

Variation Agreement Ref No: PCP292a to Private Loan Agreement Reference Number PCP292

BETWEEN

Ian Day of 44 North Road, St Andrews, Bristol, BS6 5AF and, FORMERLY, White Horse Trustees Limited (a company registered in England with Company Registration Number 07214737) whose registered office is at Hartham Park, Corsham, Wiltshire, SN13 0RP, as Trustees of the Bristolpad Pension Scheme, NOW, Cranfords Trustees Ltd (09771053) International House, Constance Street, London E16 2DQ as Trustees of the Bristolpad Pension Scheme (the Lender)

AND

Prosperity Cathedral View NMPI Ltd CRN-10497876 of Devonshire House, 60 Goswell Road, London, EC1M 7AD (the Borrower)

Background

- (A) The Lender and the Borrower have agreed for the **PRIVATE LOAN AGREEMENT PCP292** dated 19th February 2019 (Agreement) a copy of which is attached at Annex 3 of this variation agreement.
- (B) The Borrower requires further time to repay back the Total Loan Sum. Consequently, the parties have mutually agreed the Original Term in the Agreement be extended by 7 months and 11 days (224 days).
- (C) The parties, for good consideration, wish to amend the Agreement, pursuant to clause 10 of the Agreement, as set out in this variation agreement with effect from 19th February 2020 (Variation Date).

Agreed Terms and Definitions

- 1. In this variation agreement, the expressions defined in the Agreement and used in the variation agreement have the meaning set out in the Agreement.

Definitions for the variation agreement

Original Term: 12 months from 19th February 2019 (ending 19th February 2020)

New Term: 7 months and 11 days (224 days) extension from the Original Term from 19th February 2020 (ending on 30th September 2020)

Consideration

- 2. The mutual promises set out in this variation agreement; the parties agree to amend the Agreement as set out below.

Variation

3. With effect from the date of this agreement the parties agree the following amendments to the Agreement:

3.1 There will be an extension made to the Original Term by a period of 7 months and 11 days (224 days).

3.2 Interest accrued up to Wednesday 19th February 2020 will be calculated by the number of days to elapse from the commencement of the Agreement is to be added to the capital amount, as outlined in the summary below.

3.3 Annex 1 in the Agreement shall be varied and replaced with Annex 1a in this variation agreement. The repayment schedule as referred to in Annex 1a will outline the amount of interest to continue to accrue on the new capital amount to be paid at the end of the New Term.

3.4 As per the email sent from the Borrower to the Lender on Tuesday 22 October 2019, a copy at Annex 2a where it states *"For those lenders who agree to extend their loans we are going to offer a share of 10% of the profit for the Local Authority sale route as a small thank you."* and any subsequent correspondence on the subject, the Borrower shall ensure the following;

- a. In the event that the Borrower enters into a contractual arrangement with Derby City Council relating to the lease or sale of The Croft, 10% of any additional profit created and received by the Borrower due to this arrangement will be shared amongst the relevant lenders; and
- b. The amount of the 10% payable to the Lender will be proportionate to the amount extended by all lenders under these terms.

See below a summary of PCP292 (Agreement) :

Loan Reference Number	PCP292
Name of Lender	Bristolpad Pension Scheme
Name of Signatory (if different from Lender)	Ian Day
Commencement date	19 th February 2019
Amount of Loan	£75,000.00
Interest rate	15%
Number of days to 19/02/2020	365 days
Total Interest accrued to 19/02/2020 to be added to the capital amount	£11,250.00
New capital amount to continue to accrue interest at 15% per annum from 19/02/2020	£86,250.00

Agreement

4. Except as set forth in this variation agreement, the Agreement shall remain unaffected and shall continue in full force and effect in accordance with its terms to which both parties remain bound by. In the event of conflict between this variation agreement and the Agreement, then the terms of this variation agreement shall/will prevail.

Governing law and jurisdiction

5.1 This variation agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and interpreted in accordance with the law of England and Wales.

5.2 The parties irrevocably agree that the courts of England and Wales have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) that arises out of, or in connection with, this variation agreement or its subject matter or formation.

This agreement has been entered into on the date stated at the beginning of it.

Signed by

**Ian Day
(the Member Trustee on behalf of Bristolpad
Pension Scheme)**

Dated.....

Signed by

**Gavin Barry
(On behalf of the Borrower)**

Dated.....

Signed by

**Paul Davies - Director
(the Trustee on behalf of Cranford Trustees Ltd)**

Dated.....

ANNEX 1a

Repayment Schedule

Loan Amount: **£86,250.00 (Eighty-Six Thousand Two Hundred and Fifty Pounds)**

Interest Payable: **15% per annum**

Commencement Date: **Wednesday 19th February 2020**

Repayment Date	Capital Balance Remaining	Capital Repayment	Interest Accrued
End of month 1	£86,250.00	0	£1,078.13
End of month 2	£86,250.00	0	£2,156.25
End of month 3	£86,250.00	0	£3,234.38
End of month 4	£86,250.00	0	£4,312.50
End of month 5	£86,250.00	0	£5,390.63
End of month 6	£86,250.00	0	£6,468.75
End of month 7	£86,250.00	0	£7,546.88
End of 224 days	£86,250.00	£86,250.00 *	£7,939.73

*unless an extension has been agreed as set out in clause 10 of the Agreement.

Annex 2a – Email dated 22 October 2019

From: Fraser MacDonald <fraser@prosperitycapital.co.uk>
Sent: 22 October 2019 20:33
To: Fraser MacDonald <fraser@prosperitycapital.co.uk>
Cc: Susan Clough <sue@prosperitycapital.co.uk>; Victoria Pevitt <victoria@prosperitycapital.co.uk>; Jade Watkins <jade@prosperitycapital.co.uk>
Subject: Important update for Croft Investors (II)
Importance: High

Dear Croft Investor,

As you are all aware, we had previously agreed a sale to Far East Orchard (FEO) for The Croft which we were due to exchange in August and complete at the end of October 2019. Unfortunately, FEO have delayed the acquisition until such a time the occupancy for 2020/21 has been established which will probably be early next year – February/March 2020.

This is disappointing as some of our Investors in this project were expecting their investments returned upon completion of the sale at the end of this month. We apologise for this situation and we will be calling to speak with all whom this affects in the coming days to try and agree arrangements that limit any inconvenience as much as we are able.

While this is frustrating it presents the development company with an opportunity to explore other exits which we have been working on recently which could result in a much better outcome for the development overall.

1. We are in negotiations with the local authority about selling The Croft to them for what would be a significantly higher price than we have agreed with Far East Orchard due to how the sale would be structured; and
2. We are also expecting an offer from a specialist Ground Rent fund for the freehold which, once the leasehold income is sold, could also deliver a significantly increased value.

How will this affect you, our Investors?

The delay will unfortunately have a direct consequence for those Investors who are expecting repayment of their investments from the original completion date for the sale, 31/10/2019.

We will not be in a position to raise any further funds for the project and repay our investors before funds are received via one of the options outlined above.

This will mean that Investors will need to remain in the project until we either complete the sale with FEO or secure one of the alternative options outlined above, either of which could provide an earlier timeframe for repayment than the delayed sale.

Intermittent payments of interest and capital will also be affected and we are also proposing to suspend the scheduled payments of both partial capital and interest so that they roll until the final redemption of the loans in order that we are able to manage cashflow successfully in the interim.

Our desired new outcome is that we agree a sale with the Local Authority which would potentially be the more profitable scheme. For those lenders who agree to extend their loans we are going to offer a share of 10% of the profit for the Local Authority sale route as a small thank you.

Just to remind you, the Croft is a best in class purpose-built student accommodation asset built in arguably the best location in the Derby City Centre. We conducted a review last week of the first month of occupation with the students and operator Host. The feedback was excellent – all students, and parents, are very happy with The Croft and 20% of the students in occupation have already requested to book for 2020/21 which is very encouraging. Host also remarked that the amenities are being used continuously by the students and Host consider them to be the best communal spaces they have across their entire portfolio.

While this delay is frustrating our intention as Directors is to realise the best value for the asset and we appreciate your patience and cooperation in helping us to do this.

You may have already indicated that you wish your loan to be transferred to our St James House/Project Eagle development or are in conversation with us about this. If this is the case this transfer will still be happening. We are dealing with all loans on an individual basis but trying to email lenders together (which can be difficult), however as we need to communicate with you quickly following the update from FEO I trust you understand this point.

We will continue to update you with the progression we make on the options outlined above over the coming weeks.

Regards, Fraser



Fraser Macdonald
Group Head of Investor Relations

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Annex 3 – Agreement