

INFORMATION MEMORANDUM  
HJ Collection Limited  
Two Year Fixed Rate Loan Note  
16<sup>th</sup> August 2019



**The content of this document has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000. Reliance on this promotion for the purposes of engaging in any investment activity may expose an individual to significant risk of losing all of the property or other assets involved.**

## IMPORTANT INFORMATION

This document is exempt from the general restriction in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the ground that it is made to 'investment professionals' within the meaning of Article 19 of the Financial Services and Markets Act (Financial Promotion) Order 2005 (FinProm); persons believed on reasonable grounds to be 'certified high net worth individuals' within the meaning of Article 48 FinProm; persons who are 'certified sophisticated investors' within the meaning of Article 50 FinProm; and persons who are 'self-certified sophisticated investors' within the meaning of Article 50A FinProm.

The attention of prospective Investors is drawn to the "RISK FACTORS" section of this document on pages 11 to 15.

If you are in any doubt about the contents of this document, you are strongly recommended to consult a person authorised under the Financial Services and Markets Act 2000 ("FSMA") to give advice in relation to investment in equity and debt securities issued by unquoted single companies. An investment in HJ Collection Limited ('HJ Collection', 'Company, the 'Issuer') will not be suitable for all recipients of this Information Memorandum ("IM").

The purpose of this IM is to provide information to named individuals who have expressed an interest in the possibility of subscribing for HJ Collection Limited Fixed Rate Loan Notes ('Loan Notes') issued by the Company and, as such, provides details of a private offer to those individuals.

An Application Form to subscribe for Loan Notes will only be provided to persons:

- (a) whom the directors of the Company believe to be either (i) certified as a 'high net worth individual', (ii) certified as a 'sophisticated investor', (iii) self-certified as a 'sophisticated investor', in each case in accordance with the Financial Conduct Authority's (FCA) Conduct of Business Sourcebook (COBS), Chapter 4.7.
- (b) who are pension fund trustees investing pension money where the beneficiary of the pension would otherwise be entitled to invest in accordance with the terms of this invitation,

(referred to herein as 'Potentially Eligible Investors').

**Any investment to which this document relates is available only to such persons and other classes of person noted above and any other person and other class of person should not rely on this document.**

Potentially Eligible Investors should consider carefully whether an investment in Loan Notes is suitable for them in the light of their personal circumstances and the risk factors described on pages 11 to 15. The Loan Notes are a secured debt of the Issuer and they may not be a suitable investment for all recipients of this IM. Loan Notes are not transferable or negotiable on the capital markets and no

application is to be made for Loan Notes to be admitted to listing or trading on any market. Investment in an unquoted security of this nature, being illiquid, is speculative, involving a high degree of risk.

It will not be possible to sell or realise Loan Notes before they mature or to obtain reliable information about the risks to which they are exposed. There is no certainty or guarantee that the Issuer will be able to repay the Loan Notes.

This document is confidential and is being supplied solely for the information of the intended recipient and may not be used, disclosed, copied, reproduced, published or further distributed to any other person, in whole or in part, for any purpose.

**Nothing in this document shall be construed as the giving of investment advice by the Company or any other person. If you are in any doubt as to whether to invest in the Loan Notes described herein, you should consult an independent financial adviser ('IFA') who is qualified to advise on investments of this nature.**

This IM does not constitute a prospectus to which the Prospectus Rules of the FCA apply. Therefore, this IM has not been approved by the FCA or any other regulatory body. You should ensure that you have read and understood all of this IM before taking steps to apply for Loan Notes.

The distribution of this IM in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any such distribution could result in a violation of the law of such jurisdictions.

The information in this document is provided on a confidential basis.

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## 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.

### Issuer

HJ Collection Limited

### Annual Interest

10% - 12%

### Security

First charge over the assets of the Company.

### Term

Two years.

### Launch Date:

1 Aug 2019

### Closing Date

30<sup>th</sup> November 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

### Deferral of Redemption

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.

## 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 PROCESS

### Step 1: Due diligence

The Company wants to acquire suitable commercial properties in prominent towns or cities. The Company will undertake due diligence on any potential properties.

### Step 2: Purchase

Following a satisfactory outcome of the due diligence, the Company will seek to acquire the property.

### Step 3: Development

The properties will be renovated into residential accommodation using Permitted Development Rights where possible, or the equivalent full planning requirements. It is envisaged that the residential accommodation will comprise a mix of studios and self-contained flats.

### Step 4: Marketing and letting

Upon completion of the renovation of a property into residential accommodation, the Developers will liaise with private and council letting contacts in order to secure lettings and manage the studios and flats.

## 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, if 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 to 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.

## 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.

## **Daniel Hewitt – Director**

Being involved in property for most of his life, Daniel ventured into the property industry from an early age. He is an accomplished entrepreneur, property investor and B2C expert. He has worked with Hunter Jones since 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 previously worked closely as an independent property consultant.

Daniel started at the bottom as a sales advisor when he began his career in sales and within a few years, became Head of Sales and he is now the Portfolio Director. Most recently, he has worked closely with a number of private developers to assist in the structuring, distribution and financing of alternative property investments. He has raised to date in excess of £40M+. Daniel is very devoted to his family and spends much of his time outside of work with his family and friends, he enjoys hobbies such as football and cricket.

## **RISK FACTORS**

*The risks described below are those risks that the Directors of the Company consider at the date of this document to be material to a decision as to whether to make an investment in the Loan Notes but are not the only risks relating to the Company or the Loan Notes.*

*If any of the following risks, as well as other risks and uncertainties that are not herein identified or that the Company does not consider to be material at the date of this document, were to occur, they could have a material adverse effect on the Company's ability to fulfil its obligations to pay interest, principal or other amounts in connection with the Loan Notes.*

*Potential investors are strongly advised to consult their stockbroker, bank, solicitor, accountant or other financial adviser who is authorised under FSMA to advise on investments of this sort if they are in any doubt.*

## **RISK TO CAPITAL**

Invested capital is at risk and you may not get back what you invest.

The Company, like all businesses, is vulnerable to financial difficulties, and investing in unlisted corporate loan notes involves significant risk of default and loss of capital.

Investment in Loan Notes of this nature is speculative and involves a higher degree of risk than other types of investment. Investments of this type are not suitable for all investors.

## **NON-TRANSFERABLE & ILLIQUID INVESTMENT**

The Loan Notes are not transferable or negotiable on the capital markets and no application will be made for the Loan Notes to be admitted for listing or trading on any market. It will not be possible to sell or realise the Loan Notes until they are repaid by the Issuer and so please ensure you are fully aware of the risks involved and that you will not be able to cash in or sell your Loan Notes before their maturity date. Prospective investors should not submit an Application Form unless they are prepared to hold the Loan Notes for their full term. In the event of the death of a Loan Noteholder or in other exceptional personal circumstances, individual Loan Noteholders may be repaid early. However, any such early repayment is at the Company's discretion and subject to there being sufficient cash available at that time.

## **FINANCIAL SERVICES COMPENSATION SCHEME AND REGULATION**

The content of this document has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000. Please note that this is an **unregulated product**.

The compensation entitlements under the Financial Services Compensation Scheme (FSCS) **do not apply to this investment**. In the event of the Company being unable to pay either the capital or interest payments, the protections afforded by the FSMA, including recourse to the Financial Ombudsman Service and access to the FSCS, will not apply.

## **SECURITY NO GUARANTEE OF REPAYMENT**

Even though the Loan Notes are secured by way of a first charge over the Company's assets, meaning Loan Noteholders rank ahead of unsecured creditors in a default situation, the Company assets have not been valued and the presence of this security does not guarantee that investors in the Loan Notes will be repaid at maturity or receive their interest payments in full. The Loan Notes rank below employees and administrators and may rank alongside or even below other fixed and floating charge holders.

If the Company wishes to enter into other loan arrangements and issue further Loan Notes and to grant prior ranking security interests to banks and other lenders it will need the prior approval of the security trustee

More generally, where the Company has a number of secured creditors (even of equal ranking), the Company's available assets would be spread across a larger group of secured creditors in a default or insolvency situation, resulting in less being available to satisfy the claims of Loan Noteholders.

## **FIXED INTEREST RATE AND INFLATION**

The Loan Notes attract a fixed rate of interest and as such will not benefit from any subsequent increases in market interest rates. Accordingly, you should note that a rise in interest rates may adversely affect the relative returns that the Loan Notes offer. Further, inflation may reduce the real value of the returns over time.

## **NO RIGHT TO PARTICIPATE IN MANAGEMENT OR PROFITS BEYOND FIXED RETURN**

Loan Notes are a very different kind of investment to equity shares and investors do not own a stake in, or have any right to participate in management of, the Company. As such, Loan Noteholders will not be in a position to object to particular strategies or decisions of the Company's directors.

## **SECURITY TRUSTEE**

Whilst the security in favour of Loan Noteholders is held on their behalf by a Security Trustee, the Security Trustee shall not be responsible, nor shall it face any liability, for any loss incurred by the Loan Noteholders relating to a failure of the Company to make payments (whether of interest or of the principal amount) to the Loan Noteholders when due. The Security Trustee will not have any ability or responsibility to protect any monies in the accounts of the Company which may have been set aside for payment of interest or the principal amount in respect of the Loan Notes. The Security Trustee cannot guarantee return of any monies in the event of default. The Security Trustee has no role in the day to day management of the Company and its personnel are not experts in the Company's business. Accordingly, in the event that the security is enforced, there can be no guarantee that it will be possible to realise the assets for the same value as stated in the IM (or realise them at all in some cases).

## Risks Relating to the Company

Investments in this type of Company carry particular risks over and above the general risk of unquoted debt investment described above. Investors are reminded that there is no guarantee that the Company's strategy or trading activities will be successful, and that their investment is consequently at risk.

### **Performance Risk**

The Company may not perform as well as expected and may even fail completely. Investors are reminded that any financial forecasts included in this document are hypothetical projections only. Projected results have many inherent limitations and there are frequently sharp differences between such projections and the actual results subsequently achieved. The Company cannot make any representation or warranty as to what the actual results will be and has provided its projections by way of illustration only.

### **Personnel**

The Company's performance is dependent on the continued services and performance of members of its management team. If the Company does not succeed in retaining skilled personnel, fails to maintain the skills of its personnel or is unable to continue to attract and retain all personnel necessary for the development and operation of its business, it may not be able to grow its business as anticipated or meet its financial objectives including the servicing, and ultimately the redemption, of the Loan Notes.

### **Regulatory Risk**

Changes to existing laws or regulations, or the creation of new laws or regulations, may have an adverse effect on the Company's business and could result in the Company failing to generate sufficient returns to service the Loan Notes or redeem them in full (or redeem them at all in some cases).

### **Valuation Risk**

The Company may rely on the valuations of independent legal professionals. Such valuations will be used for the purposes of calculating the value of properties in financial reports and forecasts. There can be no assurance that such valuations will be correct or that such information will be received in a timely manner.

### **Operational Risks**

Operational factors may disrupt the Company's activities and result in increased internal costs, project delays, aborted projects and/or project cost increases. These risks may be related to and not limited to:

- the capacity of the staff and systems to develop properties
- the ability to source development opportunities and generate value
- the ability to retain key members of the Management Team (see 'Personnel' above)
- failure to satisfy contract conditions, budget cost overruns and losses.

If one or more of these risks were to occur, the Company may not generate sufficient returns to service the Loan Notes or redeem them in full (or redeem them at all in some cases).

### **Property Market Risks**

Fluctuations in the property market could affect the value of property purchased. Any negative fluctuations in the property market could affect the performance of the Company and its ability to repay Loan Noteholders.

### **Availability of Suitable Properties**

Whilst the Company has an initial three properties under offer, it may not be able to source or acquire the properties within the timescales (or at the prices) envisaged by the Directors, or at all. This could therefore affect the performance of the Company and its ability to repay Loan Noteholders.

### **Competition**

The property market is a highly competitive market and therefore the Company may face increasing competition from businesses which may have greater capital and other resources, resulting in fewer opportunities being available to acquire suitable properties.

### **Execution and Cost Risks**

Whilst the Company has already agreed build costs for the initial three properties under offer, it may find that the costs or other risks associated with buying the properties are in excess of the sums set aside for doing so, or are in excess of the amounts required to provide the returns identified in this document as being available to investors.

### **Funding Risk**

Financial institutions and/or other institutions lending to the Company may choose to withdraw their facilities due to changes in their lending policies or an inability to agree lending terms with the Company. Were this to happen, it may not be possible for the Company to meet its contractual obligations. This could result in a halt in development and potential financial losses.

### **Conflict of Interest**

Reece Mennie is a Director and major shareholder of both Osborne Baldwin T/A Hunter Jones and the Company. The companies are independent companies and therefore would not provide any financial assistance to each other.

In addition, the Company has engaged Hunter Jones to market the Loan Note issue. Please note that Hunter Jones has no additional incentive to market the Company's Loan Note Issue in priority to other products in its portfolio. Hunter Jones do not receive additional commissions from other agents to promote HJC above other investment products.

### **Other Risks and Considerations**

#### **Diversified Portfolio**

Investors are reminded to maintain a balanced portfolio. Diversification by spreading money across different types of investments should reduce overall risk. Investors should only invest a small proportion of their available investment funds via this offer (and others like it) due to the high risks involved.

#### **Taxation Risks**

The statements in this document regarding taxation only represent the Company's understanding of the current law and practice as regards the taxation of the Loan Notes. Nothing in this document

should be considered to be tax or legal advice and prospective investors are recommended to seek their own independent advice before investing. The tax legislation referred to herein may change in the future and such changes may have retrospective effect. Investors are reminded that any future legislation regarding taxation could also have an adverse effect on the Company's profitability.

Individual tax circumstances may differ from investor to investor and persons wanting to invest are advised to seek specific tax advice based on their personal circumstances.

### **Forward-looking Statements**

Certain information contained in this document constitutes "forward-looking statements", which can be identified by the use of forward-looking terminology such as "assumed", "example", "illustrative", "may", "will", "should", "expect", "intend", "anticipate", "project", "estimate", "plan", "seek", "continue", "target" or "believe", or the negatives thereof or other variations thereof or comparable terminology, and include projected or targeted minimum returns to be made by the Company. Such forward-looking statements are inherently subject to material, economic, market and other risks and uncertainties, including the risk factors set out in the 'Summary' and 'Risk Factors' sections of this document and, accordingly, actual events or results, or the actual performance of the Company, may differ materially from those reflected or contemplated in such forward-looking statements.

In addition, investors should not place undue reliance on forward-looking statements, which speak only as of the date of this IM.

## **TAX**

Investors are advised to take their own tax advice on the consequences of acquiring, holding and disposing of the Loan Notes. The comments below are of a general nature and are based on current United Kingdom (UK) law and practice. They relate only to the UK withholding tax treatment of interest payable on the Loan Notes. The comments do not deal with any other UK tax implications of acquiring, holding or disposing of the Loan Notes, and relate only to the position of Investors who are the absolute beneficial owners of the Loan Notes. Tax treatment depends upon individual circumstances and may be subject to change in the future.

For UK residents, the Company is liable to withhold tax at a rate of 20% (equivalent to the basic rate of income tax) on the interest payments made to the investor. Interest income is taxable in the UK at the taxpayer's highest marginal rate of income tax and, therefore, the investor may have additional income tax liabilities (subject to any domestic law exemptions).

The Issuer will make the necessary arrangements to deduct and pay basic rate tax due from any interest payment direct to HMRC. For Investors who are non-taxpayers, interest payments will still be paid net of tax and a tax certificate will be issued to the relevant investor after each interest payment.

For a corporate Investor or charity, in each case resident in the UK for corporation tax purposes, the interest payment will be paid gross without any withholding of tax at source from the interest paid. Interest on the Loan Notes may be subject to additional UK income tax or corporation tax by direct assessment, depending on the circumstances of a particular investor.

It is possible that legislation may change in the future or may be introduced with retrospective effect.

Individual tax circumstances may differ from investor to investor and persons wanting to invest are advised to seek specific tax advice based on their personal circumstances.

## QUESTIONS AND ANSWERS

### **HOW IS A LOAN NOTE DIFFERENT FROM A LISTED CORPORATE LOAN NOTE OR GOVERNMENT LOAN NOTE?**

Loan notes cannot be transferred to someone else, either legally because their terms prohibit it or practically because there is no ready market for their sale and purchase. In contrast, retail corporate loan notes and government gilt-edged securities are freely tradeable instruments with a liquid market.

Loan notes are much higher risk investments. Unquoted loan note issuers, and the loan notes themselves, are generally not regulated by the FCA or any equivalent regulator and investments in them are not protected by the FSCS. Capital invested in loan notes is at risk of partial or total loss.

### **WHAT DOES A FIRST CHARGE OVER THE COMPANY MEAN?**

It is a form of security, usually granted in favour of the security trustee to hold on behalf of loan noteholders, which attaches to all current and future assets of the company and is not restricted to any specific assets alone.

### **HOW IS THE INVESTMENT SECURED?**

The investment is secured by way of a first charge over the assets of the issuer. The presence of this security does **not** mean, however, that capital and returns are guaranteed. Furthermore, the issuer may well take on debt from banks and other senior lenders and grant them security which ranks ahead of the loan noteholders and so those senior lenders would be paid out in priority to loan noteholders.

### **IS THIS A REGULATED PRODUCT?**

No, neither the Company nor the Loan Notes are regulated. Accordingly, this is a higher risk investment than alternative regulated products.

### **WHO CAN INVEST?**

Any individual who is over the age of 18, or a trust, company, or charity that is not prevented by the laws of its governing jurisdiction from applying for or holding the Loan Notes may invest.

Investors must also fall within one of the following categories:

- (i) certified high net worth individuals (as per COBS 4.7.9R);
- (ii) certified sophisticated investors (as per COBS 4.7.9R);
- (iii) self-certified sophisticated investors (as per COBS 4.7.9R);

We recommend that all investors speak to an adviser who is authorised under the FSMA and specialises in investments of this kind.

### **WHEN DO I GET MY ORIGINAL INVESTMENT BACK?**

All of your original investment is expected to be returned in full at maturity of the Loan Notes, being two years from the date of investment, unless redemption is deferred by the Company up to a maximum of six months from the date of maturity.

### **CAN I INCLUDE THIS INVESTMENT AS PART OF MY SIPP OR SSAS**

You may be able to hold your Loan Notes in a SIPP or SASS wrapper provided your pension provider is willing to accept non-standard assets such as unlisted securities. Investors must check with their pension provider first and should not assume the Loan Notes will be SIPP or SSAS-eligible.

**CAN I INVEST THROUGH A COMPANY AND ARE JOINT APPLICATIONS ALLOWABLE?**

Yes, corporate investments or joint applications can be accepted.

**WHEN IS THE START DATE OF THE INTEREST CALCULATED FROM?**

Interest is calculated from the date funds are cleared and made available to the Company (and all 'Know Your Customer' and Anti Money Laundering documentation has been received).

**CAN I SELL OR GIVE MY INVESTMENT TO SOMEONE ELSE?**

No, the Loan Notes are non-transferrable. Potential investors should consider carefully whether an investment in the Loan Notes is right for them in light of their personal financial circumstances, as they will not be able to sell the Loan Notes and receive their capital back until the end of the relevant term (two years).

**IF I DIE, WHAT WOULD HAPPEN TO MY INVESTMENT?**

The Directors will redeem Loan Notes held by the executors of deceased Loan Noteholders on maturity.

**WHAT TAX IS PAYABLE ON MY INVESTMENT?**

This will depend on your personal circumstances. In most cases, you will receive interest payments after the deduction of 20% 'withholding tax' which we will pay direct to HMRC on your behalf, as is required under UK law. In this case, we will supply you with an annual statement setting out the tax paid. Where you are a higher or additional rate taxpayer, you may be required to pay further tax. In certain circumstances, withholding tax usually does not apply, for instance where the subscriber is a UK company or where the loan notes are held in a pension. For all information about tax, we recommend that all investors speak to an independent specialist tax adviser who is authorised and specialises in investments of this kind.

**SHOULD I DISCUSS THIS INVESTMENT OPPORTUNITY WITH A FINANCIAL ADVISER?**

We recommend that all Investors speak to an adviser who is authorised under the Financial Services and Markets Act 2000 and specialises in investments of this kind.

**HOW DO I APPLY**

Investors can apply through an authorised financial intermediary or direct using the Application Form provided. We strongly recommend that investors consult an appropriately authorised financial adviser before making an application to subscribe for Loan Notes.

**I HAVE MORE QUESTIONS – HOW CAN I GET THEM ANSWERED?**

We would be very pleased to assist you with any questions you may have. You can e-mail the Company at [info@hjcollection.co.uk](mailto:info@hjcollection.co.uk) or call us on 0207 117 2583.

**HOW TO APPLY**

You may apply to invest in HJ Collection Limited Loan Notes from 16th August 2019.

The process for investing in the Loan Note is as follows:

1. Read the full text of this IM.
2. If you are in any doubt about the action you should take, or the contents of this document, consult a professional adviser authorised under FSMA who specialises in advising in shares and other securities.
3. Once you have decided to proceed, you should request an Offer Letter. This can be done through your financial intermediary or by e-mailing [info@hjcollection.co.uk](mailto:info@hjcollection.co.uk)
4. Make yourself familiar with the application Terms & Conditions.
5. Submit your Form of Acceptance (contained within the Offer Letter) and AML (Anti Money Laundering) documentation to [loannote@hjcollection.co.uk](mailto:loannote@hjcollection.co.uk)
6. Once an application is accepted, an investor will receive an e-mail confirmation on how to submit payment.
7. Following receipt of funds, the investment will be recorded.
8. Investors will receive a certificate registering their ownership of the Loan Note. This will also be noted on the certificate register.

## 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	Nominal 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.

## Documents available for Inspection

Copies of the following documents may be inspected at the registered offices of the Company during usual business hours on any weekday (weekends and public holidays excepted), or can be e-mailed on request:

- (i) Articles of Association
- (ii) Company registers
- (iii) Security Trustee Agreement
- (iv) Debenture documents
- (v) Offer Letter
- (vi) Introducer agreement between the Company and Osborne Baldwin Limited