

# Creating Wealth THROUGH PROPERTY

The monthly newsletter for clients and friends of LCN Legal  
and for anyone involved in creating wealth through property.

January 2018

## Get in shape for 2018



We all know that ambition is important, but it is not sufficient. In the words of the great Jim Rohn: "Motivation alone is not enough. If you have an idiot and you motivate him, now you have a motivated idiot." This applies as much to property entrepreneurship as it does to personal fitness. Massive action in the wrong direction or without the right legal foundations, can kill your chances of achieving the financial rewards you deserve for the risks you are taking.

Property is one area in business where small teams – and even individuals – can make a huge impact, and can earn very significant financial rewards as a result. There are countless examples of people who have done exactly that, including many of our own clients. People who have made the transition from working for other people, to creating their own businesses and completing their own high quality development projects. The ability to pay off their mortgages is just a small part of their reward.

We've chosen the theme of 1980s fitness icons to help celebrate the New Year ... and to celebrate the annual surge in gym membership which takes place every January. The 'body beautiful' is also an analogy for the health of a 'body corporate'. The legal structure of a property venture may not be its beating heart or its muscles – but it can be likened to its circulation system, bones and ligaments: the conduit for interacting with the outside world, and the means of transmitting life blood around the body.

Unfortunately, we come across a lot of 'bodged jobs' when it comes to legal structures and legal arrangements ... often committed by people who should have known better than to 'wing it'. Investment structures which unwittingly create collective investment schemes, therefore requiring an FCA authorised operator. Unlawful financial promotions. Messing up the share structure / directorships and losing the benefit of entrepreneurs relief. Striking off companies which still have significant assets (even a shopping centre). The list goes on and on.

## In this issue...

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Our job at LCN is not just to protect you from making costly mistakes. It's to help you to achieve the next level in your ambition, by giving examples of what can be done, showing how it can be achieved, and providing practical tools and connections you can use on the way.

To show how easy it can be with the right guidance, we have included on page 2 an outline of one structure (there are many) which can be used for funding property

*Continued >*

**Paul Sutton is co-founder of LCN Legal and a corporate lawyer with over 20 years' experience of helping clients to create effective structures for property projects. He is the author of the Lexis PSL Practice Note for Property Lawyers on Buying Property SPVs and regularly writes for publications such as Estates Gazette, Tax Adviser, Tax Journal and our blog at [lcnlegal.com](http://lcnlegal.com).**



*Paul Sutton*  
**Paul Sutton**  
Co-Founder, LCN Legal

"You've got big dreams, you want fame. Well fame costs, and right here is where you start paying: in sweat."

Lydia Grant, 'Fame'

## Case study:

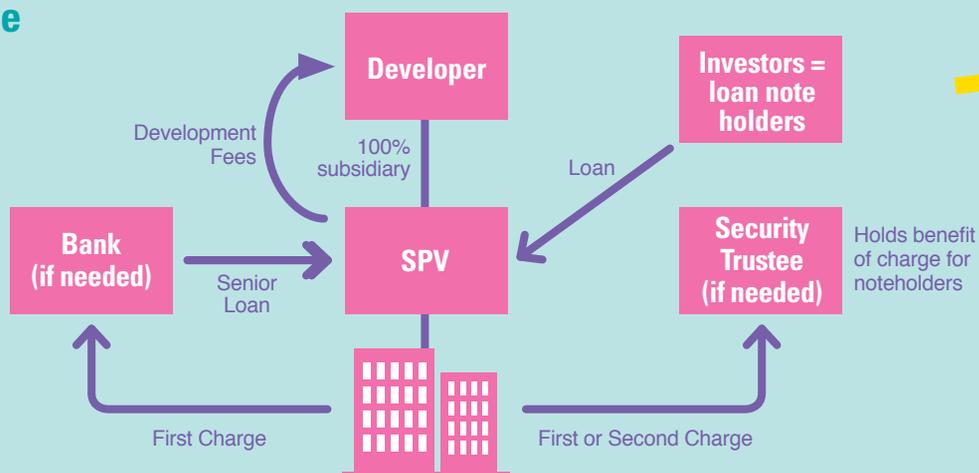
# Using loan notes to fund property development projects

The structure outlined below is taken from our guide on the **Top 5 Ways UK Property Developers can raise Development Finance from Private Investors**. To request your free copy of the guide, email us at [info@lcnlegal.com](mailto:info@lcnlegal.com).



By **Paul Sutton**,  
Co-Founder, LCN Legal

### Loan Note Issue



#### Advantages

Bank debt may not be needed

Developer retains control over the SPV

#### Disadvantages

Marketing must be carefully managed to ensure compliance with financial legislation and regulations.

Administration must be carefully managed

A loan note is essentially just an IOU – a piece of paper recording a promise to repay a loan, usually with interest, on specified terms. It is an effective way of recording loans from multiple lenders on the same terms.

#### Loan notes may be:

- Secured or unsecured
- Listed on a stock exchange, or unlisted
- Transferable or not transferable

This example relates to loan notes which are unlisted, and which are secured by a first or second fixed charge over the underlying property. The benefit of the security would typically be held by an independent entity which is regulated by the Financial Conduct Authority or equivalent financial services

regulator. The main reasons for involving a security trustee are as follows:

- If the beneficiaries of the security are too numerous for them all to appear on the relevant register (such as the Land Registry in the case of a charge over property).
- If the composition of the group of beneficiaries is likely to change over time (such as in the case of loan note holders) – appointing a security trustee in this situation avoids the inconvenience and cost of transferring the underlying security each time a new beneficiary is added or an existing beneficiary transfers its interest.
- In order to demonstrate independence from the originator of the debt obligation, the chargor or the subject matter of the security. If something goes wrong and

the security needs to be enforced, the security trustee would act impartially in taking the necessary steps to enforce the security and distribute the proceeds of enforcement to those entitled.

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development structures, namely loan notes with a security trustee.

We're here to help with the process of getting you fit and healthy for your property entrepreneurship journey, so that you can face 2018 in the best possible shape – and to invite you to join us in celebrating the exuberance of some of our favourite fitness icons from the 1980s. **Enjoy!**



# Interview with BA Baracus from the 'A' Team

We are delighted to feature an interview with **Mr. B A Baracus**, who is now an extremely successful corporate lawyer with LCN Legal, following his long career with the 'A' Team.

### How did you become a corporate lawyer?

Everything started as a dream. You gotta have insight, know what you want. You gotta have a plan. I met the girls and guys at LCN Legal and I said to myself "They're on the jazz. I gotta be like them." Now I am. Now I got respect.

### Who has been the most influential role model for your personal life?

My parents. Because of them we didn't starve. We spent wisely. Like I tell people, "If you can buy guns and bullets, why can't you buy food?" People go out and get a fancy car and all that. The car costs more than their house. Meanwhile, your kids need shoes. That's not cool.

### What's the biggest issue in creating effective corporate structures for property development?

Man, it's all the jibba jabba in their contracts. I ain't got time for no jibba jabba. I pity the fool who doesn't have the right contracts in place, for when things get tough!

### What's your biggest extravagance?

It's gotta be my gold chains!

### In a movie of your life story, which actor would you like to play you?

Not Sylvester Stallone, that's for sure! Lawrence Tureaud is pretty cool.

### What's your favourite holiday destination?

All I know is, I ain't gettin' in no airplane.

### What do you do to relax?

I chop down trees. In the US Army, one of my punishments was to cut down trees until they told me to stop. The fools forgot to tell me to stop and I cut about seventy trees in twelve hours. Since then, I always get a kick from chopping down trees!

### What piece of advice would you give your 18-year old self?

I'd tell him "If I fought every time somebody called me a name, I would never get out of jail. But you're disciplined. You're smarter than that. When you see who called you the name, then you understand why they're doing it. Then you don't have to stoop that low."

## TOP TEN 80'S FITNESS ICONS

Here's a very personal list of our favourite fitness icons from the 1980s



1.

Mr Motivator



6.

Jean-Claude van Damme



2.

The Green Goddess



7.

Richard Simmons



3.

Mad Lizzie



8.

Sylvester Stallone



4.

Jane Fonda



9.

Hulk Hogan



5.

Arnold Schwarzenegger



10.

Olivia Newton-John

## WORD SEARCH



AEROBICS                      JAZZERCISE                      ROLLER DISCO  
 BOOGIE BODY                LEG WARMERS                  SHAPE UP  
 FEEL THE BURN              PUMPING IRON                 SPANDEX

### Free Checklist: Property Development Joint Venture

Avoid the common pitfalls when setting up a property development joint venture. Email us at [info@lcnlegal.com](mailto:info@lcnlegal.com) to request your free copy of this checklist.

### Private discussion groups for property developers and private investors / intermediaries

Over the coming weeks and months we will be holding a series of private discussion groups for property developers and for investors/intermediaries. The focus of the sessions will be how to fund development projects, by creating effective partnerships between developers and private investors. The guided discussions will cover issues such as:

- How developers can present their projects effectively
- Legal structures and methods which are available
- How to avoid liability for contravening financial services legislation
- How to navigate the tax issues

If you would like to be placed on our waiting list, please email us at [info@lcnlegal.com](mailto:info@lcnlegal.com) and let us know.

### Testimonial for LCN legal

*"I am very impressed by the detailed guide of the six structures most commonly used by private investors when investing property development projects. I would highly recommend LCN Legal to cover the legal structure and advise for the investors who are considering investing in the UK real estate development."*

**Zhenmei Xi**, Head of Global Investment at Doyen Global.

### Evolution of an Icon: Arnold Schwarzenegger

