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Investor Update: Newcastle - Oceana - Business Park

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|--------------------------|--|
| Main Site: | Oceana Business Park, Davy Bank, Wallsend, Tyne & Wear, NE28 6UZ |
| Borrower: | Oceana Business Park Limited |
| Loan Number: | PLL327 |
| Report Date: | 11/9/2019 |
| Next Review Date: | On or before the maturity date of 4/12/2019 |



Loan Update

Rental income has increased by £64,777 over the previous year due to the borrower negotiating a £75,000 p.a. licence agreement with ITV Studios for use of The Technology Centre for the filming of the British drama series Vera.

A few smaller tenants have vacated their premises or renegotiated their agreements but this has not had a significant impact on void levels or passing rent. Interest cover has improved significantly from last year (2.17x) and is now stronger than at origination. £383,617 rent/£146,849 interest = 2.61x interest cover.

Whilst the valuation was completed in July 2015, there is no indication that the property will have fallen in value. Indeed, if we were to take the initial yield (11.8%) and apply it to the increased rental value, the market value would increase to £3,250,991 representing an LTV of 67.5%.

On this basis, it has not been deemed necessary to request a revaluation at this time. Proplend are in frequent contact with the borrower, and should the passing rent fall significantly we reserve our right to request a revaluation at any time.

Covenant Compliance

LTV Covenant 75%, LTV at origination 74.5%, LTV currently 74.5%.

ICR Covenant 1.5x, ICR at origination 2.37x, ICR currently 2.61x.

Interest Payments

All interest payments are up-to-date, and have been made in a timely manner.

Exit Strategy

The exit strategy from the outset was to continue to develop the site to produce additional income, and then sell the property, or a portion of the property.

The Borrower has had several offers over recent months - some for the whole site, and others for the unit and land let to Soil Machine Dynamics (SMD). The Borrower has accepted one of the offers for the latter.

Confirmation of the offer has been provided, and a structural report has been completed, having been commissioned by the prospective purchaser.

The Borrower expects the sale to take place within the next month. The remaining security is expected to be valued in excess of £1m.

Upon receipt of the sale proceeds, the Borrower may redeem this loan in full, however, we have expressed an interest to provide the Borrower with a new (smaller) loan, if required.

We will provide a further update as soon as further progress is made.

Property Summary

| | | | |
|--------------------------------|------------|----------------------------|---------------|
| Market Value | £2,950,000 | Property Income | £383,617 |
| Vacant Possession Value | £1,450,000 | Market Rental Value | £271,845 |
| Tenure | Freehold | Asset Class | Business Park |

Loan Summary

| | | | |
|------------------------------|------------|--------------------------------|----------|
| Total Loan Required | £2,197,500 | Loan to Value (LTV) | 74.49% |
| Blended Interest Rate | 6.68% | Interest Cover | 2.61x |
| Loan Term | 48 months | Interest Expense (p.a.) | £146,859 |

| Tranche | Risk | LTV | Loan Amount | Interest Rate | Interest Cover |
|---------|--------|--------|-------------|---------------|----------------|
| C | High | 66-75% | £280,000 | 9.75% | 2.37x |
| B | Medium | 51-65% | £442,500 | 7.25% | 2.91x |
| A | Low | 0-50% | £1,475,000 | 5.93% | 3.98x |

Covenants

| | | | |
|---------------------|-----|---------------------|------|
| LTV Covenant | 75% | ICR Covenant | 1.5x |
|---------------------|-----|---------------------|------|

Security

| | | | |
|---------------------------|---|------------------|------------------------|
| Main Site | First Legal Charge | Debenture | Debenture Not Required |
| Personal Guarantee | Individual Guarantee from the Director and Shareholder of Oceana Business Park Limited for the sum of £250,000. | | |

Valuation

A valuation of the property was carried out by DTZ on 13/7/2015, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £2,950,000
Vacant Possession Value: £1,450,000
Open Market Rental Value: £271,845