



Direction

To: Propnology Limited (the "firm")
Ref: 2053919
Of: North Colchester Business Centre
340 The Crescent
Colchester
CO4 9AD

Date: 01 October 2015

Handbook version as in force at the date of this Direction

Power

1. This direction is given by the *FCA* under section 138A of the *Act*.

Duration

2. (i) This direction takes effect on 01 October 2015.
(ii) This direction ends on 30 September 2018.

Rule modified

3. The *FCA* directs that the *rule* below applies to the firm with the modifications shown. Underlining indicates the insertion of new Handbook text.

<i>Rule</i>	<i>Modification</i>
COBS 4.12.3R <u>(3) The restriction in (1) does not apply provided that:</u> (i) The client must be a restricted investor under COBS 4.7.10R; (ii) The firm must comply with the requirements set out in COBS 4.7; (iii) The non-mainstream pooled investment being promoted must be shares issued by a body corporate subject to the following: a) There is a single share class; b) The shares have an initial term of no more than ten years. At the end of the investment period, the property will be sold, either on a vacant possession basis, or within a sitting tenant, and the capital distributed accordingly; c) The body corporate is a special purpose vehicle established as a limited company incorporated in the UK. The special purpose vehicle must be

	<p>maintained in strict accordance with the Companies Act 2006 and specifically, if initially registered as a private limited company, must be re-registered as a public limited company in accordance with Section 755(3) of that Act (Prohibition of public offers by a private company);</p> <p>d) The company will have no employees and will simply generate revenue from the rental and sales income produced by the property;</p> <p>e) The body corporate holds legal title to or a beneficial interest in a single residential or commercial property, or multiple residential properties from a single development;</p> <p>f) Any Commercial property must comply with the following conditions:</p> <ul style="list-style-type: none"> • It must either be acquired with vacant possession or with an existing corporate tenant under the terms of an industry recognised agreement; • It must conform to the relevant sections of the firm's Minimum Investment Criteria version 1.0 dated 01 October 2015; • It must be defined as Industrial, Retail, Office or Leisure; • It must be UK based; and • It must be build complete and not involve construction, development or renovation. <p>g) The property ('or properties') referred to in e) must be in the UK, for which letting tenants are to be sought on an industry approved tenancy agreement (Assured Shorthold Tenancy for Residential and Corporate agreement of FRI lease for Commercial) and are at all times unencumbered;</p> <p>h) The terms of instrument of incorporation of the body corporate do not permit it to enter into a loan agreement, either as lender or as borrower;</p> <p>i) Subject to (j), the SPV must not hold any property that is not available for letting;</p> <p>j) If the property is not available for letting because its construction is not yet finished or because it is undergoing renovation, refurbishment, or alteration, then it may be held within the SPV, provided all of the following conditions are met:</p> <ul style="list-style-type: none"> • planning permission for the construction or (if applicable) renovation, refurbishment or alteration must have been secured before the SPV invests in the property; • work on the construction, renovation, refurbishment or alteration must have already started before the SPV invests in the property; • the property must be made available for letting after the construction, renovation, refurbishment or alteration is completed so
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	<p>as to produce an investment return for the investors holding securities issued by the SPV; and</p> <ul style="list-style-type: none"> • the SPV must retain the property and not sell or otherwise dispose of it before an initial period of at least 24 months from the completion of the construction, renovation, refurbishment or alteration. <p>k) The property must be owned outright by the <i>special purpose vehicle</i>;</p> <p>l) The funds used to buy the property will be raised using the Propnology crowdfunding platform;</p> <p>m) Propnology Asset Management (P.A.M) Limited is appointed to manage the property and will act as the single point of contact for all investors. P.A.M will be responsible for the regulatory compliance of the SPV and will handle the disposal of the asset at the end of the investment term;</p> <p>n) P.A.M will maintain accurate and up-to-date accounting records relating to the SPV. P.A.M and its Directors will be responsible for annual returns and end of year accounts in respect of its regulatory compliance obligations, under UK company law; and</p> <p>o) The minimum investment per investor is at least £500.</p> <p>(iv) The firm must disclose details of any entry and exit commissions relating to the SPV and details of the SPV's other possible expenses or fees, distinguishing between those to be paid by the investor and those to be paid from the SPV's assets, including:</p> <ul style="list-style-type: none"> a) on an ex ante basis, disclosure of the expected cost structure, that is an indication of all costs available according to the list set forth in COLL 4 Annex 1 so as to provide investors, in so far as possible, with a reasonable estimate of expected costs; b) any commissions and other expenses directly paid by the investor; c) an indication of any other costs not included above, including disclosure of transaction costs; and d) an indication of the existence of fee-sharing agreements and soft commissions.
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Interpretation

4. Interpretative provisions (including definitions) of the *Handbook* apply to this direction in the same way they apply to the *Handbook*.



Richard Harrison
Waivers Team
Dual Regulated Department
Financial Conduct Authority