

REPORT AND PROPERTY SUMMARY
ADDRESSED TO PROPLEND SECURITY LIMITED

The Company: Kevin David Jones, Vanessa Jane Jones and Denton & Co Trustees Limited as Trustees of the Tidebank Pension.

Transaction: Facility and lending to the Company.

Property: 29, 31, 33 and 35 Mereside, Osprey Quay, Portland, Dorset DT5 1PY.

The Lender/s: As defined in the charge and other security documents.

1 SCOPE OF THE REVIEW AND LIMITATION OF LIABILITY

1.1 This report has been prepared for the sole benefit of you, Proplend Security Limited, in connection with the Transaction and for no other purpose.

1.2 The contents of this report are private and confidential. It must not be relied on by or made available to any other party without our written consent. We have already given our permission to you to provide this report to the Lenders and their solicitors but it should be noted that the Lenders and their solicitors are not entitled to rely on this report as it is supplied for information only. We will not answer any further questions on this report from anyone other than Proplend Security Limited.

1.3 The report is based on our review of the final draft of the certificate of title relating to the Transaction supplied by the Company's solicitors which we understand is also to be disclosed to the Lenders and their solicitors.

1.4 We have not inspected the Property and are unable to advise on the physical condition of the Property. We would advise you to arrange for a survey of the Properties to be carried out, if this has not already been arranged. A survey should identify any physical defects and may warn of potential defects.

1.5 We are unable to advise on the value of the Property. We understand that you have instructed Humphreys and Dancer to provide a valuation of the Property. You should ensure that the valuer is aware of the matters mentioned in this report, as these may have an impact on their valuation. We draw your attention to clause 3 of the certificate of title. This requires the Company's solicitor to certify that the valuer has been sent the certificate of title and as such the valuer should hopefully already be aware of any issues raised in this report and factored them into their valuation. We are aware that

the valuation report produced by the valuer is dated 16 June 2014. You may want to check with the valuer that the Property has not changed in value since the valuer's visit and ask him (if necessary) to re-inspect the Property and confirm all buildings are completed.

2 THE PROPERTY

2.1 The Property is leasehold land and buildings known as 29, 31, 33 and 35 Mereside, Osprey Quay, Portland, Dorset DT5 1PY.

2.2 The Property is registered at the Land Registry under title number DT407966. The class of title is absolute leasehold title. Absolute title is the best class of title available.

2.3 The registered owner of the Property is the Company.

2.4 The title to the Property is long leasehold and the terms of the Lease are set out in full in Schedule 4 of the certificate of title. In short, the Lease is for a term of 999 years commencing on 25 April 2014. The use of the Property is within Classes B1 and/or B2 and/or B8 of the Town and Country Planning (Use Classes) Order 1987 and purposes (including storage) ancillary to those uses. The certificate of title does not disclose any issues in respect of the terms of the Lease itself that cause us concern on your behalf.

2.5 The certificate of title confirms that the Property is currently let to Vincent Bootes. Full details of the occupational tenancy are contained in Schedule 5 of the certificate of title but in short, the Property is let on a lease for 7 years at an initial rent of £50,000 per annum plus VAT. The terms of the occupational tenancy are not institutionally standard. We draw to your attention in particular the following:

2.5.1 there is a tenant only break option. In Schedule 5 of the certificate of title there is a full list of when the tenant can exercise the break. We consider that the conditions permitting the tenant to exercise the break option are so wide and in places vague, that it should be assumed that the tenant will be able to break the occupational tenancy should it wish to. The tenant can break on three months' notice within six months following the rent review date (10 July 2017); or at any time after the first 18 months from the date of the lease in the event of an *Environmental Title Policy Default*; or at any time after the first anniversary of the Lease if any matters required under schedule 1 of the occupational lease have not been fully performed and completed by that date (*Landlord Property Default*); or at any time if access to the Property from the public highway is prevented because the Company

has failed to deliver and register the deed of grant (*Access Prevention*). We are told at the present time none of the break conditions can be treated as satisfied and therefore in theory the tenant's right to break is currently unfettered;

2.5.2 there is no prohibition against the tenant charging the occupational tenancy nor is the Company's consent required. There are no restrictions on the tenant dealing with the occupational lease by way of assignment or conditions that the Company could impose under the Landlord & Tenant Act 1927 on such an assignment. There is also no contractual right to acquire an authorised guarantee agreement on assignment;

2.5.3 in addition to the break option referred to above, unusually there is a right for either party to terminate the occupational lease on one month's prior notice (but not earlier than two months) after the date of damage by an uninsured risk; and

2.5.4 there is an RPI linked rent review on 10 July 2017. This rent review is not upwards only but also allows for a downwards review.

We have discussed with you some of the terms of the occupational tenancy and you have concluded that you will lend on the strength of the long leasehold interest and not on a guaranteed rental stream from this tenancy.

3 SIGNIFICANT DISCLOSURES MADE AGAINST THE STANDARD CONDITIONS OF THE CERTIFICATE OF TITLE

3.1 The certificate of title does disclose issues and reveals the following information:

3.1.1 The Property is not immediately adjacent to a public highway and it is located on an estate. The certificate does however state that there are sufficient rights granted to give access to and from the Property, to and from the nearest adopted public highway. In addition, as a supplement to the existing rights, it is intended that additional access rights will be granted for the benefit of the Property over an adjoining estate owned by a third party;

3.1.2 The Property is subject to an option agreement (option period being 10 July 2014 to and including 10 July 2020) in favour of the occupational tenant. The option grants the tenant an option to purchase the Property after 10 July 2015 at a fixed price of £725,000 exclusive of Value Added Tax. There is no provision in the option agreement giving

the Company the right to terminate the option agreement even if the occupational tenancy is determined (however determined). However should the occupational tenancy be determined prior to the end of the option period, the Company will not be fettered in any way from creating new tenancies. It should be noted that should Proplend wish to sell the loan to a third party any disposition of the Proplend security will require the consent of the option holder to register the disposition at the Land Registry; and

3.1.3 The Property has been constructed within the last six years and practical completion has been achieved. The Company considers the building on the Property to be complete however although the occupational tenant will receive warranties, no warranty from the contractor or professional team will be available for the benefit of Proplend Security Limited or the Lenders.

4 LAND REGISTRY SEARCHES

4.1 A Land Registry official search shows whether the register for a property has changed since the copy of the register was originally issued to the Company's solicitor. The search also gives the applicant a "priority period". Any new entries that are registered in the priority period will not bind the applicant, as long as the Land Registry receives their application for registration within the priority period. The Company's solicitor has carried out a search and we confirm that:

4.1.1 there are no further issues raised by that search; and

4.1.2 priority will be afforded to the registration of the security in favour of Proplend Security Limited until 22 September 2014.

5 INSURANCE

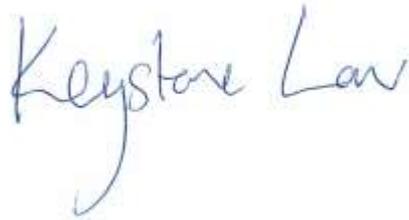
The Company's solicitor will be required to note your interest in the Property from completion of the Transaction.

6 CERTIFICATE OF TITLE

Following completion of the final Land Registry searches, the draft agreed certificate of title will be completed by the Company's solicitors and dated on the day of completion of the Transaction.

7 CONCLUSION

Subject to the matters referred to in this report, we are of the opinion that upon completion of the Transaction and registration at the Land Registry, you will have a first legal charge over the Property to protect against the lending of by the Company.

A handwritten signature in blue ink that reads "Keystone Law". The signature is written in a cursive style with a large, sweeping initial 'K'.

Signed: **KEYSTONE LAW**

Dated: 12 August 2014