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Full Loan Request: Newbury Retail & Residential Mixed

Main Site:	107 Bartholomew Street, Newbury, RG14 5DY
Date:	22/8/2019
Asset Description:	A 3-storey mid terrace property with retail on the ground floor with 4 x 1 bed flats above.



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	Property investor
SIPP Classification	Not Eligible	Loan Purpose	Refinance

Property Summary

Market Value	£780,000	Property Income	£40,440
Vacant Possession Value	£780,000	Market Rental Value	£40,440

Tenure	Freehold	Asset Class	Mixed Use (Residential)
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Loan Summary

Total Loan Required	£507,000	Loan to Value (LTV)	65%
Rate of Interest	7.00%	Interest Cover	1.14x
Loan Term	24 months	Interest Expense (p.a.)	£35,490

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£117,000	8.00%	7.20%	1.14x
A	Low	0-50%	£390,000	6.70%	6.30%	1.55x

Borrower Details

Name	Ressance Land No 3 Limited
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties
Ownership Structure	<p>The Borrower is 100% owned by Ressance Land Limited. Ressance Land Limited is 100% owned by Ressance Limited. Ressance Limited is owned;</p> <ul style="list-style-type: none"> - 57% by Duncan Crook - 19% by David Grant - 16% by Nigel Jones - 5% by Nicholas Turner - 3% by Caroline Jones.

Applicant Details

Name	Duncan Crook and 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>

Nigel Jones, Financial & Commercial Director;

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.
Net Worth	DC - £10.9m, of which £8.5m is held in company shares. NJ - £4.414m, of which £3.4m is held in company shares.

Loan Details

Loan Purpose	Refinance
Gross Loan Amount	£507,000
LTV	65%
ICR	1.14x
Serviceability	Rental income being received is £40,440 p.a. (£10,800 for the shop, plus £29,640 for the flats), with interest payments due of £35,490 p.a.
Interest reserve	Proplend will retain £8,873 (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	Octopus	Expiry	31/8/2019
Value	£495,000	Status	Up-to-date

Strategy During Loan Term

We are asked to provide a 65% LTV Gross loan facility, in order to refinance the current lender. There is a shortfall of circa £8k, which the Borrower will provide out of liquid funds.

During the 24-month term, the Borrower will continue to rent the retail unit to their associated Company, Ressance Construction Limited, who are using it as a site office for a nearby development of 14 flats and a shop, and also continue to rent the four flats above on ASTs.

Property Details

The property forms part of a terrace of retail and office accommodation fronting Bartholomew Street. The property comprises three stories, with retail on the ground floor and residential accommodation on first and second floors.

The property is made up of period brick and gauged brick arches to recessed sash windows under a pitched tile roof. The residential element is accessed via a side gate adjoining the main retail frontage. The accommodation provides a kitchen / diner, bathroom and bedroom. The accommodation is in a reasonable condition. The property has been fitted out to include painted plaster walls and ceilings, carpeted floors and wall mounted electric heaters.

The retail element comprises retail space at the front, with ancillary kitchenette and toilet at the rear. The retail unit is currently rented to Ressance Construction as a site office for the 14 units the Borrower is developing nearby. The tenant is responsible for reinstatement, which is a cost of that project.

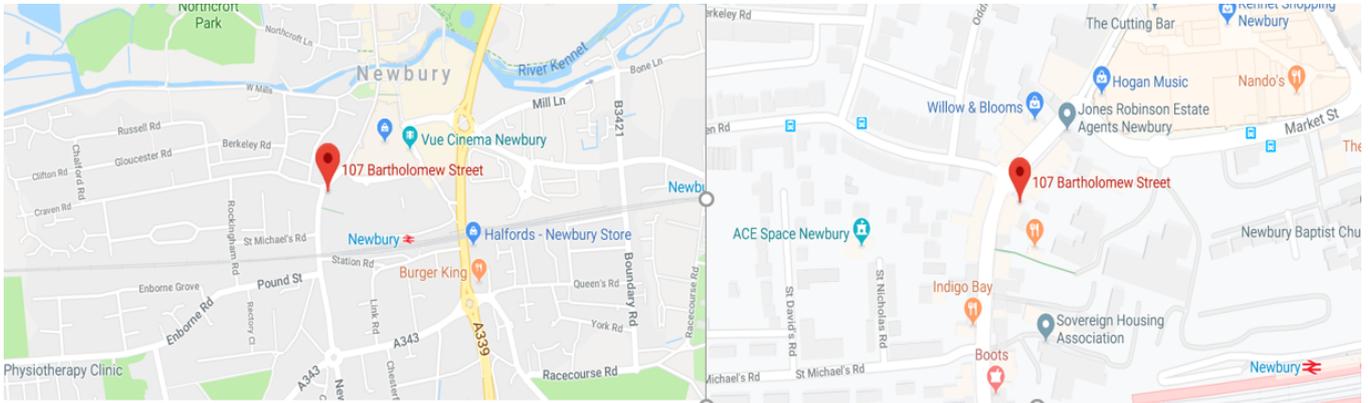


Location Report

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.

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.



Tenant Details

Tenant	Ressance Construction Limited	Activity	Construction
Lease Type	Licence To Occupy	Lease Start Date	1/1/2019
Months to Lease Break	10	Months to Lease End	10
Contracted Rent (£ p.a.)	£10,800	Occupation Level (%)	100%

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 Ressance Land No 3 Limited for the sum of £100,000		

Exit Strategy

Within 24 months time, they will have sold the flats on long-leaseholds, and will repay us from the net proceeds. They will be retaining the shop, and will re-let it as such, once Rissance Construction vacate, upon completion of the neighbouring development.

Covenants

LTV Covenant 70% **ICR Covenant** 1.00x

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: £780,000
Vacant Possession Value: £780,000
Open Market Rental Value: £40,440

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.

Medium

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.

Low

In addition to the net worth of the two individual Guarantors, the parent company, Rissance 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.

As above, the Borrower is an experienced property professional, and the Newbury is deemed to have a buoyant property market.

Medium

They have also enjoy good relationships with all of their lenders in the event they need to remortgage elsewhere.

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

There is uncertainty in the property and wider economic markets, given the current political circumstances, however the gross LTV is 65%, so the property would need to fall in value by 5%/ £270k before lenders in tranche B 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

PROPLEND DISCLAIMER - PLEASE NOTE:

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