



# Proplend Loan Request

<b>Date</b>	19 June 2017
<b>Property Name</b>	Weymouth: brownfield site with planning permission
<b>Property Description (Short)</b>	11.86 acre ex-Ministry of Defence site with full planning permission to develop a care village



## Loan Request Summary

<b>Borrower</b>	A Limited Company	<b>Valuation</b>	£12,000,000
<b>Loan Type</b>	Commercial Bridge	<b>Total Loan Required</b>	£8,530,093*
<b>Purchase/Refinance</b>	Purchase	<b>Loan to value (LTV)</b>	71%*
<b>Property Asset Class</b>	Land with the benefit of planning	<b>Whole loan blended interest rate p/a</b>	11.5%
<b>Property Income</b>	N/A	<b>Rental Value</b>	N/A

- \*Please note that upon closing the loan, the total amount lent will be £9,858,613 and 82% LTV which includes a £1,328,520 VAT Loan which will be separately funded.
- Whilst this VAT Loan is outstanding, it ranks equally (pari-passu) with the subject Bridging Loan.
- The VAT is fully recoverable from HMRC and at that point only the Bridging Loan of £8,530,093 will remain outstanding at 71% LTV.

## Borrowers Loan Requirement

Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Loan Term
C	Higher	66-71%	£730,093	19.93%	N/A	364 days
B	Medium	51-65%	£1,800,000	14.75%	N/A	364 days
A	Lower	0-50%	£6,000,000	9.50%	N/A	364 days
<b>Total</b>			<b>£8,530,093</b>	<b>11.50%</b>		

## **OVERVIEW**

### Borrower

- The proposed Borrower is a new SPV owned by a family developer with significant local experience

### Property

- The property is a site of 11.86 acres in Newton's Cove, 0.5 miles from Weymouth town centre.
- The site was formally used for naval research and development and has a complex of industrial buildings, all of which will be cleared to provide a level site for the proposed care village development.
- Planning permission has been granted for a care village comprised of 195 Supported Living Units, a 60 bed care home, 34 respite hotel suites, medical support facilities, leisure facilities and offices, a commercial restaurant and a new promenade together with improved coastal defence measures, gardens and underground parking.
- There is no current income from the property, however, the coastal location is considered to be extremely attractive for the use proposed, and post planning has already benefitted from significant value uplift.

## Loan Request

- The borrower exchanged on the property in 2011 with a delayed completion subject to planning and vacant possession. Full detailed planning has now been granted for the Care Village giving a significant uplift in value.
- The vendor will serve notice to complete and the subject loan is a commercial bridge loan to assist with the purchase of the property.
- The property is being acquired by a new, clean, Special Purpose Company.
- The proposed overall loan of £9,858,613 includes short term VAT funding of £1,328,520, a provision for the full retention of interest and the payment of fees.
- The Bridging Loan has a term of 364 days
- The VAT Loan has a term of 75 days
- The proposed gearing level will be 82% LTV initially, reducing to 71% once the VAT return is processed and VAT on the purchase price is repaid by HMRC.
- The Borrower is VAT registered and their accountant has confirmed that it is correctly reclaiming the VAT, adding that HMRC generally process such repayments within 4 weeks.
- The Bridging Loan will be redeemed via the sale of the property. The Borrower is already in detailed discussions with an interested party and has received several unsolicited expressions of interest from other care home investors and operators.
- Whilst the borrower is only able to undertake very limited marketing until it completes the site acquisition, it has received 54 expressions of interest from private buyers of the completed supported living/residential units.
- With over 90% of the residential units having a sea view, the scheme is considered attractive and will command premium prices above competing schemes on account of both the location and the high end specification of the final product.
- **Please note that the subject loan is to fund the acquisition of the site and associated cost items such as stamp duty and professional fees.**
- **No development activity will take place during the term of the loan.**
- **Lenders will be repaid when the site is sold to a care village operator or developer.**
- **The Bridging Loan includes a number of Special Conditions including the requirement to produce a monthly report updating progress with regards to the sale of the site and certain prohibited actions relating to the property. Please see the draft Loan Contract in 'Documents'.**
- **In additions, a number of standard terms within the Proplend Members' Agreement require varying for the purpose of this loan, such as the operation of the Interest Reserve. Please see the Side Letter within 'Documents'.**

## Loan Tranches

- This loan will be funded under the Proplend whole loan programme by a single lender.
- This lender may sell loan contracts via the Proplend Loan Exchange in units of £3,000 once the VAT loan has been repaid.
- The whole loan will attract gross interest of 11.5% p.a. with full interest being paid from an interest reserve, which breaks down as:
  - Tranche C: 65% to maximum 71%\* LTV – 19.93%
  - Tranche B: 50% to maximum 65% LTV – 14.75%
  - Tranche A: maximum 50% LTV – 9.5%

\*82% whilst the VAT remains outstanding, please note that the entire VAT loan earns 11.5%

interest

- Should the loan repay within the first 6 months, the borrower is obliged to pay the full 6 months' interest irrespective of the month of repayment
- In addition, the loan includes a gross exit fee payable as follows:
  - Repayment within 9 months – 5% of the Bridging Loan Amount
  - Repayment beyond 9 months – 10% of the Bridging Loan Amount

### **Security**

- The Loan will be secured by a Mortgage including first ranking legal charge over the Property.
- Debenture from the Borrower.
- First ranking charge over the shares of the Borrower.
- Joint and several Personal Guarantee from the directors of the borrower, limited to £1,000,000

## **THE BORROWER**

### **Borrower**

- The proposed Borrower is Fortuneswell Investments No.3 Limited, a new, clean, single purpose company that will own the subject Property.
- The Directors are father and son Chris and Martin Ross, experienced local property developers who have built property valued at over £23m in their own names.
- Furthermore, Martin has significant corporate experience, having been a main board member and development director at a number of multinational companies.
- Martin established Pinecroft Estates Limited in 1987 as a high quality residential development company and he has extensive experience in the Weymouth area.
- Chris, Martin's son, currently runs the Fortuneswell Group.
- Chris has overseen the growth of the Fortuneswell property portfolio from a value of £915k across 5 properties in 2013, to in excess of £6m across 50 units now.
- The subject site forms part of the New Care Horizons venture, which has been formed to provide a high quality care solution for the growing over 55 demographic.
- The Borrower has not reported any adverse credit issues against themselves or their corporate group.
- This has been verified ahead of draw-down by way of formal credit checks.
- Both Chris and Martin as guarantors of the loan have supplied net worth statements confirming combined wealth of £3.9m.

### **Business Plan**

#### **History**

- The site is being sold by QinetiQ, the privatised defence contractor.
- The site was historically used as a torpedo testing range but was more latterly used for underwater weapons and mine counter measure research, but was decommissioned by

QinetiQ in 2001.

- An affiliate of the Borrower was granted an option to acquire the site in August 2011.
- Since then, a lengthy design and planning process commenced, with the borrower experiencing significant delays, partly caused by Local Authority personnel changes.
- Formal planning permission was confirmed in August 2016 and a Section 106 agreement agreed and signed by all parties.
- To date, the Borrower and its affiliates have expended £733,480 assembling the site and obtaining planning permission.
- Due diligence includes architect fees, planning advice, landscaping and environmental work, some of which was funded by an affiliate company.
- The principals confirmed that they took out a planning loan to fund some of these costs, totaling £375,000.
- **Please note this planning loan is secured on property other than the subject site, sits outside the Borrower and is referenced for background information rather than legal relevance.**

### Loan Purpose

- Since obtaining planning permission, the value of the site has increased from £6m to £12m.
- The borrower has requested a loan to fund 100% of the purchase price and associated cost line items as follows:

MV per Colliers	12,000,000
Bridging Loan	8,530,093
VAT Loan	1,328,520
<b>Total Funding</b>	<b>9,858,613</b>

### Sums released to Glovers on Completion

Purchase price	6,115,000
Overage	270,000
Longstop extension	75,000
Planning rebate	182,600
VAT	1,328,520
Stamp Duty	310,080
Glovers legal	70,800
Title insurance	53,760
Land registry	455
Disbursements	900
CMS legal	24,000
	<b>8,431,115</b>

### Sums retained by Proplend

Arrangement fee	197,172
Bridging Loan interest reserve	980,961

VAT Loan interest reserve	31,829
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	<b>1,209,962</b>
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#### **Sums released to Borrower subject to invoice and Lender sign off**

Colliers current valuation	9,000
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Colliers previous valuation	6,600
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Agency	80,431
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Architect	96,000
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Transport Survey	6,680
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Property insurance	825
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Thompson Roddick and Laurie	4,200
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Site Security	13,800
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	<b>217,536</b>
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<b>Grand total</b>	<b>9,858,613</b>
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- The cost lines referenced will only be funded if approved by Proplend and evidenced by invoices.
- The two interest reserves will be held by Proplend in a ring-fenced client monies account, provided by a rated bank (Barclays, A- rated by Standard & Poor's).
- The VAT Loan is expected to be repaid in short order once VAT on the purchase price is refunded by HMRC.
- It will be an event of default if the VAT Loan is not repaid within 75 days.
- Both loans are cross collateralised and an event of default on the VAT Loan will trigger default on the Bridging Loan.

#### **Exit**

- The Borrower has proposed two possible exit routes:
  - A Joint venture with a care home operator to build and ultimately operate the site
  - An outright sale of the site to a care village developer
- In order to maintain competitive tension to obtain the maximum sale price, and a strong negotiating position, the borrower is keeping all options open rather than working exclusively with one party.
- Upon completion of the acquisition, the Borrower will appoint a sales agent with international investor coverage.
- The Borrower has received a number of unsolicited expressions of interest from potential buyers, and has been in more detailed talks with a care home operator and investment banking funder.
- Further comfort can be taken from the 54 expressions of interest for the supported living units from a low level marketing campaign for potential end users. Please note these can be converted to formal reservations post completion of the site acquisition.
- In its due diligence, the Borrower has identified a population of potential purchasers that operate similar schemes to the proposed end development.
- To better understand the investor universe, Proplend has commissioned an additional report

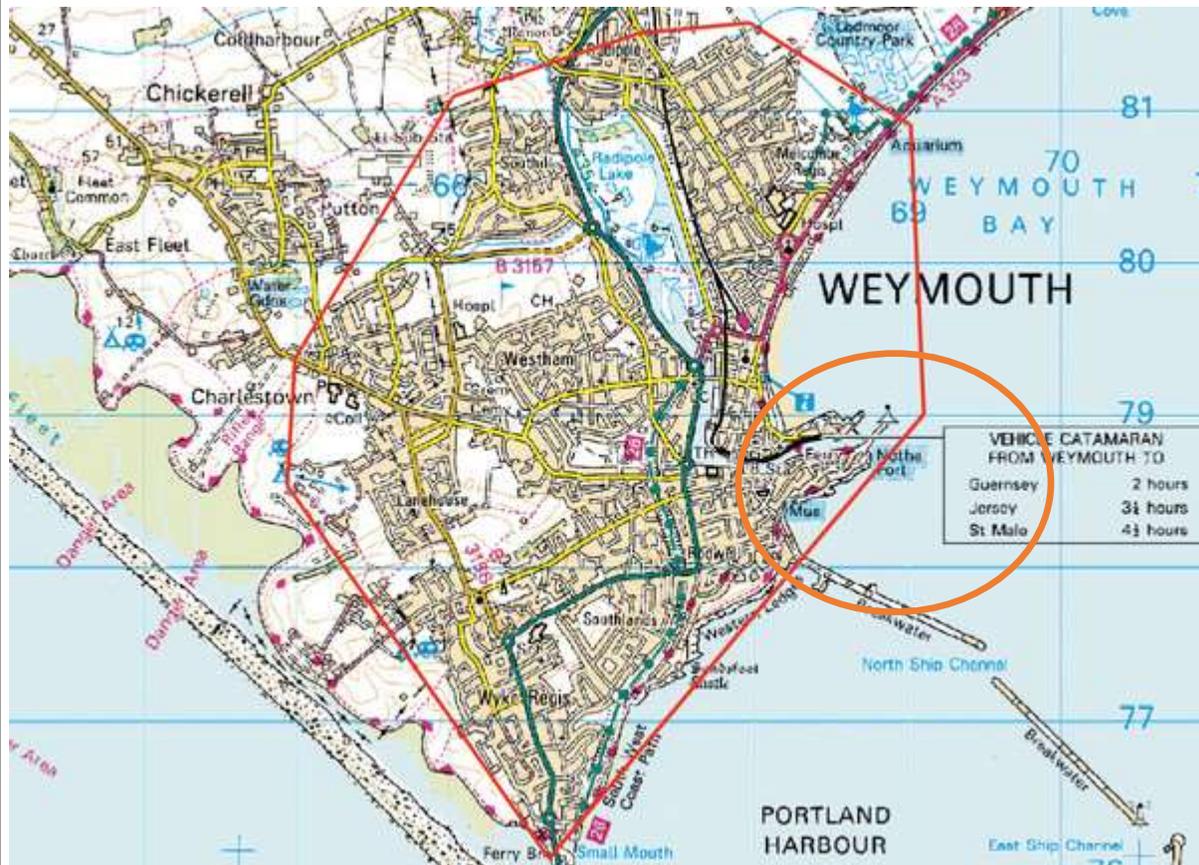
from Colliers on the UK Extra Care Market, which identifies operators of larger care facilities who have aspirations to operate in the Dorset/ South West market.

- **Securing a buyer of the site post completion of the purchase remains the key risk in this transaction, and please note that the Borrower is obliged to provide a monthly update on progress.**

## **THE PROPERTY**

### **Location**

- The proposed care village site at Bingleaves in Newtons Cove is situated less than ½ mile from Weymouth town centre south of the town's harbour and situated on a promontory at the root of the Bingleaves breakwater forming the eastern side of Portland Harbour.
- There are panoramic views from the site across Portland Harbour to Portland Bill and the English Channel. Immediately to the north of the site and accessible via the shoreline Jubilee Walk is Nothe Gardens and Northe Fort, a Grade II\* listed building and Scheduled Ancient Monument.
- The seaward side of the site is protected by a Grade II listed breakwater. The landward boundary running along the western side of the site comprises a cliff face which forms part of the Portland Harbour Shore Site of Special Scientific Interest ('SSSI') being part of the Dorset and East Devonshire Jurassic Coast ('The Jurassic Coast' a World Heritage classified site).
- Weymouth is a popular coastal town separated from Portland Bill by the historic Portland Harbour at the eastern end of the Jurassic coast. Dorchester is 9 miles to the north, Yeovil 30 miles to the north; and to the east is Poole (32 miles) and Bournemouth (37 miles).



**Asset Description**

## Current

- The property is an 11.86 acre brownfield site with a number of redundant industrial buildings.
- The site includes access to the Grade II listed breakwater.
- The industrial buildings will be cleared to provide a clear site for the proposed development.
- The Borrower was granted an option to buy the site for £6.125m in August 2011.
- Since then, the Borrower has engaged in a lengthy planning process and the site now has the benefit of full planning permission (granted August 2016) under reference WP/15/00833/FUL for the erection of a care village containing:
  - 195 supported living units
  - a 60 bed care home
  - 34 respite hotel suites
  - medical support facilities
  - café
  - a new promenade
  - museum
  - improved coastal defence measures
  - gardens
  - underground parking for 151 vehicles
- The planning permission is considered valuable as it confirms a C2 use (residential institutions such as care homes) and is free from some of the more onerous conditions of a standard residential C3 use, such as the mandatory provision of affordable housing.
- A Section 106 agreement confirming the conditions of planning was signed in July 2016 confirming:
  - that the apartments may only be occupied by persons of 55 years or over who are in need of care and support (plus spouse/partner) or any other such person (e.g. those requiring dementia care) as agreed by the Local Authority.
  - That the public have access to the promenade
  - Certain obligations in respect of the operation of the museum
  - A £5,000 payment to the council in respect of decontamination works
  - To give notice in respect of commencing development and occupation
- In securing planning permission, the Borrower has completed significant technical due diligence such as:
  - Biodiversity and ecology
  - Cliff stability (re. the cliff to the rear of the site)
  - Flood risk
  - Architecture and design
  - Environmental
  - Landscaping
  - Transport assessment
- On the environmental side, the Borrower has access to a Land Quality Assessment report dated November 1999 which identifies a number of Areas of Potential Concern (APCs) given the site's former usage (e.g. storage of fuel), however, it concludes that the APCs "are unlikely to have a major impact on the redevelopment of the site".
- QinetiQ themselves commissioned a similar report in November 2002 which concludes that "no APCs have been identified that provide significant risk or require any immediate actions", provided that "the site is maintained and operated under the current status quo".

- Given these reports are dated, Proplend has received written confirmation from QinetiQ's Land Director that no potentially polluting activity has been undertaken since.

### Future Use and Market

- Once constructed, the Property will form a significant trophy building to the southern edge of Weymouth in a coastal location with commanding views of Portland Harbour, Portland Bill and the English Channel.
- The property is situated in an expanding and affluent location and is considered to offer a spectacular setting for a care village and therefore the completed development should be capable of targeting the self-funded segment of the elderly long term care market.
- The care suites and the apartments are likely to appeal to the older sector of the existing catchment area and, in view of the quantity of high value residential housing in the area, may well attract purchasers from further away seeking to locate, in retirement, in a coastal retirement locality.
- The market for retirement living in the UK is very markedly underprovided. Less than 1% of those aged over 65 years lives in accommodation specifically designed for retirees. In the USA and Australia, the figure is 10 times higher. By 2025 20% of the UK population will be over 65 (14.3 million). Currently there are only 50,000 residents living in approximately 400 villages.

### Value Post Development

- Colliers have assessed the components of the future Gross Development Value and the cost to build the site as:

Supported living units	69.5
Care home/ respite suites	11.4
Restaurant	0.4
Ground rents	1.3
<b>Gross Development Value</b>	<b>82.6</b>

Building cost	52.1
Site overage	0.3
Professional fees	0.4
Finance costs	5.5
Marketing	0.3
Sales fees	0.8
Developer's profit @17.5%	10.4
<b>Total cost</b>	<b>69.8</b>

Gross site value	12.8
Acquisition costs	0.8
<b>Site value</b>	<b>12.0</b>

### PLEASE NOTE:

- The subject loan is to fund the acquisition of the site only.**
- Information about the future development and its financial and economic rationale is**

provided as background to the lenders around the deliverability of the ultimate repayment of the subject loan.

- The Colliers valuation report explores these issues in greater detail as they form part of the site market value calculation.

## Tenure

The Property has Freehold Title.

## Valuation

A valuation of the Property was carried out by Colliers in April 2017, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

**Market Value (site 'as is' with the benefit of planning permission): £12,000,000**

Gross Development Value: £82,586,000 (for information only, applies only once built)

The Colliers report makes the following key observations:

- Strong local demographics, both in terms of affluence and age.
- The current undersupply of appropriate accommodation and the increasing demand from a growing aged population.
- The quality of the proposed end product versus competing schemes and the ability to charge premium rates both in terms of the care home rates and supported unit sales.
- The unique coastal location with over 90% of the supported units having sea views.

## Certificate of Title

A Certificate of Title will be supplied by the Borrower's Solicitors. This will be reported on by CMS Cameron McKenna, acting on behalf of Proplend Security Ltd, and their comments thereon can be viewed under 'Documents'.

## TENANTS & LEASES

### Tenants and Leases

The Property is an unlet site which will be prepared for development.

## SECURITY & SERVICEABILITY

### Security

The Security for the Borrower’s performance under the loans will be documented by CMS Cameron McKenna and held in trust on behalf of all the lenders by Proplend Security Limited. Such security will include:

- A Mortgage including first legal charge over the Freehold Property
- A Debenture
- A first legal charge over the shares of the borrower
- A joint and several Personal Guarantee from Martin and Chris Ross, limited to £1,000,000

### Interest Reserve

A deposit of £1,012,790, representing 364 days interest on the Bridging Loan and 75 days interest on the VAT Loan, will be retained from the loan and will be used to pay interest on a monthly basis

### Serviceability

Debt will be serviced on a monthly basis from the interest reserve referred to above

### Covenants

Bridging Loan: Maximum LTV of 71%

### LENDER RISKS:

RISK	LEVEL	MITIGANT
Risk that the management of the Borrower vehicle is not able to execute their business plan.	HIGHER RISK	<ul style="list-style-type: none"> <li>• Full planning permission has been obtained</li> <li>• The coastal location of the site provides a unique setting for a care village of this description</li> </ul>
	MEDIUM RISK	<ul style="list-style-type: none"> <li>• Favourable local demographics versus the national average</li> </ul>
	LOWER RISK	<ul style="list-style-type: none"> <li>• The Borrower has several expressions of interest in the site and intends formally instructing agents as soon as the acquisition is completed to maintain competitive tension, note the Borrower needs to complete the acquisition before detailed talks can commence</li> </ul>
Risk that the Borrower stops making monthly interest payments to Lenders due to		<ul style="list-style-type: none"> <li>• N/A: the Property is an unlet site for future development, with interest payments being</li> </ul>

loss of lease income and or tenants whose leases had ended, had exercised a lease break or have gone into receivership.	HIGHER RISK	made from the interest reserve that has been added to the loan
	MEDIUM RISK	
	LOWER RISK	

Risk that the Borrower is unable to repay the loan principal at the end of the loan term because they have not been able to sell or re-finance the property.	<b>HIGHER RISK</b>	<ul style="list-style-type: none"> <li>Gearing is initially 82% LTV, reducing to 71% LTV once the Borrower files its first VAT return and recovers the VAT element on the purchase price</li> <li>The directors of the Borrower have sunk significant resources into the preparation of the site acquisition amounting to £733,480 and provide a joint and several Personal Guarantee in the sum of £1m in further support of the loan</li> <li>Repayment is subject to a sale of the site or refinance</li> </ul>
	MEDIUM RISK	
	LOWER RISK	

Risk that the Property falls in value due to either macro-economic or property-specific reasons.	<b>HIGHER RISK TRANCHE C 65-75% LTV</b>	<ul style="list-style-type: none"> <li>Development land can be more risky asset class, being a function of the end development value of the finished scheme and the costs to build</li> <li>The end scheme has been fully costed and its viability has been positively commented on by Colliers in their valuation report</li> <li>The site value has remained unaffected by the post Brexit uncertainty, reflecting the viability of the end scheme underpinning this</li> <li>Site considered a unique opportunity for a care home, given its coastal location</li> </ul>
	<b>MEDIUM RISK TRANCHE B 51-64% LTV</b>	
	<b>LOWER RISK TRANCHE A 0-50% LTV</b>	

## DOCUMENTS

## Additional Documents

The following documents are available to download via the Loan Request screen:

1. The CMS Cameron McKenna Report on the Certificate of Title
2. A copy of the Colliers Valuation Report dated 3 April 2017 including the Colliers Extra Care Market report
3. The Loan Summary, which shows the terms of a Proplend Loan Contract and any Special Conditions which apply to the Bridging Loan
4. A Side Letter reflecting certain amendments to the Proplend Members' Agreement for the purposes of the subject loan

## NEXT STEPS

If you are **interested in participating in this Loan Request** and are already fully registered with Proplend then:

1. Log-in your *Proplend Lenders Account*, go to *Loan Investments*, and select the Loan.
2. If the *Loan Request* is *Active* on the Proplend Loan Exchange (PLE) and your Proplend account has sufficient funds to cover your investment, pick the Tranche you wish to lend into and click *View Loan*. The next screen will show the amount of the Loan Tranche available and the key details. Click *Invest* to continue. Select the amount you wish to invest using the drop down menu and click *Invest*. Check the Loan Contract and click *Accept*. A copy of the Loan contract signed by you will appear in your *Lender Dashboard*. Follow the same process to invest into another Tranche.
3. If the Loan Investment is *In Funding*, pick the Tranche you wish to lend into and click *Lend Now*. You will be required to enter the loan amount twice and then *Lend Now*. You then have the option to Lend again into a different Tranche if you wish. A copy of the Loan contract signed by you will appear in the *Waiting to Close* screen in your *Lender Dashboard*. When all the Loan Tranches are 100% filled, the Borrower will be invited to sign the Loan Contracts and the final Security documentation will be completed by Proplend Security Limited before drawing down the loan. This may take up to 10 days from 100% funding and you will be kept informed.
4. If the *Loan Request* is still *Pending* you can register your interest via the *Pre-Offer* facility.
5. If you need to transfer funds to your Lender Account in order to make an investment or an Offer to Lend then go to the *Lender Dashboard Banking* Screen. Here you will find our *Barclays Client Money Account details*, ensure to include your unique *Lender Reference* when you make the transfer or this may delay the transfer. Please let us know you are transferring funds via the *quick email facility*.
6. Once your funds have cleared in your Lender Account you will be able to make an investment through the PLE or an *Offer to Lend*.

If you have any questions, please call us on 0203 379 8290

**PROPLEND DISCLAIMER - PLEASE NOTE:**

The information provided in this Loan Request is provided solely by the applicant borrower and not Proplend Ltd (“Proplend”) or Proplend Security Limited (“PSL”). Neither Proplend nor PSL has verified or audited the information in the Loan Request or the Loan Request itself; and the publication of the Loan Request by the applicant on the Service Website does not constitute any approval, endorsement or representation by Proplend or PSL in relation to the Loan Request. Neither Proplend nor PSL provides any warranty, representation or undertaking as to the accuracy, timeliness or reliability of the information in the Loan Request or that the Loan Request or any Due Diligence Material accurately reflects the risks associated with the Loan Request; nor does Proplend or PSL make any recommendation or give any advice of any kind in relation to the Loan Request. Expected bad debt estimates are estimates for general guidance only and neither Proplend nor PSL warrant their accuracy or reliability. Lenders should seek their own independent legal, financial, tax or other advice before lending.

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