



Clearwell Capital



CODE
Investing

10% annual interest (gross)

3-year term

Up to £1.5 million raise

Secured by a debenture on the plc and its loan assets

About Clearwell

Clearwell is a growing business which specialises in supplying “mezzanine” finance to small and medium sized residential property developers. All of Clearwell’s development loans are secured with a charge on the property.

Since its first development loan in May 2013, Clearwell has provided £7.15m in finance to support the construction of 204 homes in 26 separate projects across the UK. Of these projects, 13 are now complete and loans repaid with interest. This equates to a total profit of £1.2m and a money on invested capital of 1.35x or 31% IRR. Clearwell expects to make a profit on all other outstanding loans.

Why Clearwell?

Investing in the Clearwell Bond One offers returns to the Investor, Developers, and Society as a whole. With interest rates at a historic low, the Clearwell Bond One offers investors an opportunity to benefit from high returns on a diversified portfolio of secured loans.

By investing in the Clearwell Bond One, you are supporting small and medium sized housebuilders.

Housebuilders have struggled since the financial crisis; in 2015, 76,000 fewer houses were built by small and medium sized housebuilders than in 2008. In comparison, large volume builders built a further 26,000 houses in 2015. Clearwell feels that this is because overly conservative lending practices by larger financial institutions favour lending to the larger, low risk property developers.

It’s no secret there is a shortfall of housing in the UK, with an estimated annual deficit of around 90,000 houses between what is required and what is actually built. With the recent fall in small and medium sized housebuilds, there is significant spare capacity in this sector of the market. Clearwell believes that providing finance to this sector of the market will unlock this spare capacity, reducing the overall housing shortage.

Clearwell is well placed to service this market, having developed a portfolio of risk management capabilities that allow it to understand, assess and measure the unique risks associated with development lending. These capabilities combine quantitative modelling with softer project specific factors and a rigorous due diligence process to best ensure that Clearwell maintains its 100% track record.

Mezzanine Finance

Developers require mezzanine finance when they do not have the required funds to finance a project, having already taken out a “senior” loan from another development lender. Mezzanine loans are normally up to 90% of project costs and are higher risk than senior loans, however they are compensated by yielding higher returns. Clearwell’s mezzanine loans are secured with a second charge over the property being financed.



Use of Funds

Clearwell will use funds raised from the Clearwell Bond One issue to finance new development loans made by the company.

Corporate Structure (as at time of bond issue)

All activity to date has been in Clearwell Capital Ltd. Clearwell Finance plc is a new company set up to issue bonds. New assets created from the money raised from bonds will be held in Clearwell Finance plc. Both Clearwell Capital Ltd. and Clearwell Finance plc are to be held within the Clearwell Capital Group Umbrella.

Security

The bond is secured against all assets belonging to Clearwell Finance plc and is guaranteed by Clearwell Capital Group. Clearwell's debt assets are secured with either a first or second charge on properties against which it lends.

Directors

Ed Marley Shaw - CEO

Ed has over twenty years of finance experience, notably as Executive Director at Lehman Brothers and holds a Masters in Finance from London Business School. During his time at Lehmans and as Head of Origination for mortgage trading at Deutsche Bank, he built and acquired loan origination businesses.

Ed founded Clearwell to take advantage of the lack of credit availability following the financial crisis. He has been full time at Clearwell since 2012, managing all aspects of the business. He initially focussed on proof of concept, building a portfolio of initial lending, moving to ensure the business had the funding, team and infrastructure in place to provide a robust platform for growth. Going forward Ed will also focus on recruiting the right additional team members to support the business's longer term growth whilst maintaining day to day focus on backing the right projects.

Mark Jannaway – Non-Executive Chairman

Mark is a Partner at Strategy consulting firm OC&C with over 20 years of experience and holds a degree in Engineering, Economics & Management from Oxford University. He invests in small start-ups in his industries of interest and has a particular focus on financial services advising both owners and investors in these businesses.

Mark provides strategic direction to the business and will provide the guidance and oversight of systems development and implementation. He has been a shareholder in Clearwell since 2014 and recently joined the Clearwell board as Chairman and Non-Executive Director. Mark is also Chairman of two other early stage businesses.

Group Financial Results

P&L	2013	2014	2015	2016	2016 (H1)	2017 (H1)
	<i>Sep '12 – Aug '13</i>	<i>Sep '13 – Aug '14</i>	<i>Sep '14 – Aug '15</i>	<i>Sep '15 – Aug '16</i>	<i>Sep '15 – Feb '16</i>	<i>Sep '16 – Feb '17</i>
Gross Income	£216,312	£250,472	£667,223	£913,503	£444,033	£597,704
Expenses	(£67,917)	(£143,776)	(£391,987)	(£536,786)	(£234,227)	(£340,087)
Net Income	£148,395	£106,696	£275,237	£376,716	£209,806	£257,617

Balance Sheet	2013	2014	2015	2016	2016 (H1)	2017 (H1)
	<i>End Aug '13</i>	<i>End Aug '14</i>	<i>End Aug '15</i>	<i>End Aug '16</i>	<i>End Feb '16</i>	<i>End Feb '17</i>
Assets	£420,741	£1,696,345	£3,799,303	£4,740,616	£4,061,160	£5,508,584
Liabilities	(£276,602)	(£1,445,510)	(£3,073,182)	(£3,637,779)	(£3,125,235)	(£4,148,130)
Shareholder Equity	£144,138	£250,834	£726,120	£1,102,836	£935,926	£1,360,454