Credit Report

The information contained in this credit report has been provided by the applicant, who has read this report and declared it complete, accurate and correct. Sourced Capital has used reasonable care to ensure the information provided is authentic and that it has been replicated clearly and accurately in this credit report. Sourced Capital has assessed the loan against its published risk appetite and credit acceptance criteria, but it has not audited the information. Consequently, Sourced Capital provides no warranty, recommendation or advice in relation to this loan application.

Investors should always seek their own advice before investing and are reminded that their capital is at risk, with P2P investors not benefitting from FSCS protection.

Project Overview

The borrower on this project requests funding to assist with the cost of purchasing a residential development plot, situated on land previously occupied by St Luke's Mission Church, Quarry Road, Brinscall, Chorley. The initial drawdown against the proposed Sourced Capital loan will be used to support the purchase, at which point full title to the land will be held by the borrowing company.

The site is being acquired with the benefit of full planning permission for 4 x 5-bedroom detached houses. Having established clean title and obtained good loan security, the remaining loan funds (£1,096,000) will be used to undertake the development. Upon completion of the project, the borrower will look to sell the properties on the open market, with the sale proceeds used to fully repay the Sourced Capital Loan.

Loan Details

MY INFINITY HOMES LTD - St Luke's Church, Quarry Road, Chorley TRANCHE 1			
Total P2P Loan Facility	**£1,496,000**	Day 1 Release	**£400,000**
Tranche 1 Amount	**£856,443**	Day 1 Loan to Value (LTV)	**74.07%**
Gross Development Value (GDV)	**£2,150,000**	Day 1 Value	**£540,000**
Total Loan to GDV (LTGDV – assuming maximum loan amount)	**69.58%**	Build Period	**9 Months**
Loan Term	**15 Months**	Sales Period	**6 Months**

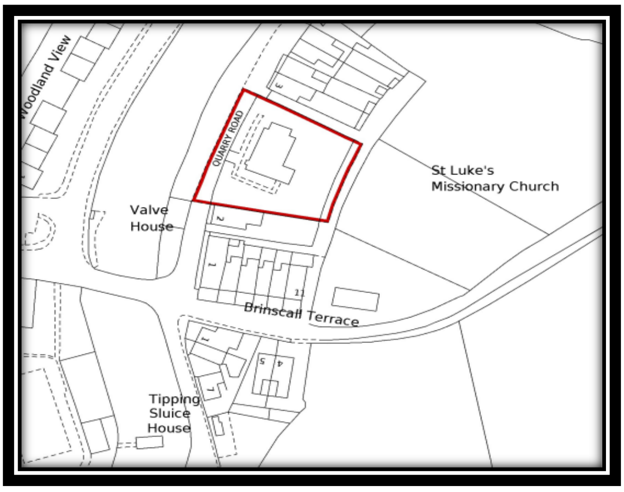
Important Notice

Lenders are being invited to support Tranche 1 of this loan, which is an amount of £856,443. This amount will secure the purchase of the land and finance the first three months' construction costs. It is important for lenders to appreciate that a second tranche will be offered in order to finance the remaining construction aspect of the development and that both this Tranche 1 and the following Tranche 2 (adding up to a maximum loan amount of £1,496,000) will rank equally in terms of security and potential loss. Lenders should, therefore, consider their risks as part of the overall £1,496,000 development transaction.

Lenders in Tranche 1 will be entitled to interest on their investment from the date of the initial loan drawdown, whereas any investors in a subsequent tranche will be entitled to interest only from the date that additional tranche is drawn down.

Whilst the maximum loan amount is established at the outset, funds are only released by Sourced Capital in structured drawdowns. The initial release of funds will support the land acquisition with all further releases of funds being used to finance the development. Any releases of loan funds in relation to the development will only be agreed by Sourced Capital after an Independent Monitoring Surveyor (MS) certifies the works done on site and verifies the amount of the contractors' application for funds. These payments are typically released no more frequently than monthly.

There is an expectation that Tranche 2 of this loan will be funded on the same interest (and other) terms. All lenders, regardless of which drawdown(s) they are funding under the facility, will enjoy the same security as all other lenders in that facility and all will rank pari passu (equally). Further details regarding the loan structure and security are provided in this Credit Report.



Security

Type	Detail	Valuation	Prior charge
1st Legal Charge	Development plot with planning permission for 4 residential properties	£2,150,000 (GDV)	N/A
1st-Ranking Debenture	MY INFINITY HOMES LTD	No Value Attached	N/A
Joint & Several Personal Guarantee	£500,000 from Moinuddin Patala, Ian Wardle & Sean Creighton.	No Value Attached	N/A
Collateral Warranties	From the Architect and Structural Engineer	No Value Attached	N/A

Risk Rating, Fees and Charges

Interest		Fees	
Borrower Rate	12%	Borrower Arrangement Fee	2%
Margin	0% - 2%	Payable to broker	0%
Rate to investor *	10%-12% (see details later in this report)	Exit Fee	3%
Interest Payments	All interest paid upon repayment		
Capital Payments	Lump sum repayment		
Risk			
All new loans are subject to analysis by Sourced Capital using a credit risk model. The derived loan categorisation is determined by assessment of different characteristics of the loan. These relate predominantly to the borrower's experience and credit standing, the nature and quality of the project to be funded, the robustness of the exit strategy and the level of loan security. The risk categorisation is intended only to provide a means of comparison between different loans based upon constant data inputs. The loan categorisation does not and is not intended to provide any assurances as to which loans may or may not experience repayment issues.			
Risk Category (lower/medium/higher)	Medium		

Project Details

Proposal

- The borrower is raising a total loan amount of £1,496,000 which will be used to assist with the purchase and development of a residential development site which benefits from implementable planning permission to erect 4 detached 5-bed, new-build dwellings.
- The land to be purchased (formerly occupied by St Luke's Mission Church, Quarry Road, Brinscall, Chorley) is approximately 0.39 acres in size and provides a gently sloping site of irregular shape.
- The total loan proceeds are sufficient to take the full project of 4 properties to Practical Completion. This approach of a single phase development is deemed appropriate given the size and nature of the scheme.
- A loan term of 15 months is proposed, allowing a 9-month period for the construction, followed by a further 6 months to complete the sales and realise sales proceeds. Whilst it is known that the borrower is intending to market the properties during construction, it is considered prudent to allow an adequate time post-construction for all legal formalities to be finalised and full repayment to be delivered.
- Repayment of the loan will be achieved via sale proceeds generated against the completed dwellings.
- Further details regarding the site and the valuations will be provided later in this Credit Report. As will be detailed, it is possible that the loan could be repaid from the sale of just three (of the four) properties.
- This Credit Report includes a full financial appraisal in a later section. For ease of reference, however, and to assist readers of this report gain an early understanding of the proposal, a brief summary is also provided here:
  - The borrower has negotiated to acquire the site for an agreed price of £540,000 + fees / SDLT / costs. To complete the proposed conversion, there is a total projected build cost of £1,096,000 (£1,012,920 + contingency).
  - The difference between the total costs (£1,636,000) and the loan amount (£1,496,000) is the borrower's cash contribution to the purchase of £140,000 + payment of all associated purchase costs, which will be injected at the outset.
- Whilst the total loan facility agreed is £1,496,000, the first tranche raised from lenders is £856,443. The second tranche for the remainder of the loan will be raised at a future date and lenders are reminded to be aware of the terms outlined within the "important Notice" section earlier in this report.
- Of the £856,443, only £400,000 will be released on Day 1 to assist the purchase. The remainder of loan proceeds will be withheld by Sourced Capital and released in managed drawdowns to the contractors as the scheme progresses. The release of these withheld funds will only be made against receipt of acceptable interim reports from an Independent Monitoring Surveyor confirming that the amounts are appropriate against the progress made and the remaining costs to complete the scheme.

- The loan terms are summarised below:

Loan amount	£1,496,000
Forecasted GDV	£2,150,000
Loan interest rate for lenders*	10% per annum
Bonus interest paid to lenders	2% per annum on investments over £20,000
Borrower Interest Rate	12% per annum
Loan term	15 months
Repayment of interest	End of the term / upon repayment of the loan
Loan security	First Legal Charge over the land and properties built thereon. Other security to include a PG, debenture and collateral warranties
Loan exit	Repayment from sales proceeds
Planning status	Full Consent Held
RICS independent valuation completed	Yes – see comments later in this report

Borrower

Borrower	MY INFINITY HOMES LTD (MIHL)
Company Number	13461912

- MY INFINITY HOMES LTD (MIHL) is a new company, specifically established for the purposes of this venture. The company was first incorporated 17th June 2021 and has not yet actively traded.
- Prior to the deal progressing to completion, Sourced Capital's legal due diligence process will ensure that there is no security registered by MIHL in favour of any other lenders and also that no other borrowing liabilities are outstanding. The borrower will be confirmed as a clean special purpose vehicle (SPV).
- The company has the SIC Code of 41100 (Development of building projects). This is considered appropriate and acceptable for the intended trading activity.
- The shareholding of the borrowing company (MIHL) is as follows:
    - 34% owned by Moinuddin Patala (MP)
    - 33% owned by Sean Creighton (SC)
    - 33% owned by Ian Wardle (IW)
- MP brings a wealth of knowledge and experience that will be relevant and beneficial to the proposed scheme. MP has been actively engaged in property for the last 5 years, successfully completing developments and buy-to-let conversions.
- In addition to his personal property track record, MP has over 15 years work experience in senior positions for a very large national Insurance Society. His CV shows his recent roles to include Head of Finance and Risk at internal audit and Head of Investment Office (responsible for overseeing the performance and of investment funds for the Group). These analytical and financial management abilities bring obvious transferable skills with regards to managing a development project

- IW and SC combined have over 30 years of construction experience and are the main shareholders in the proposed principal contractor for this project, Advent Construction.
- IW is a fully qualified quantity surveyor and between IW and SC, they have successfully completed a large number of development projects with schemes ranging from small house builds, student accommodation developments and private finance initiative schemes with values in excess of £150m.
- MIHL, MP, SC and IW have all provided a clean credit reference search and have fully satisfied the regulatory requirements of Know Your Client (KYC) Anti Money Laundering (AML).
- The ownership/management structure of the borrower is deemed fully adequate for the proposed project and this will be supplemented by appropriate professionals being engaged to support the borrower. This will include all technical assistance needed pre-development in relation to architects, structural engineers, etc.

Site Details and Property Details

- The development site to be purchased is known as the land previously occupied by St Luke's Church, Quarry Road, Brinscall, Chorley.
- The site is now cleared land of approximately 0.39 acres with implementable planning permissions in place for a new development of 4 x 5-bedroom detached residential dwellings.
- Brinscall is a semi-rural Lancashire village, located approximately 3 miles north-east of Chorley and 11 miles south-east of Preston. Brinscall borders the similarly-sized villages of Withnell and Abbey Village and is deemed a desirable location appropriate for the type of development proposed.
- Brinscall offers local amenities, including shops and services. As required, a much wider array of amenities is available in the nearby town center of Chorley or Preston City Centre.
- The target site is bounded on each side by residential dwellings/gardens. The surrounding land is a mixture of residential, agricultural and woodland, with the wider surroundings being a mixture of agricultural, woodland and moorland.
- The location provides good levels of connectivity for residents. Local bus services regularly run through the village to a number of surrounding towns. The nearest local railway stations are Chorley or Pleasington, each located approximately 3½ miles away and both give access to the national network connecting via Preston or Manchester.
- By road, Junction 8 of the M61 motorway is just 2½ miles away, giving access to the wider motorway network in any direction via the M6, M62 and M60.
- Full details of the planning permission held is available by viewing the local authority's planning portal Simple Search (chorley.gov.uk) using the reference **20/01171/FUL.** This approval decision was granted 03/02/21 and all planning documents are available for viewing via the above link.
- In addition to the local authority's website, detailed information regarding the proposed scheme is provided within the independent valuation report produced by WT Gunson dated 18/1/22 and is available for viewing by lenders.
- The new-build houses will be timber framed and constructed on block and beam foundations, with rendered cavity brick elevations (front elevation clad in stone) set beneath pitched tile covered roofs.
- Plot 1 will be smaller than the other three, with plots 2,3 and 4 being identical in terms of size layout. A breakdown of the Gross Internal Areas of the proposed accommodation is provided below:

Accommodation (Proposed)	m²	f²
Plot 1	160.20	1,724
Plot 2	187.90	2,023
Plot 3	187.90	2,023
Plot 4	187.09	2,023
Total Net Sales Area (NSA)	**723.90**	**7,793**

- Accommodation within plot 1 will be set over three levels. Ground floor accommodation will provide an entrance hallway, living room, open plan kitchen/dining/family room, utility, study and WC. First floor accommodation will provide a landing, 4no. bedrooms (one with en-suite shower room) and family bathroom. Second floor accommodation will provide a landing and 1no. bedroom.
- Plots 2, 3 and 4 are also set over three floors. Ground floor accommodation will provide an entrance hallway, snug, kitchen, dining/family room, utility, study, shower room and WC. First floor accommodation will provide a landing, 4no. bedrooms (one with en-suite shower room and balcony) and family bathroom. Second floor accommodation will provide a landing and 1no. master bedroom suite with dressing room and en-suite shower room.
- Each of the four dwellings will benefit from three off-road parking spaces.
- The site is to be connected to mains services including electricity, water and mains sewer drainage. An air source heat pump will provide heating and domestic hot water. Underfloor heating is to be provided at ground floor level.
- There is a CIL requirement associated with the new scheme. This requires the developer to pay an amount of £74,488.76. This requirement does not create any issues with the proposed repayment strategy and is accommodated within the costs allocated in the proposed loan structure.

Build Appraisal

- Following a robust tender process, the borrower has been given approval from Sourced Capital to formally appoint their chosen contractors relating to the construction. The borrower advises that they would like to use Advent Construction (North West) Ltd (ACL).
- The contractors have produced a total build cost and build schedule for the entirety of the development, pricing it at £937,920. Whilst costed as a fixed price, turnkey contract, a contingency of £82,492 has been added by Sourced Capital for prudence and good practice. This, in addition to the amount required for the CIL payment, brings the total build costs to the figure of £1,096,000, stated elsewhere in this Credit Report.
- A JCT Building Contract between the borrower and ACL will be in place to confirm these figures and it is a condition of sanction that Sourced Capital's legal representatives are satisfied with the construction documentation before any funds are released towards the conversion costs.
- Sourced Capital has been provided with a detailed schedule of works, outlining a projected build term of 9 months. This has been reflected within the proposed loan term, allowing for a prudent 6-month sales/marketing period thereafter.
- The contractors have also provided a projected cash flow to accompany their schedule of works. The first tranche for this loan of £856,443 is calculated to accommodate the £400,000 Day 1 release for the land purchase and the first three months of development costs. The subsequent second tranche raise will then provide the remainder of the funding needed for the final six months of the build programme to achieve Practical Completion of the 4-house development scheme.

- It is comforting to note that the 6-months sales period allowed for in the loan structure is completely in line with the comments from the independent valuer who expects 1-6 months to secure a sale on each of the dwellings, adding that they "*consider there to be an adequate demand for this type of site on both a sale and rental basis.*"
- An independent monitoring surveyor (MS) has been appointed to overview the aforementioned build schedule/costs and further details regarding their initial report will be discussed in a later section of this credit report.
- Going forwards, the MS will provide interim reports to confirm all is in order with the development prior to any funding being released from the loan.
- With regard to the contractor, ACL have previously successfully carried out a number of property development projects and have provided Sourced Capital with various case studies of their work which have been reviewed and verified.
- Directly relevant to this project, ACL have previously undertaken the design and construction of new-build houses in Speke, Liverpool. The overall contracted value was £850,000 and works included the full construction including a part piled site and a fully designed mechanical and electrical system.
- With regards to scale of capability for the contractor, ACL have also completed the design and the construction of 231 student apartments in Liverpool City Centre. This project had a total value of £9m.
- Further information regarding ACL's previous work can be found on their website at Advent Construction – Advent Construction
- An important strength of this proposal for lenders to be mindful of is that, as well as being the main contractor for this project, ACL are also financially investing and joint venturing with MP on this project. The directors of ACL are shareholders and key principals within the borrowing company.
- The ownership structure of the borrowing company means that ACL have agreed to undertake the development work at a cost comfortably below what would be expected to be "market price". The reason is fully understandable, in that ACL are not taking their usual contractors' profit from the build. Instead, the lower build costs will enhance the profitability of the development project (4 x new houses) and the shareholders will take their profit from the development instead of from the construction.
- From a lenders' perspective, it is clearly preferable that that the construction company has a vested financial interest to ensure that the development scheme successfully completes and is a financial success.

Monitoring Surveyor

- Egan Quantity Surveying have prepared an Initial Monitoring Surveyor Report, dated 22nd February 2022. A copy of this document is available for viewing by lenders.
- The independent MS was instructed to review the proposed build costs/schedule provided by the contractor, ACL and also comment upon any other salient issues.
- Given that the amounts and timelines for this project have been mentioned elsewhere in this credit report already, it is not proposed to unnecessarily repeat that same information in this section of the credit report
- Within their initial report, the MS comments that both the allocated build costs and build term look realistic and sufficient to take the project to practical completion.
- Planning permissions are confirmed as acceptable. Sourced Capital will require evidence that all pre-commencement conditions are satisfied, with the MS advising they will work alongside the

developer to monitor the discharge of any outstanding conditions which are designated as needing satisfying before the properties can be occupied

- The MS Report advises of the following contracts and appointments, the key team members being:
    - Contractor: Advent Construction Limited (via a JCT Design and Build 2016 contract)
    - Architect: Studio SDA
    - Engineer: BDI Structural Solutions Ltd
    - Monitoring Surveyor: EGAN Quantity Surveying Ltd
    - Building Control – TBA
    - New Build Warranty Provider – TBA
- At the time of writing this Credit Report, neither the architect nor engineer have yet been formally contracted. Sourced Capital is, however, fully aware that the borrower is in advanced discussions with these professional parties. It will be a condition of sanction that all members of the Professional Design Team are formally contracted, that they have confirmed acceptable levels of PI Cover as well as satisfying the need to have evidenced their ability to provide adequate collateral warranties, all prior to the drawdown of funds.
- There are no issues of concern raised within the Initial MS Report.

Valuation

- An independent professional valuation was instructed by Sourced Capital, with the correctly addressed report produced by WT Gunson dated 18th January 2022. A copy of the valuation report is available for viewing by lenders.
- WT Gunson provided their valuation for Secured Lending Purposes and have confirmed they know we are "…..*relying on this report for evaluating the borrowers proposal and the security value of the property*". The valuer also advises that, subject to the required legal due diligence they "…*confirm the site is suitable as security for a loan*"
- Within the afore-mentioned report, the Day 1 Valuation is advised as £540,000 (as shown on the front page of this Credit Report). The loan structure agreed with the borrower is for Sourced Capital to release just £400,000 at this juncture, with the borrower introducing £140,000. The Loan to Value (LTV) will, therefore, equate to just 74% on Day 1.
- The professionally advised Gross Development Value (GDV) after completion of the development is £2,150,000. Using this figure and the fully drawn loan amount of £1,496,000 (including all contingencies), the Loan to Gross Development Value (LTGDV) equates to 69.6%.
- All valuation figures provided by WT Gunson have been prepared in accordance with normal practice and they have valued the property by way of the residual and comparable (market) approach. Full details of the properties and development site sales assessed to help determine the GDV are detailed within the valuation report.
- The valuer projects the individual GDVs of the new-build properties will be £500,000 (£3,125psm) for plot 1 and £550,000 (£2,933psm) for plots 2,3 and 4.
- The Day 1 Valuation advised by the valuer is calculated by using the projected GDV and then calculating what would be deemed the remaining value after allowing for all potential costs of the development – including the expected developer's profit. This is the industry-wide accepted approach known as the residual value methodology.
- As is typical with all Sourced Capital's new loans, in addition to the Open Market Value (OMV), the valuer was also requested to advise a GDV figure adjusted to reflect the special assumption of a restricted marketing period of 180 days. This is requested to effectively reflect a distressed

sale scenario. In this instance, the valuer has advised that there would be no adjustment needed to the £2,150,000 GDV if a restricted marketing period was evident.

- Lenders can, therefore, take comfort in the knowledge that the independent professional valuer is of the opinion that the maximum marketing period needed to achieve the full GDV is just 6 months.
- The valuer indicates no anticipated issues with regards to contamination, flood risks or other environmental issues impacting the site. A full review of these issues will form part of the legal due diligence process and specific searches and surveys will need to be provided as a condition of sanction.
- In summary, the main weakness highlighted by the valuer is the lack of garage provision, albeit all properties get three parking spaces. Looking at the positives, however, the valuer advises that the site is located in a popular well-regarded village location and is fully supportive regarding saleability.
- All the figures referenced in this credit report are consistent with those detailed within the independent valuation report.

Financial Appraisal

- A summary of the key financial metrics is provided in the table below:

	Financial Summary		
Purchase Price	£540,000 + Acquisition Costs		
Day 1 Market Value	£540,000		
Borrower Cash Contribution	£140,000 + Acquisition Costs		
Loan for Purchase	£400,000		
Loan for Development Works	£1,096,000		
Total Facility	£1,496,000		
Finance costs (Full interest and all fees)	£299,200		
Cost of Works (Includes contingency)	£1,096,000		
Acquisition Costs (Paid by borrower)	£29,000		
Total Project Costs	£1,935,200 (+ Acquisition Costs)		
Estimated Developer Profit	£214,800 (- Acquisition Costs)		
Forecasted Profit / GDV	9.99% (pre acquisition costs) 8.64% (post acquisition costs)	10% GDV Drop	20% GDV Drop
Forecasted GDV †	£2,150,000	£1,935,000	£1,720,000
LTGDV	69.6%	77.3%	86.9%
LTV at purchase*	74.1%	N/A	N/A
† The Gross Development Value (GDV) is based on the independent professional valuations using comparables from “On-Market” and “Sold” prices of similar properties. *The LTV at Purchase is calculated using the Day 1 Valuation and the initial release from the loan.			

- The advised LTGDV of 69.6% is calculated assuming all the loan balance has been fully drawn. This includes full use of the contingency that has been included within the loan for prudence.

- The full loan amount of £1,496,000 will be raised across two different tranche loans and released in structured drawdowns by Sourced Capital.
- The first amount of £400,000 will be released to support the purchase of the property. These funds will only be released by the solicitors acting for Sourced Capital to legally complete the purchase when all legal due diligence has been satisfied. At this point, the borrower will have full ownership and the loan security will be confirmed as being correctly in place.
- The remaining £1,096,000 from the total loan proceeds will be released to support the development costs being incurred by the borrower.
- These funds will be drawn down via a number of separate releases, following receipt of satisfactory interim reports from the Independent Monitoring Surveyor (MS). Following each site visit, the MS will provide a report advising Sourced Capital as to the amount of funds to be released (reflecting the work done to that point). Those interim reports from the MS will also advise if the standard of work is acceptable and compliant. In addition, the MS will comment on the projected time and costs remaining to complete the development.
- This proposed loan structure enables Sourced Capital to closely monitor the development as it progresses. In turn, we will regularly update lenders regarding the development of the finished scheme and whether it remains on course to be successfully delivered as expected within the agreed loan structure.
- Given the strong security position and the deal dynamics, lenders can see from the above table that the LTGDV stays below 80%, even allowing for a 10% reduction in the professionally advised GDV.
- For further comfort, should the GDV reduce in value by as much as 20% from the point of loan drawdown, there is still ample security cover, with the LTGDV being 86.9% when using these distressed assumptions.
- As mentioned earlier in this Credit Report, there is a CIL requirement to pay an amount of £74,488.76. This requirement does not create any issues with the proposed repayment strategy and is accommodated within the costs allocated within the loan structure.

Exit

- The primary strategy for repayment of the loan is from the sale of the properties being developed.
- As previously detailed within this Credit Report, the loan structure provides all the required funding for the projected development costs (including a contingency and CIL).
- The independent valuation instructed by Sourced Capital was obtained to determine the projected security values and is fully supportive of the proposed loan structure.
- In addition to the headline GDV, the independent valuation advised that even with a restricted marketing period of 180 days, the properties would still be expected to sell for the advised GDV of £2,150,000. Consequently, even in a distressed sale position, the valuations indicate that investor capital should not be at risk.
- The level of security cover provided by the LTGDV provides comfort for lenders. The prices realised by the borrower at sale would need to be more than £654,000 (30%) below the GDV, advised by the professional valuations (provided specifically for loan security purposes) before any lender capital is at risk of loss.
- In assessing the exit strategy, it is a strength for lenders that the security is represented by four different units. This removes the risk of needing to sell a high value single unit – which would likely have a limited target buyer market.

- It is additionally comforting to note that the full loan could be repaid from the sale of just three of the four units. This gives significant scope for downward price fluctuation, should that ever be evidenced in the housing market.

Security

- The primary loan security is the unfettered first legal charge to be held over the land being purchased and the properties being developed thereon.
- All the figures detailed in this Credit Report are based upon the opinion provided by an independent valuer and a copy of the full valuation report is available for viewing by lenders.
- Against the advised Day 1 valuation of £540,000, the Loan to Value (LTV) is 74% with the initial £400,000 drawn.
- The full loan of £1,496,000 against the advised GDV of £2,150,000 represents a LTGDV of 69.6%.
- Full details of the property have been provided earlier in this credit report.
- A joint and several personal guarantee (PG) of £500,000 will be provided by the three key principals (MP, SC & IW). For absolute clarity, there is no allocation of any value to the personal guarantee within the LTV calculation. This PG is being taken to formally connect the principals to the loan and to demonstrate their belief and commitment to the scheme proposed.
- MP, SC and IW have provided details of their personal assets/liabilities. For confidentiality purposes, however, these will not be published on the platform as there is no reliance upon the PG when assessing the LTV.
- A 1st-ranking debenture will be held in relation to the borrower. Similar to the PG, no security value has been allocated to the debenture.
- To complete the security suite, Collateral Warranties from the Architect and Structural Engineer will be held.

Conditions and Covenants

Conditions Precedent

- Sight and satisfaction with a full independent valuation of the land and proposed scheme, confirming the figures shown in this Credit Report.
- Sight and satisfaction with an independent Monitoring Surveyor's Report.
- Confirmation of implementable planning for the proposed development – matching the appraisal.
- Satisfactory Report on Title or appropriate title indemnity insurance.
- Satisfaction that Energy Performance Certificates will be in place and will be compliant with requirements – currently rating level "E" or better.
- Independent MS to visit site monthly to value the works and report to us no less frequently than bi-monthly.
- Representative of Sourced Capital to visit the Properties or arrange a virtual visit as appropriate.
- Drawdowns not more frequently than monthly against satisfactory MS certificates.
- All professional reports are to be addressed to Jark Security Trustee Limited (as Security Trustee).
- Loan and security documentation with Collateral Warranties and step in rights.
- Satisfaction that all relevant parties of the development team hold adequate PI cover.

- Adequate insurance cover with Jark Security Trustee Limited named as First Loss Payee.
- Evidence of registration for new build warranty with an acceptable insurer.
- Confirmation from our MS that a build time of 9 months is achievable.
- The proposed contractor to be acceptable to Sourced Capital.
- Sight and satisfaction of an appropriate JCT contract from the proposed contractor.

Covenants

- Max 70% loan to GDV.
- We do not fund VAT so the Borrower will need to cover VAT costs.
- The Borrower should ensure that sufficient working capital is available to meet the build costs between the stage drawdowns as certified by the MS.

Risk Appraisal

Security Risk – As with all property security, there is a risk that fluctuating market valuations may result in the security cover not being adequate to cover the loan balance, should there ever be a need to rely on the security in case of default. In this instance, with the loan to values stated, there is significant scope for any reductions in security value before the loan amount ever becomes exposed. An independent valuation has been instructed by Sourced Capital to assess the security cover and independent solicitors will be utilised to undertake the required work for Sourced Capital to perfect the loan security.

Development Risk – Any new-build development will present a risk to lenders that the construction works may not be completed to the required quality or may be subject to overrun on costs or timescales. The loan structure proposed provides a contingency for both cost and time with the security coverage calculated assuming the full amount (including contingency) being drawn. Sourced Capital has undertaken due diligence on the main contractor and a JCT contract will be in place giving comfort regarding the costings and the intended procurement method. It is additionally comforting that the owners of the main contractor for this project are also key principals within the borrowing company. They bring a wealth of experience and are also financially tied to the project becoming a success.

Exit Risk – The loan is being provided on the basis that the repayment will come via receipt of sales proceeds. The obvious risk to lenders is that the borrower is unable to sell the properties at the expected price point. The clear mitigant to this risk is provided by the security coverage held and the positive commentary from the independent valuer. The valuation appears extremely robust, and it is expected that there will be a lot of interest in the site from buyers. Notwithstanding this, the GDV could still reduce by over 30% before any lender capital is at risk.