

REPORT AND PROPERTY SUMMARY
ADDRESSED TO PROPLEND SECURITY LIMITED

The Company: Aberystwyth Marina Limited (Company Number 9426470).

Transaction: Facility and lending to the Company.

Property: Land at Aberystwyth Harbour and part of land at Y Lanfa Trefechan, Aberystwyth (as shown on the attached Plan 1 edged red).

The Lender/s: As defined in the 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 Property 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 Vail Williams of 540 Thames Valley Park, Reading, Berkshire, RG6 1RA 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.

- 1.6 At the date of this report, the Highways Search Result is awaited. We will keep you informed of any issues that arise out of that search result as and when the result is known.

2 THE PROPERTY

- 2.1 The Property is part freehold and part leasehold and is known as Land at Aberystwyth Harbour and part of land at Y Lanfa Trefechan, Aberystwyth.

- 2.2 The Property is registered at the Land Registry under the following title numbers:

2.2.1 Part of a freehold title under title number CYM364163 ("Parcel 1"); and

2.2.2 All the leasehold land under title number CYM364047 ("Parcel 2").

- 2.3 The class of title is absolute freehold title in respect of Parcel 1 and absolute leasehold title in respect of Parcel 2. Absolute title is the best class of title available.

- 2.4 Following completion of the purchase of the Property and subsequent registration, the Company will become the registered owner of the Property.

- 2.5 The title to Parcel 2 is leasehold and the terms of the Lease are set out in Schedule 4 of the certificate of title. We outline briefly the terms of the lease below:

2.5.1 The defined "Premises" is the foreshore and bed of Afrom Rheidol at Aberystwyth Harbour, Aberystwyth, Ceredigion.

2.5.2 The lease is dated 12 July 2007 and originally granted between (1) Cyngor Sir Ceredigion County Council and (2) Meirion Ellis-Jones for a term of 99 years from 12 July 2007 to 11 July 2106.

2.5.3 The part of Parcel 2 shown labelled Area 1 and edged red on Plan 4 (the plan being annexed to this report) may be used as a boat marina. The part of Parcel 2 shown labelled Area 2 and edged red on Plan 4 may be used as a boat park. Change of use is prohibited.

2.5.4 The Company confirms that the tenant under this lease will have the benefit of security of tenure under the Landlord and Tenant Act 1954.

- 2.5.5 The lease grants a number of rights to the tenant including the right to expand the marina up to 184 berths. At the current time there are 150 berths. There is also a right in common with others to dredge the water elements of Parcel 2. The landlord has also reserved the right to dredge Parcel 2. See paragraph 3.1.7 below for further comment on dredging.
- 2.5.6 The rent currently payable under the lease is £7,500 per annum. This is payable half-yearly in equal instalments in advance. See our comment in paragraph 3.1.5 below. There is a rent review on every fifth anniversary of 1 April 2010.
- 2.5.7 Underletting/sharing of possession in respect of whole or part is prohibited save that the Company may issue licences for the regulation of moorings operating or to operate on Parcel 2.
- 2.6 The certificate of title confirms that the marina berths contained within Parcel 2 are currently occupied by multiple parties. The Company is acquiring the Property from a seller who is in receivership. Therefore the amount of due diligence information available to the Company relating to these berths is limited. Whilst this is far from ideal, this is not uncommon in a sale involving receivers. The lease referred to in paragraph 2.5 above prohibits the granting of underleases. The marina berths in Parcel 2 are believed to be granted on licences to avoid breaching the terms of the lease. The format of the current berth licences is unknown and the Company is unable to confirm the terms of those individual arrangements. The Company has however confirmed that the current arrangements do not breach the terms of lease.

Following completion of the Transaction the Company will be seeking to regularise the position with a standard form licence which will continue to comply with the terms of the lease. In so far as the Company is able, it has supplied the details of the existing licences in the annexure contained after “Schedule 5 – Supplement in the certificate”.

- 2.7 The Property is subject to registered charges dated 26 March 2009 in favour of Barclays Bank Plc. These charges will be released on completion of the purchase of the Property and the Company has the benefit of an undertaking from the seller’s solicitors that they are holding the requisite discharge forms required to discharge the charges and release the Property on completion of the Transaction.

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 We refer to paragraph 2.6 above. Please note the general lack of due diligence information available on the sale in receivership;
- 3.1.2 Parcel 1 is restricted to use as a boat marina and purposes ancillary to that use. As Parcel 1 is being used as a boat marina, boat park, and revetment, with marina office buildings there is no breach of that restriction however any future use of the land is extremely restricted without releasing that restriction;
- 3.1.3 The seller of the Property is in arrears in respect of sums due under the lease of Parcel 2. The Company confirms that it will pay all outstanding sums due under the lease on completion of the purchase and this Transaction. The Company has confirmed that otherwise there are no other existing breaches under the lease;
- 3.1.4 The lease of Parcel 2 is an underlease not a headlease. The headlease is dated 12 July 2007 and is between (1) The Queen's Most Excellent Majesty and (2) Cyngor Sir Ceredigion County Council. Although the lease of Parcel 2 is not a headlease, if the headlease is determined by way of a direct surrender from the landlord to the superior landlord then the Company will have right to apply to the court for relief and request that a lease survive on the terms of the underlease. If the headlease is determined by way of forfeiture by the superior landlord then the Company will have right to relief. Relief (if granted would be on the terms of the headlease not the underlease). It should also be noted, in respect of the lease of Parcel 2 itself, prior to the exercising its right to re-enter, the landlord must give written notice to you (as holder of security over Parcel 2) of any breach by the Company and give you a reasonable time in which to remedy that breach;
- 3.1.5 The rent review under the lease is upwards only to "best yearly rent" (without fine or premium) which could reasonably be obtained by letting Parcel 2 for a term of 99 years. The 2010 and 2015 rent reviews have not been instigated by the landlord and therefore it is possible that the market rent payable under the lease could increase from the current rent stated under paragraph 2.5.6 above;
- 3.1.6 The Company has insured Parcel 2 for £10m employer's liability and £5m public liability (a base layer of £2m with an additional excess layer of £3m). As there are no buildings within Parcel 2, no buildings

insurance is required. It should be noted that there is an office building on Parcel 1 is covered by the Company's block insurance policy;

3.1.7 In addition to the right to dredge in favour of the Company, the lease contains an obligation to dredge and keep Parcel 2 dredged to a depth of 4.10 metres below ordnance datum. It is anticipated that the initial dredge will cost £65,000. The Company anticipates that the obligation to keep Parcel 2 dredged will require dredging to take place every five years. The Company intends to make an annual accrual each year toward the cost. Additionally, the Company has secured an irrevocable grant of £300,000 from the Coastal Communities Fund to apply towards the initial cost of complying with this obligation (in addition to the improvement of the Property); and

3.1.8 The lease of Parcel 2 reserves to the landlord a right to all mines and mineral substances within Parcel 2 more than 4.10m below ordnance datum together with the right to enter to work the mines etc. and carry them. Should the landlord exercise this right, such mining could significantly interfere with the running of the marina. This right should however be considered in the context of the likely large expense in mining underwater.

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. It is too early to carry out a Land Registry official search now, but the Company's solicitor will carry out a search before completion of the and 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 over the Property.

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 purchase of the Property and registration at the Land Registry you will have a first legal charge over the Property to protect against the lending by the Company.

A handwritten signature in blue ink that reads "Keystone Law". The signature is written in a cursive, flowing style.

Signed: **KEYSTONE LAW**