



HJ COLLECTION

INFORMATION MEMORANDUM

TWO YEAR FIXED RATE LOAN NOTE - 16TH AUGUST 2019

SUMMARY

The following is a summary of the key points pertaining to the opportunity to invest in the Loan Notes of the Company and should be read in conjunction with the full contents of this IM.

The Company was established in February 2019 and is 100% owned by the Directors. The Company intends to acquire commercial properties to renovate for residential use to be let on a fully managed basis. The Directors have established separate limited companies which will undertake the development of the properties acquired by the Company.

The Company is seeking to raise up to £12,000,000 by issuing two variations of a Loan Note.



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TOMORROW**

| HJ COLLECTION

Issuer	HJ Collection Limited
Annual Interest	10% - 12%
Security	First charge over the assets of the Company.
Term	Two years.
Launch	1st August 2019
Ranking	All Loan Notes should rank pari passu, equally and rateably without discrimination or preference, alongside all secured creditors of the Company.
Minimum Investment	The minimum investment is £10,000 (with further tranches of £1,000 thereafter).
Maximum Investment and Target Raise	The maximum investment is £12,000,000.
Transferable	Ownership of the Loan Notes cannot be transferred to another party.
Security Trustee	Equity for Growth (Securities) Limited
Early Redemption by Investors	Investors cannot redeem the Loan Notes before maturity.
Early Repayment by Company	The Company can repay the Loan Notes before maturity. The Company will pay the Investor the equivalent of the interest accrued to the date of the early redemption.

HJ Collection Limited Two Year Fixed Rate Loan Notes. The Company is offering two variations of a £12,000,000 Loan Note to Investors.

Two Year Fixed Rate Income Loan Note

Coupon: 10% per annum
 Coupon Payment: Annually Year 1, semi-annually Year 2

The Loan Note will be a two-year term and interest is paid annually in arrears in year 1 and semi-annually in arrears in year 2. Interest will be paid from the issue date of Loan Note certificates.

Two Year Fixed Rate Capital Growth Loan Note

Investors may opt for interest on the Loan Notes to be paid at their maturity date at the end of the two-year term.

Coupon: 10% per annum plus 4% on maturity

Coupon Payment: On maturity

The Company will have the option to defer redemption of Loan Notes on maturity for up to an additional six months. Interest will be payable at 10% per annum, prorated to the date of redemption.

Deferral of Redemption

SECURITY

Investor security is the Company's priority.

In the event of a default, as defined by the Loan Note instrument, the Security Trustee will have the benefit of a first charge over the assets of the Company acting solely in the interest of Loan Noteholders.

IMPORTANT – The Company may seek additional finance. If this is the case, it is likely that the senior lender will hold a first ranking charge over the Company.

THE MARKET AND THE COMPANY

Background

The Company was established in February 2019 and is 100% owned by the Directors.

The Company intends to acquire commercial properties to renovate for residential use to be let on a fully managed basis.

The Directors have established separate limited companies which will undertake the development of the properties acquired by the Company ('the Developers'). The Company will engage the services of the Developers to project manage the developments pursuant to the terms of appointment between (1) the Company and (2) the Developers.

The Company will pay a build cost price, which is produced by a qualified quantity surveyor at the outset, to the Developers, which includes all associated services required for development ready for residential lettings.

The Company will also manage lettings of the properties and will liaise with its private letting contacts to secure lettings.





Strategy

The Company intends to produce a business plan in respect of each property acquisition and development project. The details of each potential project will be inserted into a proprietary feasibility software programme which will assist the Directors in assessing the viability of the property.

The main factors affecting the viability of a project are the purchase price of the property and the expected cost of renovation. The Directors intend to formulate costings for each unit renovated in a development. This will take into account all aspects of the renovation, project management, administration, licensing and liaison with councils.

STEP-BY-STEP PROCES



Exit Routes

The Directors envisage the following potential exit routes in respect of each property:

1. Retention and further financing by the Company

The Directors are of the view that loans for property-backed developments may be available in order that the Company can redeem the Loan Notes at the relevant time but retain the properties as a longer-term investment.

In addition, obtaining further financing in this way will enable the Company to expand its asset base by acquiring further properties in order to generate additional returns.

The Directors envisage a further financing or a refinance to be the preferred exit route. However, the Directors do understand that this is very much dependent on finance being available when required, and on the right terms.

Upon obtaining further financing from (or undertaking a refinance with) an institutional lender, it is likely that the institutional lender will require first ranking security over either the existing property held by the Company and/or future properties to be acquired by the Company.

This will be determined on a case by case basis, in accordance with the relevant lender's requirements. This will mean that the security provided to Loan Noteholders is subordinated such that, in the event of a default by the Company, the lender would have a first 'call' on the properties over which it took a first ranking security.

This process is also summarised in the Offer Letter, whereby Investors will be asked to give their advanced consent to a further finance or refinance such that when the Company does have the opportunity to progress a further finance or a refinance, it can do so expediently without having to obtain further consent from Loan Noteholders.

2. Sale to portfolio landlords

The Directors and their proposed developers have previous experience of selling property portfolios to existing landlords and envisage this to be another potential exit route.

3. Purchase by investors

The Directors envisage another potential exit route to be the sale of properties to investor clients, with the Company assisting with the sourcing of finance and managing the property.

4. Sale on the open market

It is envisaged that, in some cases (for example in respect of residential apartment blocks), the Company will 'pre-sell' individual units as 'off-plan' units. These pre-sales will be agreed pursuant to the terms of an agreement for lease under which the prospective tenant will be required to pay the purchase price in instalments, the final instalment of which will be due on the completion of a formal lease.

Pursuant to the terms of the agreement for lease and the lease, it is proposed that the Company will be entitled to draw down and use all purchase price instalments as and when they are made. This process is further summarised in the Offer Letter, whereby Investors will be asked to give their advance consent to this strategy.



Pipeline Projects

The three examples provided below are proposed developments that are being considered presently. All development projects are, by their nature, unique.

Development 1

Conversion of a building into 19 self-contained apartments using Permitted Development Rights, which allows conversion of B1 offices to C3 residential accommodation without the expense and time involved in a full planning application.

Purchase price	£850,000
Development costs	(19 x £28,750) £546,250
Total cost	£1,396,250
Income	(19 x £130 x 52) £128,440
Valuation based on 8% yield	£ 1,775,000

Development 2

Conversion of a building into 55 self-contained apartments using Permitted Development Rights, which allows conversion of B1 offices to C3 residential accommodation without the expense and time involved in a full planning application.

Purchase price	£2,950,000
Development costs	(55 x £28,750) £1,581,250
Total cost	£4,531,250
Income	(55 x £115 x 52) £328,900
Valuation based on 8% yield	£5,875,000

Development 3

Conversion of a building into 66 self-contained apartments using Permitted Development Rights, which allows conversion of B1 offices to C3 residential accommodation without the expense and time involved in a full planning application.

Purchase price	£2,200,000
Development costs	(66 x £27,500) £1,851,000
Total costs	£4,051,000
Income	(66 x £125 x 52) £429,000
Valuation based on 8% yield	£5,610,000

The Directors envisage purchasing and developing eight properties within any two-year period but this may fluctuate.

Revenues

The Company intends to repay the principal and make interest payments to Loan Noteholders via the following methods:

- income from letting the developed residential units
- retention of the developed properties and further financing obtained by the Company
- sale of the developed properties to landlords
- purchase of the developed properties by investors
- sale of the developed properties on the open market

Use of Proceeds

Funds raised through the issue of Loan Notes, after commission and working capital costs, will be used to fund all costs associated with the acquisition and development of commercial properties into residential accommodation to be let on a fully managed basis.

The Company envisages that up 20% of the funds raised will be used to pay commissions for marketing the offer. In addition, it is expected a further 10% of funds raised will be used to meet Working capital requirements.

Additional Funding

The Company reserves the right to seek additional funding. The additional funding may be secured by way of a first charge over individual assets held by the Company. The Company have agreed with the Security Trustee that the percentage of second legal charges as opposed to first legal charges will not exceed 30% of the combined gross security.

By offering additional prior ranking charges on individual assets it will reduce the amount of security held by Loan Noteholders by way of the Company debenture.

Company Structure

The current issued share capital of the Company is 100 Ordinary Shares of £1 each in the ownership of the Company's Directors.

"HJ Collection is set to revolutionise not only the development sector but also the property bond market, by introducing a managed portfolio comprising of multiple developers."

KEY TEAM MEMBERS

Management Team

Reece Mennie – Director

Reece is an accomplished entrepreneur and B2B expert. He co-founded Osborne Baldwin Limited (trading as ‘Hunter Jones’) in 2013, and he has been at the forefront of the investment opportunities that are introduced by Investment Managers within the company. In addition to his role at Hunter Jones, he has worked closely as a Business Development Manager for Empire Property Holdings whereby he developed a business-to-business network with a range of investment companies.

Previously, Reece began his career in sales for a printing company, starting at the bottom as a sales advisor and within a few years, becoming Head of Sales.



Most recently, he has worked closely with a number of private developers to assist in the structuring, distribution and financing of alternative property investments. Reece is happily married to his long term partner, Charlene and they welcomed their baby girl, Violet in November 2016. Outside of work, Reece devotes much of his time to spending it with his family but also enjoys hobbies such as football.



Words From Reece

"With the recent changes to the tax treatment of buy-to-let investments and the 'new normal' world we are currently facing, we genuinely believe for a great many people that property-backed loan notes are the smarter alternative. We have an extensive development skill set and can offer investors above-average fixed returns with the security of 'bricks and mortar' without the hassle of looking after tenants or worrying about occupancy.

HJ Collection brings additional innovation with extensive experience in government schemes such as permitted development rights and focusing on sustainable 'green' living."

A handwritten signature in blue ink that reads "Reece Mennie".

GENERAL INFORMATION

Statutory Information

The Company was incorporated on 19 February 2019 with the name HJ Collection Limited and with registered number 11834490. The principal legislation under which the Company operates is the Companies Act 2006. The liability of members of the Company is limited.

Registered Address:

Oaks Court
1 Warwick Road
Borehamwood
Herts
United Kingdom,
WD6 7GS



Directors & Company Advisers

Directors: Reece Robert George Mennie Daniel Wesley
Hewitt

Security Trustee: Equity for Growth (Securities) Limited

Solicitor: Keebles LLP

Accountant: JM Cane Associates

Corporate Advisers: Equity for Growth (Securities) Limited

Articles of Association

The current articles are the standard articles adopted on incorporation, a copy of which can be viewed online at the Companies House website or will be provided on request by the Company.

Interests of Directors & People with Significant Control

The interests of each Director and those of any person connected with them within the meaning of section 252 of the Companies Act 2006 ('Connected Person'), all of which are beneficial (except as noted below), in the share capital of the Company and the existence of which is known or could with reasonable diligence be ascertained by the Directors as the date of this document, are set out below.

Name	Share Count	Share Type	Norminal Value	% of Total Share Count
Reece Robert George Mennie	76	Ordinary Shares	£76	76%
Daniel Wesley Hewitt	24	Ordinary Shares	£24	24%

Other Information

The Company's accounts will be prepared under the historical cost convention and in accordance with applicable accounting standards in the UK. The accounts will be drawn up on a going concern basis.

The accounting reference date of the Company is 28 February, unless amended by the Issuer at a future date.

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PROFESSIONAL DEVELOPER & PROPERTY BOND PORTFOLIO

