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Full Loan Request: Flintshire - Logik WTE - Waste Plant

Main Site:	Land Off Weighbridge Road, Deeside Industrial Estate, CH5 2LF
Date:	12/11/18
Asset Description:	The Subject Property is the site of former power station which has been demolished and the site fully remediated. The site now benefits from planning permission for the development of a waste management facility including electricity generation.



Deal Summary			
Loan Type	Commercial Bridge	Borrower Profile	Commercial Property Investment
SIPP Investable	Yes	Loan Purpose	Option Purchase

Property Summary			
Market Value	£4,600,000	Property Income	N/A
Vacant Possession Value	£4,600,000	Market Rental Value	N/A
Purchase Price	£1,890,000	Purchase Type	Option
Tenure	Freehold	Asset Class	Land with Planning
EPC Rating (min. E)	N/A		

Loan Summary			
Total Loan Required	£2,450,000	Loan to Value (LTV)	53.26%
Rate of Interest	12.5%	Interest Cover	N/A - Full Interest Reserve
Loan Term	12 months	Interest Expense (p.a.)	£306,250

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£150,000	14.8%	13.32%	N/A - Full Interest Reserve
A	Low	0-50%	£2,300,000	12.35%	11.12%	N/A - Full Interest Reserve

Borrower Details	
Name	Logik WTE Limited
Registration	UK Registered Limited Company
Main Business Activity	Commercial Property Investment
Ownership Structure	David Michael Green 25% Alan Sullivan 25% Logik Developments Limited 50%. Logik Developments Limited; - Neil Spencer 33% - Andrew Flintoff 33% - Tony Bhatti 33%

Applicant Details	
Name	Alan Sullivan / Dave Green
Age	65 / 55
Experience	Experienced property investor and developer / Specialist in Waste to Energy (W2E)
Credit History	Clear - Band 7 / Clear - Band 5
Net Worth	Confirmed as sufficient to cover the Personal Guarantees
Additional Information	The applicants have spent c.£308k to date on gaining planning permission for the site.

Loan Details	
Loan Purpose	The Borrower is to purchase the site under a option contract provided by the local council prior to the Borrower group seeking planning permission for a waste to energy site. The loan amount will cover 100% of the purchase price and additional costs. The applicants have spent c.£308k to date on gaining planning permission for the site which is their cash/equity in the transaction.
Gross Loan Amount	£2,450,000
LTV	53.26%
ICR	N/A - Full Interest Reserve
Serviceability	Interest to be serviced from the interest reserve throughout loan term.

Interest reserve	Proplend will retain £382,831 (15 months interest) from the gross loan amount which will be held on account. The balance of the Interest Reserve will be applied to the repayment of principal at the end of the loan term.
Early Repayment	2% first 6 months

Strategy During Loan Term

A deal had previously been agreed with a large international W2E company to acquire the site for £4.6M from the borrower once legal title had been acquired from council.

The acquirer sought to reduce price at last moment with the borrower resisting on basis that they know of several other interested parties who will likely match or pay more than the price agreed with the original acquirer.

The loan period will provide the Borrower with the time needed to negotiate further with the original purchaser or consider the offers from several other international W2E operators.

Property Details

The Subject Property is the site of a former power station which has been demolished leaving a level, cleared industrial development site surfaced in the main with crushed concrete from the demolition of the former facility.

The property is located on the eastern side of Weighbridge Road. Access is via a double width tarmac road that slopes up to a car parking area. The access road is secured with a lockable steel gate, whilst the rest of the site is secured with chain link fencing topped with barbed wire. There is a single storey, brick built security gatehouse just inside the gates.

The site is located on the edge of a large industrial estate. Land to the north is being developed for the Parc Adfer energy from waste facility by Wheelabrator. Directly adjacent to the sites north west corner is an electricity substation. Land to the south is occupied by the Flintshire Bridge Converter Station, a major piece of National Grid infrastructure converting DC power from Scotland to AC for transmission on the National Grid network. A railway line bounds the eastern boundary beyond which is a Toyota Motors factory. To the west, on the opposite side of Weighbridge Road is land occupied by UPM's paper mill and ancillary activity.

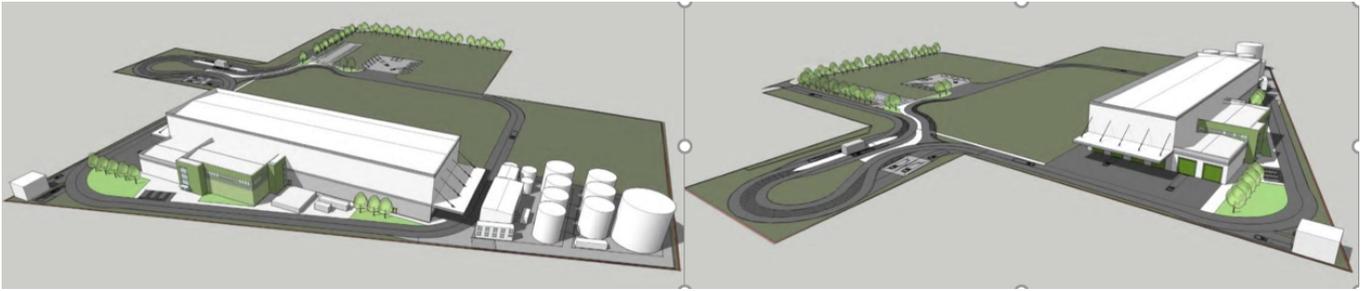


Development Details

Planning permission has been granted for the development of a waste management facility. The approved project is for the construction of a materials recovery facility (MRF) to process non-hazardous municipal "black bag" waste. Separation of waste will be undertaken in a processing unit by hydro/mechanical processes to create a refuse derived fuel (RDF) to be exported to third party energy from waste facilities and to segregate recyclables such as paper, plastics and glass.

All organic elements within the waste will separated and processed in an on-site anaerobic digestion (AD) plant, which will use the bio-gas collected from the biological breakdown of the waste and used to generate electricity in a generator with a proposed capacity of 1 to 1.5 MW.

The development of the MRF is to be in three phases as the business becomes established. The phases will be built across the main 10.3 acre rectangular plot previously occupied by the former power station in the centre of the site. The AD plant will be developed on the 2.8 acre greenfield compound to the north of the site. The raised area to the south of the site which extends to 1.9 acres is not included within the planning permission and there are no current development proposals for this area. Because of the layout of the site it would be practicable to let this area to a third party occupier without impeding the development of the rest of the site.



Location Report

The property is located on the western side of the Deeside Industrial Estate, north of Connah's Quay, Shotton and Queensferry in Deeside, North Wales. The site is situated on Weighbridge Road, which is an estate road providing access to the A548, which in turn provides access to the M56 and the wider motorway network in North West England.

The site is approximately 3 km (1.85 miles) north east of Connahs Quay, 9.3 km (5.8 miles) south west of Ellesmere Port, 10.8 km (6.7 miles) north west of Chester, 21 km (13 miles) north of Wrexham and 21.7 km (13.5 miles) south of Liverpool.



Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required	Property Insurance	PSL Interest to be noted on completion
Personal Guarantee	Joint and Several Guarantee from the Directors and Shareholders of Logik WTE Limited for the sum of £490,000		

Exit Strategy

The Borrower intends to sell the site to one of many international W2E operators who they are currently in negotiations with.

Covenants

LTV Covenant	60%	ICR Covenant	N/A
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Fees

Arrangement Fee	2%	Broker Fee	1%
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Valuation

A valuation of the property was carried out by GVA on 07/11/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £4,600,000
Vacant Possession Value: £

Report on Title

A Report on Title will be supplied by Paris Smith acting on behalf of Proplend Security Ltd, and it's comments thereon can be viewed under documents.

Lender Risks

Mitigant

Risk Level

Risk that the management of the Borrower is not able to execute their business plan.

While the W2E market is a niche one, the Borrower is highly experienced in both property investment / development, and our in final discussions with several interested parties for the sale of the site.

Medium

Risk that the Borrower stops making monthly interest payments to Lenders due to loss of lease income and or tenants whose leases had ended, had exercised a lease break or have gone into receivership.

The loan is for a 12-month term, and we will be taking a 15-month interest reserve

Low

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.

The Borrower have several interested parties looking to purchase the site the funds from which would be used to repay the Proplend facility.

Medium

Should the a purchaser not be found within loan term, there is sufficient headroom to refinance the facility with an alternative lender.

Risk that the Property falls in value due to either macroeconomic or property specific reasons

While the W2E sector is niche, the value of the Subject Property would have to fall by 46% before Proplend lenders experienced any capital losses.

Medium

Conditions Precedent

The following actions have been completed prior to credit approval:

- Satisfactory AML/KYC checks in respect of the Borrowers / Directors / Shareholders
- Clear credit searches against the Directors / Shareholders
- Formal, independent valuation addressed to Proplend Security Limited by a RICS qualified valuer confirming market value of the property.
- Satisfactory completion of all stated security requirements / Report on Title.
- Adequate insurance cover with Proplend Security Limited named as First Loss Payee
- Proplend Ltd diligence to be satisfied that interest payments can be serviced
- Loan to value not to exceed 75% on draw down

Documents

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

- A Draft Standard Loan Contract
- The Report On Title and Lettings Report produced by Paris Smith
- A copy of the Valuation Report

Next Steps

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

Log in to your Proplend Lenders Account, go to Loan Investments

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.

If you have any questions, please call us on 0203 397 8290

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