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Full Loan Request: Newbury - Offices

Main Site:	First and Second Floor Premises, 116 Bartholomew Street, Newbury, RG14 5DT
Date:	21/8/2019
Asset Description:	Long-leasehold of first and second floor offices, occupied by an associated company of the Borrower.



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	Property investment
SIPP Classification	SIPP Eligible	Loan Purpose	Refinance

Property Summary

Market Value	£425,000	Property Income	£34,000
Vacant Possession Value	£355,000	Market Rental Value	£34,000
Tenure	Long-leasehold	Asset Class	Office

Loan Summary

Total Loan Required	£318,750	Loan to Value (LTV)	75%
Rate of Interest	7.80%	Interest Cover	1.37x
Loan Term	24 months	Interest Expense (p.a.)	£24,863

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£42,500	10.75%	9.67%	1.37x
B	Medium	51-65%	£63,750	8.50%	7.65%	1.68x
A	Low	0-50%	£212,500	7.00%	6.30%	2.29x

Borrower Details

Name	Guardian Realty Ltd
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a special purpose Limited Company, registered in the UK. It has one other asset under its ownership - a small residential property in West Yorkshire which is in the throes of being sold.
Ownership Structure	Guardian Realty Ltd is owned 70% by Duncan Crook, and 30% by Nigel Jones.

Applicant Details

Name	Duncan Crook & Nigel Jones
Age	56 & 69 respectively.
Experience	<p>Ressance Limited;</p> <p>An established developer and house-builder based in Newbury, West Berkshire, Ressance has developed about 300 high quality new homes.</p> <p>Through associated companies they also operate over 2,200 sq m of commercial buildings (offices, warehouse and industrial), together with about 7,000 sq m of commercial storage space and own a 2.5 hectare prime development site in Lagos, Portugal.</p> <p>They have a current UK development pipeline of over 300 dwellings and 15,000 sq m of commercial space, and carry out all aspects of the development cycle in-house and possess the full gambit of development core competencies including land assembly, town planning, architectural design, construction & project management, marketing and sales and post sales client care.</p> <p>Construction is carried out under a standard JCT by Ressance Construction Limited, a wholly owned subsidiary of Ressance Limited, which gives them complete control over quality and also, crucially for landowners, the ability to create land value through a combination of maximizing planning consent, optimizing density, high quality design and utilizing modern methods of construction.</p> <p>Ressance has an excellent track record of delivering projects on time and to budget. Developments are undertaken in individual subsidiary SPVs.</p> <p>Duncan Crook, Managing Director;</p> <p>Duncan is an experienced entrepreneur with thirty years' experience as an owner-manager. Prior to being involved in property, Duncan was a founder shareholder and CEO of an IT and communications company specialising in Managed Network Services to the public sector that was sold to a major private equity firm in 2004 and sold-on to Capita in 2009.</p> <p>With extensive experience in strategic planning, operational management, and corporate funding, Duncan is an experienced dealmaker, including a supply agreement that was at the time British Telecom's largest metropolitan deployment of fibre optic cable.</p> <p>In 2001 he led a team that won a contract to provide secure broadband internet and network services to 33 Local Authorities and around 3,000 schools in London. The contract, valued at some £100m, was at the time the largest of its kind in Europe and was endorsed by central government as part of their e-government strategy.</p> <p>For the past fourteen years Duncan has been involved in property development and investment, during which time he has acquired in-depth knowledge of land-use planning, land assembly, property finance and operational processes.</p> <p>In terms of land-use planning, Duncan has been responsible for acquiring dozens of development sites and has secured planning permission for well in excess of 500 dwellings together with a wide range of commercial uses.</p> <p>Nigel Jones, Financial & Commercial Director;</p>

Nigel is a chartered accountant who trained with KPMG in London. Qualifying as an FCA in the 1970's, he spent about a decade in the international oil services industry, including a six year tenure as the group finance director of a substantial Plc.

From the late 1980's to just after the turn of the millennium, he was involved with a number of technology companies. Nigel is very experienced in financial, commercial and legal issues and was closely involved in winning and negotiating key commercial contracts and venture capital funding.

Nigel has been involved in property development for the past fourteen years and has considerable knowledge of project funding, project finance control, commercial management and contract management (e.g. JCT and Section 106).

Nigel's experience in funding includes senior debt and specialist vehicles (e.g. EPUTs); amongst other things he was responsible for a developing a highly innovative small fund using share-holder pension monies to buy land in a mixed-use development site.

Credit History

DC - Band 3, to be expected given he is ordinarily resident in Portugal, but clear.

NJ - Band 10, the strongest band.

Loan Details

Loan Purpose Refinance

Gross Loan Amount £318,750

LTV 75%

ICR 1.37x

Serviceability Rental income of £34,000 p.a. is being received, with interest payments due of £24,863 p.a.

Interest reserve Proplend will retain £6,216 (3 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 12 months, no fee thereafter.

Existing Facility

Lender	Lloyds	Expiry	31/8/2019
Value	£218,000	Status	Up to Date

Strategy During Loan Term

We are asked to provide a 75% LTV gross loan facility, in order to refinance Lloyds Bank (£218k), and to raise additional capital of £88k. The additional capital of c£88k is being raised for future, as yet unidentified property investment.

Ressance will continue to occupy the Property whilst planning permission is secured to convert it to residential apartments. Ressance will ultimately be moving its office premises to one of the two 'storage yard' properties in Express Way, Newbury, previously financed by Proplend.

Property Details

Long-leasehold of first and second floor offices, used by the parent company of the Borrower. The building comprises three stories, with retail on the ground floor and offices on the first and second. The retail accommodation does not form part of our security.

The property is made up of period brick and gauged brick arches to recessed ash windows under a half-hipped tile roof the modern shop front entrance to the property is beneath a segmented-arched carriage entrance. Internally a stairwell on entrance to the property leads to office accommodation on the upper floors.

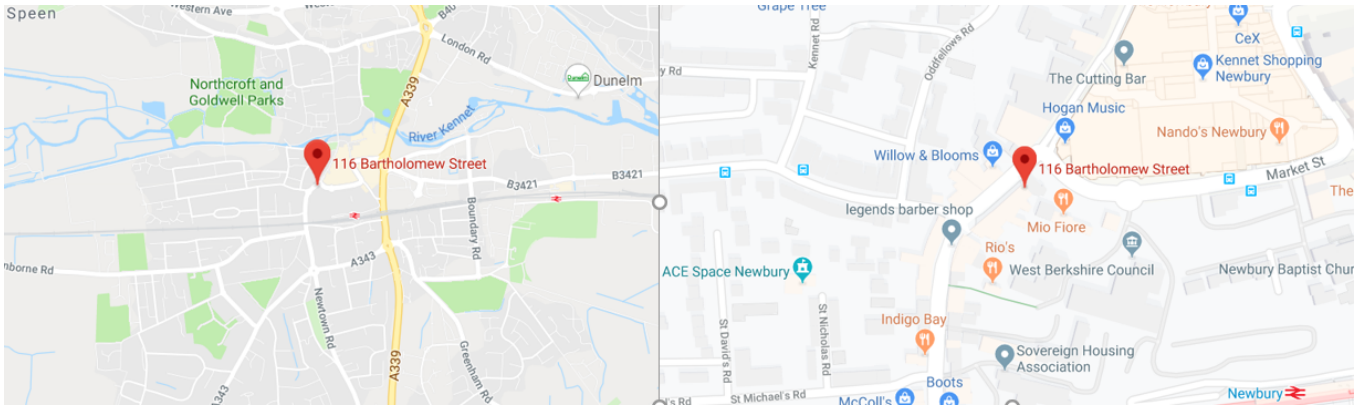


Location Report

Newbury is the principal town in West Berkshire. It is situated on the River Kennet and is located approximately 60 miles west of London, 65 miles east of Bristol and 96 miles south west of Birmingham. The district has excellent communication links to London and to the West via trunk roads, the M4 motorway and mainline railways.

The property is located on Bartholomew Street, in central Newbury. Bartholomew Street leads into the pedestrianised section of Newbury Town Centre and is therefore close to all the town centre amenities. Bartholomew Street is a busy street occupied by small shops and businesses.

The centre of Newbury is 0.1 mile to the north east, offering multiple; retail, commercial and leisure facilities. The property is accessed via a central entrance in a parade of shops. The adjoining shops include Jones Robinson Estate Agents to the north and Games Workshop to the south.



Tenant Details

Tenant	Ressance Limited	Activity	Professional property investors and developers.
Lease Type	FRI	Lease Start Date	3/11/2016
Months to Lease Break	60	Months to Lease End	120
Contracted Rent (£ p.a.)	£34,000	Occupation Level (%)	100%
Tenant Description	A boutique property developer with unique new build homes for sale throughout the South.		
Tenant strength	Good - Ressance Ltd made a £418k net profit after tax in the year to 31/12/2017, with its net worth increasing accordingly to £1.449m.		

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	<p>Joint and Several Guarantee from the Directors and Shareholders of Guardian Realty Ltd for the sum of £100,000.</p> <p>Please note that the same Guarantors have also provided the following PGs;</p> <ul style="list-style-type: none"> - Newbury Storage Yard, £,100,000 - Newbury Storage Yard 2, £100,000 - Newbury Commercial Mixed Use, £243,750 <p>... and are proposing to provide;</p> <ul style="list-style-type: none"> - Newbury Retail & Resi Mixed, £100,000 - Newbury Development Site, £100,000. 		

Exit Strategy

Either development funding, or in the unlikely event that planning permission is not obtained, a commercial mortgage.

Covenants

LTV Covenant 75% **ICR Covenant** 1.25x

Fees

Arrangement Fee 2% **Broker Fee** 0%

Valuation

A valuation of the property was carried out by Jones Lang LaSalle on 12/8/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £425,000
Vacant Possession Value: £355,000
Open Market Rental Value: £34,000

Report on Title

A Report on Title will be supplied by Enact 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.

The Borrower is an experienced professional property developer and investor.

Low

The valuer also comments that Newbury is a buoyant market, and that there is good levels of demand for this asset type in this location, with low supply.

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 Borrower's parent company is our tenant who are judged by Experian to be a below average risk company.

Medium

In addition to the net worth of the two individual Guarantors, the parent company, Ressance Limited, made a £418k net profit after tax in the year to 31/12/2017, with its net worth increasing accordingly to £1.449m.

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 risk here is other lenders appetite to provide development finance waning, however they have good relationships with all of their finance partners, and a strong and proud track record, with no arrears or defaults.

Medium

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

There is general uncertainty due to the current economic conditions, however the gross LTV is 75%, so the property would need to fall in value by 25%/ £106k before lenders in tranche C would be affected.

High

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 Enact
- 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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