Lndn Base
URBAN LIVING REDEFINED

FIXED RETURN & EXIT OPTION

Preferred Capital Structure

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1. Overview

This Fixed Return structure is designed for investors seeking:

- **Predictable, fixed returns**
- **Priority repayment of capital**
- **Short-term exposure (6–9 months)**
- **No operational involvement**
- **No equity risk**

The investor participates as a **preferred capital provider**, not as an equity partner, and exits fully upon repayment of capital and fixed return.

This structure is commonly used in **UK Build-to-Sell (BTS)** projects acquired via **auction or off-market**, using **bridging finance** arranged and guaranteed by the operator.

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2. Legal & Commercial Structure

- Property acquired via a **Special Purpose Vehicle (SPV)** controlled by the operator (LNDN Base)
- A **bridging loan** is used to fund most of the purchase price
- The **bridging loan is arranged and personally guaranteed by the operator**
- The investor:
  - Does **not** hold equity in the SPV
  - Does **not** sign any Personal Guarantee
  - Has **contractual priority repayment**

3. What the Investor Pays For (Clearly Defined)

The investor funds **all upfront equity requirements**, including:

The investor pays:

Cost Category	Description	Timing / Notes
Purchase Deposit	**Auction:** 10% deposit paid immediately on auction day | **Off market / Open market:** Deposit paid at exchange of contracts	Upfront capital requirement
Lender (Bridging) Equity	Balance of equity required by the lender at completion	Typically, **20–30% of purchase price**, depending on LTV
Refurbishment Costs	Construction, refurbishment, fit-out works	Released in stages aligned with the build programme
Professional Fees	Legal & conveyancing | Survey & valuation | Broker fees | Selling / agent fees	Incurred across acquisition, development, and exit
Interest Buffer & Contingency	Bridging interest during the project | Buffer for delays or unforeseen costs	Essential for risk management and lender comfort

The investor does NOT:

- Fund the full purchase price
- Arrange the loan
- Sign a Personal Guarantee
- Hold long-term equity

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4. Role of the Operator

The operator (LNDN Base):

- Sources the opportunity
- Arranges the bridging loan
- **Signs the Personal Guarantee (PG)** on the bridging loan
- Manages refurbishment, compliance, and sale
- Assumes **lender risk and execution risk**
- Retains residual upside after investor repayment

5. Project Timeline — 6 to 9 Months

This is a **short-term BTS structure** with a clearly defined execution and exit window.

Typical Timeline

- **Month 0**
  - Property secured (auction or off-market)
  - Auction deposit or exchange deposit paid
- **Months 1–2**
  - Completion
  - Bridging loan drawn
  - Refurbishment begins
- **Months 2–5**
  - Refurbishment completed
  - Property prepared for sale
- **Months 5–7**
  - Property marketed
  - Sale agreed
- **Months 6–9**
  - Sale completion
  - Investor repaid capital + fixed return

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6. Capital Deployment — Step by Step

1️⃣ Auction Deposit (Immediate)

- **10% of purchase price**
- Paid **on auction day**
- Legally binding

2️⃣ Lender (Bridging) Equity (At Completion)

- Bridging lender funds **65–75%** of purchase price
- Investor funds the **remaining equity**
- Separate from the auction deposit
- Bridging loan is **personally guaranteed by the operator**

3️⃣ Refurbishment, Fees & Buffers (Post-Completion)

- Funds released **progressively**
- Aligned with refurbishment milestones
- Includes interest buffer and contingency

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7. Repayment Waterfall (Capital Protection)

Upon **sale or refinance**, proceeds are applied in this order:

1. **Bridging lender**
    - Principal
    - Interest
    - Fees
2. **Investor (Preferred Capital)**
    - 100% of capital invested
    - **+ 12% p.a. fixed return (pro-rata)**
3. **Operator**
    - Retains remaining upside (if any)

Investor repayment is **contractually prioritized**.

8. Worked Example — Auction Purchase (Illustrative)

Project Overview

- Purchase price (auction): **£450,000**
- Refurbishment: **Light refurb (10%)**
- Strategy: **Buy → Refurb → Sell**
- Target duration: **6 to 9 months**

Purchase & Financing

- Bridging loan (70% LTV): **£315,000**
- Investor equity toward purchase (30%): **£135,000**

Additional Investor Capital

- Refurbishment (10%): **£45,000**
- Legal, survey, broker & selling fees: **£40,000**
- Interest buffer & contingency: **£38,000**

🔷 Total Investor Capital Deployed

Component	Amount
Auction + lender equity	£135,000
Refurbishment	£45,000
Fees & contingency	£78,000
Total investor capital	**£258,000**

9. Investor Return — Fixed Return @ 12% p.a.

Assumptions

- Capital invested: **£258,000**
- Fixed return: **12% per annum**
- Investment period: **6 to 9 months**

10. Exit & Investor Pay-Out (one single payment)

Scenario	Capital	Fixed Return	Total Paid
6-month exit	£258,000	£15,480	£273,480
9-month exit	£258,000	£23,220	£281,220

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11. Returns & Capital Summary *(Illustrative — £450,000 Purchase)*

Unlike equity-based models, returns are contractually fixed, not linked to property performance, and are paid in full at exit.

12.1 Outcome Summary — Investor Snapshot

This table provides a one-glance overview of **capital deployed, capital returned, and timing**.

Metric	Investor Outcome
Total capital invested	£258,000
Return structure	Fixed (preferred capital)
Fixed return rate - ROI	12% p.a. (pro-rata)
Investment duration	**~6–9 months**
Capital returned	100% at exit
Return paid	Single payment at exit
Equity ownership	None
Exit routes	Sale or refinance

📌 *The investor exits fully upon repayment of capital and fixed return.*

12.2 Capital Protection & Cash Flow Logic

This structure prioritizes **capital preservation and predictability**.

Feature	Investor Position
Capital ranking	Senior to operator
Repayment priority	Before any operator profit
Exposure to leverage	None
Personal Guarantee	Operator only
Downside protection	Contractual repayment
Upside participation	None (fixed return only)

📌 *The investor does not participate in profits or losses beyond the fixed return.*

Key Clarifications

- This is **not an equity investment**
- The investor does **not** participate in:
    - Rental income
    - Capital appreciation
    - Market upside or downside
- Returns are:
    - Fixed
    - Time-bound
    - Contractually prioritized
- The operator absorbs all execution and market risk after investor repayment

Ideal for

- Passive investors
- HNWIs, Family Offices
- Overseas investors who want UK property exposure without equity risk, operational involvement, or reliance on market growth.

Investor Summary

Using an illustrative £450,000 acquisition, the investor deploys £258,000 as preferred capital and receives a fixed 12% annual return, paid in full at exit within approximately 6–9 months. Capital is repaid in priority, with no equity exposure, no operational involvement, and no reliance on property price growth.