge Capital, LLC (the “Company” and, together with the Property Owning Company, collectively, “Westridge”), is to:

- Seek, acquire and sell single family, multi-family and commercial properties to rent and/or rehabilitate for sale.
- To provide a competitive rate of return and long-term passive income to investors.
- Providing adequate housing and office space to individuals, families and businesses.
- To give back to the community through either volunteer efforts and/or monetary donations to worthy causes in need of assistance.

#### **Goals**

To accomplish the mission, we will focus on the following goals:

1. Locate and acquire at least one potential commercial rental property consisting of executive office spaces, retail storefronts, and possible mixed-used properties that will be rented for a minimum 6% annual capitalization rate.
2. Locate and acquire at least one residential rental property consisting of quality condominiums, townhouses, single family residences, and/or multi-family residences that will be rented for a minimum 6% annual capitalization rate.
3. Identify and acquire distressed, depressed or under-valued single family, multifamily, condominiums, and townhouses that will be renovated at a reasonable cost and sold for market value realizing a minimum of 10% profit from the original acquisition cost.
4. Provide a reasonable rate of return to our investors with the goal of a minimum 6% annually on their investment with a stretch goal of investment return between 10% and 20%. This rate of return goal is not guaranteed, but our property holdings will be geared to reach the minimum for the benefit of our investors.

# Opportunity

## Problem & Solution

Investors are looking for opportunities to build passive long-term wealth and have continuing income while they work and when they retire. Real estate is one of the best investments available to build passive long-term wealth, but many people do not have the time, the knowledge or the required capital to enter into real estate investing on their own.

Banks and private lenders generally require an investor to put in at least 25% or more of a purchase price for a rental investment property. That is usually tens of thousands of dollars down even for a small rental property. Most people do not have sufficient liquid funds to invest into an investment property to meet lending criteria and/or they don't have the time or knowledge to successfully enter into real estate investing, but they still desire to build a passive long term income stream to improve their life style and retirement savings.

## Barriers to Entry

The cost, time and specialized knowledge are the barriers to enter into real estate investing. To purchase real estate investment properties, it generally takes a 25% down payment, which even for a small property is thousands of dollars down. It also takes time and specialized knowledge to find, research, negotiate contracts and purchase properties. Once the properties are purchased it takes time and specialized knowledge to manage and run the rental properties to make them a success.

Bottom line: Most people do not have the money, time or specialized knowledge to pursue a passive income with real estate but still desire to build a new income stream or add to retirement savings with real estate investing.

## Our solution

To overcome the above barriers that most people have to creating wealth through real estate, we developed the concept of Westridge Capital, LLC as a vehicle for investors with a small amount of cash to become a real estate investor.

Through an investment in Westridge Capital, LLC, an individual can invest a much smaller amount of liquid cash, pool their money with other investors through the power of investment crowdfunding and we'll use it to invest in residential and commercial rental properties, and also "fix and flip" type investment properties. Using this model, the investor does not need to have a large down payment, time or specialized knowledge to invest in real estate. Once the funds are invested in rental properties, a portion of the rental income will be returned to the investor creating an additional stream of consistent, long term income that is secured by real estate.

Additionally, after the funds are invested in a property to be rehabbed, the profits through such efforts will be distributed through the periodic dividends to investors.

# Market

## Market Size & Segments

Our initial target market, the Twin Cities metropolitan area of Minneapolis/St. Paul and surrounding suburbs is one of the largest housing markets in the Midwest with 19 Fortune 500 companies and a steady year after year growth. The PwC's Emerging Trends in Real Estate Report for 2019 has the Minneapolis/St. Paul area ranked as #1 for real estate investments in the Midwest.

Contributing to the growth in the real estate market are the following factors. Minneapolis/St. Paul area is highly livable consistently appearing in the 10 best places to live in the US by US News and World Report. The area already has a large population with 65% of Minnesota's total population living within the Twin Cities region. The region is known as Minneapolis-St. Paul MN-WI Combined Statistical Area has 16 counties which covers the area built around the Mississippi, Minnesota and St. Croix rivers in east central Minnesota and is home to more than 4,000,000 residences. Also, the percentage of the population under the age of 44 is higher than the national average. The Twin Cities area is also benefiting from positive net migration. These factors suggest that the rental demand will continue to be strong.

## Market Growth

The Twin Cities Metropolitan area has a strong and growing population that is linked to the growth in the jobs market. It is one of the most business friendly areas in the Midwest with a thriving labor force, higher than average wages and lower living costs. According to CNBC, the Minneapolis/St. Paul area labor force is grown 4.6% over the last year while the national average is 4.1% over the same time period. Also, future job growth is predicted to be 38.8% over the next 10 years as compared to the national average of 38% over the same time period.

According to the Minnesota Association of Realtors, the medium home price in the 16-County Twin Cities Area is up 6.1% over the last 12 months with the average sales price being \$326,500. As the price in owning a home increases, this makes renting more attractive.

According to Rent Cafe, the average price of rent has increase around 4% over the past year in the Twin Cities Metro Area.

Based on the above factors, the Twin Cities Metropolitan Area is expected to continue to grow at a rate above the national average for the foreseeable future. This creates investment opportunities for both residential and commercial properties.

# Execution

## Marketing

Seth Johnson, co-principle of the Property Owning Company holds a Minnesota real estate license. With this license comes access to the Multiple Listing Service (MLS) and related apps to find and analyze properties for the Property Owning Company to acquire.

Once the property is acquired, the properties will be marketed to potential renters in various ways:

- Our Website
- Social Media Footprint
- Email Marketing Campaign
- Partnering with local businesses
- Craigslist and other online marketing sites
- Local newspaper ads

## Operations

### Locations & Facilities

The business will initially be operated out of our home offices to keep operating expenses low for the benefit of our investors. As growth occurs requiring us to expand our office space, we will consider locating in an office complex. In addition, after we acquire commercial rental properties, it would be possible to use an office in that space which would also provide the benefit of lower operating expenses to maximize profits to our investors.

## Projected Roadmap

Roadmap for rental investment properties:

1. Westridge will find, analyze, and negotiate the purchase of a rental property.
2. Use investor provided funds to purchase a qualified townhouse, condo, single family home or commercial property.
3. Complete any minor repairs that need to be made to the property.
4. If property is vacant or has vacant units, find renters for those vacant units.
5. Collect rent from the renters.
6. Pay the rent payments out to our investors. The Investors will receive 70% of the rental income and the managing entity will receive 30%. The investor will then

have a consistent long-term income stream without having to find, analyze, and purchase the property on their own or manage the property.

Roadmap for “Fix ‘n’ Flip” investment properties:

1. Westridge will find, analyze, and negotiate the purchase of a “Fix ‘n’ Flip” property.
2. “Fix ‘n’ Flip” properties are historically more risky than rental properties. To minimize the risk to our investors, only 25% of the purchase price will come from investor funds. The rest will come from a bank or hard money lender. The property will be purchased at well below market value.
3. Needed repairs will be made to the property using funds from the construction loan provided from the bank or hard money lender.
4. Property will then be sold at the market value of the property.
5. Our goal on “Fix ‘n’ Flip” properties is to achieve at least 10% return on the purchase price of the property. If we purchase a property at \$200,000, our goal is to make at least \$20,000. 70% of that profit will be returned to our investors paid out as dividends with the Managing Entity receiving the remaining 30%.

## **Our Technology**

The technology used by Westridge will consist of both hardware and software to facilitate efficient operations.

Hardware will consist of laptops, tablets and mobile telephones which are optimized for our business needs.

Software will be utilized in the following applications:

- Applications that are specific to real estate including, but not limited to real estate market analysis tools; the multiple listing service; mortgage and insurance rates calculators; marketing tools; and other relevant applications.
- Accounting and financial applications including, but not limited to, Quickbooks and on-line banking tools. All tools will be used daily to monitor the progress of all properties trying to anticipate any issues which may impact positive profit potential.
- An office suite of tools with word processing, spreadsheets, presentation capability, project management support, and custom database functions.

# Westridge Capital Properties and Affiliates

## Overview

The Property Owning Company is a limited liability company structured as a partnership. Currently, there are two principals:

- William R. Johnson. Bill currently serves as the President and CEO, Secretary and Treasurer.
- Seth J. Johnson. Seth currently serves as the Executive Vice President and General Manager. He has the primary responsibility of overseeing general operations and managing rehab projects.

Westridge is seeking to expand its ownership through the issuance of common and preferred stock of the Company to small investors who want to invest in real estate, but do not have sufficient capital to do so on their own.

The Property Owning Company is a wholly-owned subsidiary of the Company and is the holding company for the acquisition and management of real estate properties.

## Westridge History

Westridge Trading, LLC, the manager of the Company, has been in business since early 2018, when as a start-up, purchased its first “fix and flip” property. We acquired a foreclosed single-family home in Shorewood, Minnesota, a very upscale western suburb of Minneapolis. We were able to acquire the property for approximately \$250,000 under comparable properties in the same area. While the property was in generally good condition, there was some areas of the house that needed work. We spent about \$90,000 in rehab costs to make the property “shine” as a high-end executive home. We were able to sell the property 6 months after acquisition, and realized a profit of around \$35,000.

We are continuing to actively seek additional candidate properties in both residential and commercial markets for either rental long term holds, or for rapid “fix and flips” opportunities.

In addition to real estate investment, Westridge decided to undertake a small venture in IT/computer consulting start in late 2019, which has provided Westridge with consistent revenue.

## Westridge SWOT Analysis

In order for Westridge to be successful, we completed a SWOT Analysis. SWOT means “Strengths, Weaknesses, Opportunities, and Threats”.

- **Strengths:** As a company, we have a strong team to execute projects in an efficient and consistent manner. We are experienced in the real estate marketplace and can bring that collective experience to bear making Westridge a valuable and long-term asset for both our principals and our investors.

- **Weaknesses:** While we are ready and able to act on profitable projects, the lack of adequate funding and capital to secure sufficient projects is a significant weakness. In addition, we are faced with a highly competitive real estate investment market, and until we have sufficient capital to meet the competition head on, we will only be able to watch from the sidelines.
- **Opportunities:** In recent history there has never been a better time to engage in real estate investing. Rents are continuing to increase throughout our initial target area of the Twin Cities. At the same time demand for rental property is very high and according to statistics seems on a pace to provide continued growth. These factors create numerous opportunities to acquire quality rental properties that will provide a consistent long-term rate of return. In addition, rental commercial property continues to be an important factor of growth as businesses in the Twin Cities expand and look for additional office space. This again, creates an opportunity for our company to acquire and hold quality commercial properties providing a consistent long term rate of return.
- **Threats:** As a newer company even though the principals are experienced in real estate investment, traditional funding sources are virtually impossible to find. There are “hard money” lenders willing to fund our projects, but the costs of such money is very high which reduces potential profit, and perhaps even bring cash flow to a net of zero or a negative amount, which is obviously not a benefit to either the principals nor our investors. In addition, in the “flip and fix” market, the competition has grown significantly driving up candidate property prices to the point of not be able to make a profit. The “flip and fix” market has become highly competitive due to popular television shows that make the “fix and flips” very attractive for first time property investors. Added to this is that many larger companies with deep pockets are now engaged in buying up properties to fix and flip, again driving up prices and making it very difficult for small companies such as ours to gain an adequate foothold into the fix and flip market. Finally, a potential threat is a real estate crash such as happened in 2008 or a general recession.

## Team

### Management team

Westridge Capital Properties, LLC has two principals:

- William R. Johnson, President and CEO, Secretary, and Treasurer. Bill has extensive experience as a manager, executive at the VP level, senior director, and chief information officer in the Information Technology field. While his management experience has been in IT, many of the same business principles apply across various disciplines to create efficient, effective, and consistent management systems. In addition, Bill also previously owned and managed several apartment buildings, townhouses and single-family residences. He also holds 4 college degrees including a Ph.D. in finance, management, and computer science.
- Seth J. Johnson, Executive Vice President and General Manager. Seth has broad experience as a real estate mortgage and insurance underwriter and worked for one of the largest home mortgage companies in the United States. He is also an accomplished project manager who oversees our rehab projects. Seth is a licensed real estate agent in Minnesota

and has access to numerous real estate resources not available to the general public. He holds a B.A. degree in Counseling.

## **Additional Team Members When Needed**

Every business needs external resources to achieve its mission and goals. As such, we have identified the following resources needed to complete our mission.

- General contractor to oversee larger rehab projects.
- Specific purpose contractors such as electricians, plumbers, etc.
- Accountant, preferably a CPA, to assist in keeping financial records.
- Attorney(s) that specialize in real estate and equity offerings.
- Bankers who specialize in business banking requirements.
- Marketing professionals who can provide expertise to market Westridge.
- Real estate agents for the acquisition and sale of properties.
- Property management specialists for rental properties to keep the principals from dealing with day-to-day renter issues.
- Other specialty areas when needed.

## **Financial Plan**

### **Forecast**

#### **Key assumptions**

We are making the following financial assumptions in our projected investment scenarios:

1. That sufficient inventory in both the commercial and residential property markets will yield numerous candidates that will meet the investment goals.
2. That the overall housing market will remain stable even though this market tends to be cyclical.
3. That growth in the rental markets will continue to be strong and grow as indicated in the Opportunity/Market section of this plan even in the event of a recession or housing market crash.
4. That properties will continue to appreciate in value by 5% or more annually averaged over time as indicated in the Opportunity/Market section of this plan.
5. That sufficient investment capital will be raised from investors to avoid relying on bank and “hard money” lenders for the purchase of rental investment properties.

## **Examples of Potential Profit**

Here are several potential profit scenarios that tie in with our goals listed previously where we will acquire:

- At least 1 commercial rental property for rental purposes and to hold for long-term growth through appreciation.
- At least 1 residential property for rental purposes and to hold for long-term growth through appreciation.
- At least 1 distressed property that we will acquire, rehab, and resell for a profit.

## Commercial Rental Property Investment Scenario

Westridge Capital Properties, LLC		
Commercial Rental Property Investment Scenario		
11 Unit/Executive Office Building, 8,000 Square Feet		Comments
<b>Capital Investment and Purchase Expenses:</b>		
Purchase Price	\$ 675,000.00	From Investor Funding
Closing Costs	\$ 46,000.00	From Investor Funding
Total Initial Investment	\$ 721,000.00	
<b>Monthly Cash Flow:</b>		
Income:		
Gross Rent	\$ 9,000.00	
Expenses:		
Mortgage Payment		
Property Tax and Insurance	\$ 1,025.00	
Monthly Utility Costs Not Paid by Tenants	\$ 1,100.00	Includes Water, Sewer, Wi-Fi Service; Garbage Removal; Common areas Electricity and Natural Gas
Maintenance	\$ 525.00	Includes Lawn Mowing, Snow Removal, Cleaning and Janitorial
Management Fees	\$ 325.00	
Miscellaneous Expenses	\$ 100.00	
Repairs and capital replacement reserves	\$ 450.00	5% of monthly rent
Total Monthly Expenses	\$ 3,525.00	
Net Monthly Cash Flow	\$ 5,475.00	
Annual Cap Rate	10%	
<b>Capital Appreciation:</b>		
Property to be sold after 5 years		Assumes a 5% per year appreciation value
<b>Property Sale Price</b>		
Property Sale Price	\$ 861,490.00	
Less: Closing Costs	\$ (57,000.00)	
Less: Original Investment	\$ (721,000.00)	
Net Dollar Gain	\$ 83,490.00	
Net Percent Gain on Original Investment	11.5%	
<b>NOTE: Above projections shown are an example for illustrative purposes only. These projections are not a guarantee of return to investor. Actual returns may be more or less depending on the circumstances.</b>		

## Residential Rental Property Investment Scenario

Westridge Capital Properties, LLC			
Residential Rental Property Investment Scenario			
2 Bedroom, 2 bath, 1,200 square foot condominium			Comments
<b>Capital Investment and Purchase Expenses:</b>			
Purchase Price	\$	187,500.00	From Investor Funding
Closing Costs	\$	14,000.00	From Investor Funding
Total Initial Investment	\$	201,500.00	
<b>Monthly Cash Flow:</b>			
Income:			
Gross Rent	\$	1,600.00	
Expenses:			
Mortgage Payment	\$	-	
Property and Insurance	\$	175.00	
HOA Fees	\$	350.00	
Management Fees	\$	50.00	
Miscellaneous Expenses	\$	25.00	
Repairs and capital replacement reserves	\$	80.00	5% of monthly rent
Total Monthly Expenses	\$	680.00	
Net Monthly Cash Flow	\$	920.00	
Annual Cap Rate		6%	
	\$		
<b>Capital Appreciation:</b>			
Property to be sold after 5 years			Assumes a 5% per year appreciation value
<b>Property Sale Price</b>			
Less: Closing Costs	\$	(18,000.00)	
Less: Original Investment	\$	(201,500.00)	
Net Dollar Gain	\$	19,802.00	
Net Percent Gain on Original Investment	\$	11%	
<b>NOTE: Above projections shown are an example for illustrative purposes only. These projections are not a guarantee of return to investor. Actual returns may be more or less depending on the circumstances.</b>			

## Fix and Flip Property Investment Scenario

<b>Westridge Capital Properties, LLC</b>		
<b>Fix and Flip Property Investment Scenario</b>		
<b>Distressed 3 or 4 bedroom, 2 bath home needing cosmetic repairs</b>		
Property comparables show that the after repair value of the home is \$485,000.		<b>Comments</b>
Property is a foreclosure and has been on the market for 6 months.		
The goal is to rehab the property in 4 months or less and then sell it so it is not in inventory for more than 6 months.		
Purchase Cost is \$325,000.		
Expenses:		
Purchase Cost	\$ 325,000.00	
Down payment of 25%	\$ 81,250.00	From Investor Funding
Mortgage on remaining 75%	\$ 243,750.00	Bank or hard money loan at annual interest of 10%
Purchase Closing Costs	\$ 24,000.00	From Investor Funding
Rehab/Repair Costs	\$ 35,000.00	Bank or hard money loan at annual interest of 10%
Mortgage and rehab loan interest for 6 months	\$ 13,937.50	
Holding Costs: Insurance, Utilities, Miscellaneous	\$ 5,000.00	
<b>Total Expenses</b>	402,937.50	Consisting of purchase costs, closing costs, rehab costs, mortgage interest and holding costs
<b>Property Sale:</b>	\$ 485,000.00	
Less: Property Sale Closing Costs	\$ (32,500.00)	
Less: Total Expenses Outlined above	\$ (402,937.50)	
Net Gain or Profit	\$ 49,562.50	
Net Percent Gain on Original Investment	\$ 15%	
<b>NOTE: Above projections shown are an example for illustrative purposes only. These projections are not a guarantee of return to investor. Actual returns may be more or less depending on the circumstances.</b>		

## Financing

### Use of funds

The funds that investors provide will be used in the following ways:

- To fund the outright purchase of investment rental properties, both commercial and residential. Instead of paying banks or hard money lenders a portion of our profits through mortgage interest, the plan is to purchase properties for cash with investor funds so investors receive the largest possible percentage return on their investment.
- To fund the down payment of “fix and flip” type investment properties. Because of the larger inherent risk associated with “fix and flip” investment properties and to reduce the

risk to our investors, banks and/or hard money lenders would be used to fund the remainder of the purchase and renovation costs.

- To recoup initial expenses and pay long-term expenses related to marketing, attorney fees, crowdfunding portal costs, accountants, and insurance. To repay any short-term borrowing needed to acquire properties that may require a quick closing on the property or renovation costs on a property. This borrowing would be paid off as rapidly as possible to maximize profit potential as additional investor funds become available.

## **Sources of Funds**

The primary sources of funds will be from three sources:

- Investors who choose to purchase preferred equity in the Company.
- The majority owners of the Company who are also the management team.
- As a last resort, depending on the property opportunities that may arise quickly, borrow short-term funds, which then would be paid off as rapidly as possible from investor funds.