



Proplend Loan Request

Date	18 Jan 2017
Property Name	Worthing – Mixed Use Office & Retail
Property Description (Short)	3 adjoining, mid-terraced, Grade II listed buildings predominately used as offices and a car park.



Loan Request Summary

Borrower	A Limited Company (Guernsey registered)	Valuation	£1,225,000
Loan Type	Commercial Investment	Total Loan Required	£700,000
Purchase/Refinance	Refinance	Loan to value (LTV)	57%
Property Asset Class	Mixed Use – majority Office	Whole loan blended interest rate p/a	8.69%
Current Property Income	£83,905	Rental Value	£113,900

Borrowers Loan Requirement

Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Loan Term
C	Higher	66-75%	---	---		
B	Medium	51-65%	£ 87,500	10.0%	1.38x	
A	Lower	0-50%	£ 612,500	8.5%	1.61x	
Total			£ 700,000	8.69%	1.38x	24 Months

OVERVIEW

Borrower

The proposed Borrower is a Limited Company registered in Guernsey.

Property

- The security consists of 3 adjoining, mid-terraced, Grade II listed freehold properties measuring c. 9,154 sq.ft., as well as a separate level car park for 23 vehicles.
- Current income from 7, 8, and 9 Liverpool Terrace is £72,720 p.a.
- Current income for the car park is £11,185 p.a.
- Excluding the car park, approximately 32% of accommodation is vacant and 32% is held on leases where the tenant is holding over.
- The tenants are on varying covenants, ranging up to 10 year term.

Loan Request

- The loan is to assist with the refinance of the Properties.
- The proposed loan of £700,000 includes a provision for the retention of six months interest and the payment of Proplend fees.
- The proposed gearing level will be 57%.
- Annual interest expense will be £60,813, giving an interest cover of 1.38x against current rental income.

Loan Tranches

- Tranche B, comprising £87,500, will attract gross interest of 10.0% p.a.
- Tranche A, comprising £612,500, will attract gross interest of 8.5% p.a.
- Lenders are offered the opportunity to lend with minimum loan amounts of £1,000 on a 'first come first lend' basis.

Security

- The Loan will be supported by a first legal charge over the Properties
- Proplend Security Limited will retain 6 months' interest from the Loan
- Personal Joint and Several Guarantee from a Beneficiary of the trusts which are the ultimate beneficial owners of the Borrower, limited to the sum of £70,000.
- Deed of Priority in respect of the Borrower's existing financing.

BORROWER

Borrower

The Borrower, Sealion Estates Limited, is a Limited Liability Company registered in Guernsey formed for the purpose of holding the Properties. The company shareholding comprises 2 Guernsey based trusts, with the ultimate beneficiaries being the Guarantor and his wife, mother-in-law, and two minor children. The Corporate Directors of the Borrower are: Newhaven Trust Company (Channel Islands) Limited and Newhaven Nominees (Channel Islands) Limited.

As the Borrower is a Guernsey based company, no Experian Credit information is available. Proplend has instructed a Guernsey based solicitor, AFR Advocates, to advise on the legal and security documents of the transaction. They have provided a legal opinion. In addition, a side letter to the Proplend Members' Agreement dated December 5, 2016 was produced to clarify that the Borrower being Guernsey based and holding a Guernsey bank account does not constitute an Event of Default under the Members' Agreement.

In addition to the Subject Properties, the Borrower also owns 6 Liverpool Terrace, which does not form a part of this security package. No. 6 has been given planning approval to be converted from offices / retail to residential use. No. 6 Liverpool Terrace is funded by Property Finance Nominees (No.3) Limited pursuant to a first legal mortgage. Proplend Security Limited will enter into a Deed of Priority stating that each lender has first ranking security over the asset(s) it finances and outlining cooperation between the lenders, should an event of default occur.

The Guarantor has been a Chartered Surveyor for 25+ years, initially in London and now in Hong Kong where he is self-employed. The majority of his work comprises valuations (both residential and commercial) plus acting as an expert witness. He is from the Worthing area, so he is both familiar and personally interested in investing in the area. Since inception, more than £1 million has been invested into this property deal (inclusive of no. 6), and this refinance will help to repay an expensive bridging lender, which will free up cash flow.

The Guarantor's net worth statement dated 21 September 2016 shows Total Assets of £456,900, Total Liabilities of £230,000, and Total Net Worth of £226,900. Assets are mainly in property, both in Hong Kong and England with liabilities being mortgages on those properties. The Guarantor's net worth statement does not include the value of Sealion Estates Limited even though he is a discretionary beneficiary of the two trusts which are the ultimate beneficial owners of Sealion Estates Limited.

Business Plan

The Borrower purchased the Properties in January 2015 for £1.6 million (including 6 Liverpool Terrace). Originally, the only property for sale was 6 Liverpool Terrace, which the Borrower intended to purchase with cash. The then owner of the properties decided that he wanted to sell all of the properties and not just No. 6, and that he wanted it to be a package deal. Because the total sales price was more than the amount of cash the Borrower had to invest, Sealion Estates Limited acquired bridging finance through Property Finance Nominees (No.3) Limited at 1.25% per month.

The Guarantor is from the Worthing area, so he has a personal interest in investment property in the area. The Proplend interest only facility for the next 24 months will free up additional cash flow due to a lower interest rate and also provide sufficient time for planning permission to be granted for change of use to residential, whereupon the investment will be sold to a developer if the Borrower decides not to develop it itself. No. 6 Liverpool Terrace has achieved planning approval, which is a positive indication for the adjoining properties, as well.

An additional and back-up exit route is that the Properties could be refinanced and held as an investment, especially if the vacant units are able to be let at market level rents.

PROPERTY

Location

7, 8 & 9 Liverpool Terrace (incorporating 7, 8 & 9 Field Row), Worthing, West Sussex & Land to the south side of 11 Shelley Road, Worthing, West Sussex

The Property is located in Worthing, a principal town on the West Sussex coast, located approximately 50 miles south of central London, 12 miles to the west of Brighton and 20 miles east of Chichester.

Worthing has a population of over 100,000 and major employers within the town include Glaxo SmithKline, Southern Water, as well as HM Revenue & Customs.

Liverpool Terrace and Shelley Road are located in Worthing town centre. Liverpool Terrace is located just off Montague Street, opposite to the Montague Shopping Centre and close to Worthing's prime retailing thoroughfare which houses a variety of multiple retailers, banks and building societies. Worthing Railways Station is approximately a 15 minute walk and a 5 minute walk to the pier and seafront. The Property overlooks lawned gardens, and the terrace comprises mainly offices and converted flats. Field Row lies to the rear of the main properties.

Shelley Road connects to the north end of Liverpool Terrace and is mainly residential in nature. Access to the car park is from the south side of Shelley Road, between numbers 11 and 13 Shelley Road.



Asset Description

7-9 Liverpool Terrace and 7-9 Field Row

The Properties comprise a part of a terrace and consist of three bow fronted, Grade II Listed, period properties, each with a retail/office unit to the rear, known as Field Row. Nos. 7 and 9 Liverpool Terrace (five stories each) and No. 8 (six stories) are Regency style buildings with two storey rear additions. They were originally constructed in a c.1830 as houses, with the two storey rear additions fronting Field Row being more recently added.

In total, there is 9,781 sq ft. of net internal floor area sitting on a site of 0.111 acres. The buildings are of typical brick construction with painted stucco elevations to the front and rendered elevations to the rear. The main roofs are pitched and have slate tiles. The majority of the windows are single glazed sash; however, some of the windows to the rear are single glazed casement. The buildings have no passenger lifts and no parking.



Liverpool Terrace

7, 8 and 9 Liverpool Terrace have been converted into offices, and the majority of the accommodation is arranged on lower ground, ground, first, second and third floors; however, No. 8 has been extended into the roof to create additional fourth floor accommodation.

Nos. 8 and 9 Liverpool Terrace interconnect at first floor. However, it appears relatively simple to reinstate the dividing walls and make these buildings self-contained.

The office suites on the lower ground, ground, first and second floors at Nos. 8 and 9 Liverpool Terrace have been fully modernized, comprising painted and plastered ceiling and walls, modern category 2 lighting, modern electric heaters, newly installed kitchen, decorated and new floor coverings.

Dated offices suites are being refurbished when they become available, or as negotiations for new leases take place.

Field Row

The units in Field Row are at the rear of the main buildings and connect at ground and lower ground floor. The accommodation is a mix of former retail units and office accommodation with separate access. Field Row is a pedestrian walkway.



Shelley Road

Land to the south side of 11 Shelley Road is a surfaced car park of approximately 0.11 acres plus an access road. The car park has 23 marked car parking spaces of which 17 have unencumbered access.



Tenure

The Properties have 4 separate Freehold titles. The Car Park benefits from a right of way, which is sufficient to provide access to and from the Property for the purposes of the existing use.

Valuations

A valuation of the Property was carried out by Stiles Harold Williams on 27 September 2016, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

Market Value: £1,225,000
Vacant Possession Value: £1,225,000
Market Rent: £113,900 p.a.

The Market Value and the Vacant Possession Value is the same. This is due to the high level of vacant floor space, resulting in no significant difference in the 2 valuations.

The valuer confirmed on 12 January 2017 that subject to there having been no changes to the property since their inspection, and subject to the caveats and assumptions detailed in the report, their opinion of Market Value would have not changed during this time and that we can rely on the valuation report for our secured lending purposes. It is understood that there has not been any material changes since September 2016.

Certificate of Title

A Certificate of Title has been supplied by the Borrower's Solicitors. This has been reported on by Keystone Law, acting on behalf of Proplend Security Ltd, and their comments thereon can be viewed under documents.

TENANTS & LEASE

Tenants and Leases

Of the 22 units, there are currently 7 vacancies (32% of accommodation) and a further 7 units (32%) are holding over. Since planning permission was obtained on No. 6, the Guarantor is now looking to maximize short term income and not commit to any long term tenancies so that concentration is on achieving vacant possession and obtaining planning permission for change of use to residential.

Given the plan for the properties, only a few of the vacant units are being marketed with Crickmays.

The majority of tenants are small businesses (including an optician, financial services companies, alterations shop, and a solicitor) that file small company exempt accounts, so any tenant financial information available is limited.

There is one tenant in arrears. Asphaleia Ltd has a history of slow / late payments. Although they are paid

to 23 /12/16, they are in arrears with regard to next quarter's rent and service charge which total £2,920.

Floor / Unit	Tenant	Lease Expiry	Annual Rent	Comments
7 Liverpool Terrace				
LG	Peter Kingshill and Co	Jun-14	£5,900	Holding Over. Not initiating renewal as considering planning application for resi use.
Ground	Future Planned Relocation Services Limited	Jun-19	£13,000	Includes 1st Floor. Tenant Break in 6/2017
1st	Future Planned Relocation Services Limited	Jun-19	Included above	
2nd	Future Planned Relocation Services Limited	Jun-19	£3,500	Includes 1st Floor. Mutual rolling 6 month break
3rd	Vacant			
Total			£22,400	
7 Field Row				
Ground	Future Planned Relocation Services Limited	Jun-19	£2,000	Mutual rolling break. Looking to make application for change of use to single house.
1st	Future Planned Relocation Services Limited	Jun-19	Inc. Above	
Total			£2,000	
8 Liverpool Terrace				
LG	Vacant			
Ground	Vacant			
1st	Somers Financial Ltd	May-19	£5,100	Tenant break at 2/2017 and 2/2018 with 6 month notice
2nd	Jackson Civil Engineering Group Ltd	Jan-17	£10,070	Holding over. Not initiating renewal as considering planning application for resi use.
3rd	Vacant			
4th	Jason Biggs	Jun-19	£3,800	
Total			£18,970	
8 Field Row				
Ground	Vacant			Considering planning application for change of use to single house.
1st	Vacant			
Total			£0	
9 Liverpool Terrace				
LG	Vacant			
Ground	John Dixon Salt	Sep-16	£12,500	Holding over. Not initiating renewal as considering planning application for resi use.
1st	Somers Financial Ltd	Feb-20	£6,900	Break Feb 2018. Office adjoins 8 Liverpool Terrace First Floor. Includes car parking
2nd	Asphaleia Ltd	May-14	£6,200	Holding over. Not initiating renewal as considering planning application for resi use.
3rd	Asphaleia Ltd	May-14	Inc. Above	Currently in arrears in the amount of £2,920.
Total			£25,600	
9 Field Row				
Ground	Alishea Speedy Repairs Limited	Jun-15	£3,750	Holding over. Not initiating renewal as considering planning application for resi use.
1st	John Dixon Salt	Sep-07	Inc. above	As above.
Total			£3,750	
Land Adjacent to 11 Shelley Road				
Car Parking	Various		£11,185	
Total			£11,185	
Portfolio Total			£83,905	

7 Liverpool Terrace

Lower Ground Floor unit is let to Peter Kingshill and Co. The lease expired in June 2014, but the tenant is holding over. The Borrower is currently negotiation for a lease renewal. Current rental income is £5,900 p.a. No Equifax or financial information is available.

Ground, 1st, and 2nd Floor units are let to Future Planned Relocation Services Ltd, with the leases expiring June 2019, with a 6 month rolling mutual break clause. The tenant also rents 7 Field Row. Rental Income totals £16,500 p.a. Future Planned Relocation Services Ltd has an Equifax credit score of D+ (Average). The most recent accounts dated 31/12/2015 show Total Assets of £1,637,292 (of which £136,287 is in cash) and Net Worth of £375,652.

The 3rd Floor unit is vacant.

7 Field Row

Ground and 1st Floor units are let to Future Planned Relocation Services Ltd with the leases expiring June 2019. There is a 6 month rolling mutual break clause. Current rental income is £2,000 p.a. See above for financial information.

8 Liverpool Terrace

Lower Ground, Ground, and 3rd Floor units are vacant.

1st Floor unit is let to Somers Financial Limited, with lease expiring May 2019. Rental Income is £5,100 p.a. This unit adjoins the 1st Floor unit at 9 Liverpool Terrace, which is also let to Somers Financial Limited. The tenant has an Equifax credit score of D+ (Average). The most recent accounts dated 31/01/16 show Total Assets of £56,623 (of which £209 is in cash) and Net Worth of £19,725.

2nd Floor unit is let to Jackson Civil Engineering Group Ltd, and the lease expired January 2017. The Borrower is currently in negotiations to extend the lease. Jackson Civil Engineering has an Equifax credit score of C+ (Above Average). The most recent accounts dated 31/12/15 are for a dormant company, so no relevant financial information is available.

4th Floor unit is let to Jason Biggs, with lease expiring June 2019. Rental Income is £3,800 p.a.

8 Field Row

Both units currently vacant, and it is likely that the Borrower will not rent these units as the plan is to request a change of use to a single residence.

9 Liverpool Terrace

Lower Ground Floor unit is vacant.

Ground Floor unit is let to John Dixon Salt Limited. The lease expired in September 2016, but the Borrower is in negotiations for a lease renewal. Rental Income is £12,500 p.a. 9 Field Row, 1st Floor unit is also let to the tenant. John Dixon Salt Ltd has an Equifax credit score of I (Insolvent – due to negative net worth). The most recent accounts, dated 31/03/15, show Total Assets of £35,026 (of which, £16,444 is in cash) and Net Worth of (£923).

1st Floor unit is let to Somers Financial Limited (see 8 Liverpool Terrace, 1st Floor unit above). The Lease expires in Feb 2020, with a break clause in Feb 2018. Rental Income is £6,900 p.a.

2nd and 3rd Floor units are let to Asphaleia Ltd. The Lease expired in May 2014, but the tenant is holding over. Asphaleia Ltd has an Equifax credit score of A- (Excellent). The most recent accounts, dated 30/09/15, show Total Assets of £1,315,844 (of which, £227,595 is in cash) and Net Worth of £773,373. The tenant is a charity with a history of late payments. The tenant is currently paid up to 23rd Dec 2016, but they are in arrears with regard to next quarter's rent (£1,860) and service charge (£1,060).

9 Field Row

Ground Floor unit is let to Alishea Speedy Repairs Limited. The lease expired in June 2015, but the tenant is holding over. Rental Income is £3,750 p.a. Alishea Speedy Repairs Limited has an Equifax credit score of I (insolvent – due to negative net worth). The most recent accounts, dated 31/05/16, show Total Assets of £1,983 (of which, £1,486 is in cash) and Net Worth of (£4,657).

1st Floor unit is let to John Dixon Salt Limited. The lease expired in September 2016, but the Borrower is in negotiations for a lease renewal. Rental Income is included in 9 Liverpool Terrace (see above).

Car Park

22 Shelley Road: It is understood that 19 of the car parking spaces are let on separate license agreements with varying license fees equating to £11,545.

The majority of the car parking licenses have expired or are held on a periodic basis subject to either one or three months' notice.

SECURITY & SERVICEABILITY

Security

The Security for the Borrower's performance under the loan will be documented by Keystone Law and held in trust on behalf of all the lenders by Proplend Security Limited. Such security will include:

- The Loan will be supported by a first legal charge over the Properties.

- Proplend Security Limited will retain 6 months interest from the Loan totalling £30,407, which will be held on account and used to service interest, should the Borrower fail to meet a monthly repayment. See Interest Reserve section for further details.
- Personal Joint and Several Guarantee from a Beneficiary of the trusts which are the ultimate beneficial owners of the Borrower, limited to the sum of £70,000.
- Please note that Number 6 Liverpool Terrace is also owned by the Borrower and funded by Property Finance Nominees (No.3) Limited pursuant to a first legal mortgage. Since it has achieved the desired planning permission, it is possible that No. 6 will be sold. Because of this, Proplend Security Limited will also enter into Deed of Priority with Property Finance Nominees (No.3) Limited confirming that each lender has first ranking security over the asset(s) it finances and outlining cooperation between the lenders should an event of default occur. As the lender with the largest loan to the Borrower, Proplend Security Limited has its floating charge confirmed as first ranking in the Deed of Priority, which provides further protections if an event of default were to occur.
- Given the Borrower is a Guernsey based company, the property is based in England and the security is governed by English law, Proplend Security Limited have obtained a legal opinion from a Guernsey law firm to confirm that the property security is valid.

Interest Reserve

Proplend will retain £30,407 (6 months interest) from the gross loan amount which will be held on account should the Borrower fail to meet the interest payments as they fall due.

When the loan has only 3 monthly payments remaining, subject to the loan contract not being in breach and there having been no arrears, costs, or fees owing, Proplend will distribute the Lenders' interest from the Interest Reserve as each remaining repayment falls due. The balance of the Interest Reserve will be applied to the repayment of the principal at the end of the term of the loan.

Serviceability

The Site is currently producing rental income of £83,905 per annum. Interest expense will be £60,813.

The Interest Cover Ratio is 1.38x, indicating that the current rental income is more than sufficient to cover the interest expense.

Covenants

- Asset Cover (loan to value) minimum 60%.

LENDER RISKS:

RISK	LEVEL	MITIGANT
Risk that the management of the Borrower vehicle is not able to execute their business plan.	HIGHER RISK	<ul style="list-style-type: none"> Borrower has successfully gained planning permission for change of use to residential in 6 Liverpool Terrace. No 6 has had several purchase offers, which the Borrower is considering. Guarantor is a Chartered Surveyor with 25+ years' experience. Guarantor has ties to Worthing and maintains a residence there. Credible back-up plan to hold Properties as an investment if the change of use is not granted.
	MEDIUM RISK	
	LOWER RISK	
Risk that the Borrower stops making monthly interest payments to Lenders due to loss of lease income and or tenants whose leases had ended, had exercised a lease break or have gone into receivership.	HIGHER RISK	<ul style="list-style-type: none"> The Property is multi-let, with no single tenant paying more than 22% of total portfolio income. Interest is covered 1.38x, meaning that income could decrease by £23.7k before interest expense could not be met. There is also deliberate strategy of ending leases to facilitate business plan of converting to residential. Vacant Possession Value is the same as market value, so if security had to be enforced, the value would likely remain close to the original level (57% LTV) Proplend holds a 6 month interest reserve, and there is a Personal Guarantee for £70,000. Since inception, significant equity, £1,000,000, has been invested into the transaction.
	MEDIUM RISK	
	LOWER RISK	

Risk that the Borrower is unable to repay the loan principal at the end of the loan term because they have not been able to sell or re-finance the property.	HIGHER RISK	<ul style="list-style-type: none"> At 57% LTV, the property would need to decrease in value by 43% (£525,000) before the LTV would exceed 100%. Given the potential redevelopment value of the properties as reflected in the robust vacant possession value, a decrease of this nature is unlikely. Holding a first legal charge secured over the property which is registered with the Land Registry and Companies House, enables Proplend Security Limited to appoint solicitors and/or a receiver to repossess the property and sell it and execute any other security held from the Borrower.
	MEDIUM RISK	
	LOWER RISK	

Risk that the Property falls in value due to either macro-economic or property-specific reasons.	HIGHER RISK TRANCHE C 65-75% LTV	<ul style="list-style-type: none"> The property is well located in a stable UK town. There are very few similar sites available in such a central location, which have a variety of alternative uses, subject to planning. At 57% LTV, the property would need to decrease in value by 43% (£525,000) before the LTV would exceed 100%. Given the potential redevelopment value of the properties as reflected in the robust vacant possession value, a decrease of this nature is unlikely. Proplend Security Limited maintains a panel of experienced valuers who must have adequate professional indemnity insurance to provide property valuations.
	MEDIUM RISK TRANCHE B 51-64% LTV	
	LOWER RISK TRANCHE A 0-50% LTV	

DOCUMENTS

Additional Documents

The following documents are available to download via the Loan Request screen:

1. A Draft Standard Loan Contract
2. The Legal Report & Property Summary
3. A copy of the Valuation Report dated 27 September 2016

NEXT STEPS

If you are **interested in participating in this Loan Request** and are already fully registered with Proplend then:

1. Log-in your *Proplend Lenders Account*, go to *Loan Investments*, and select the Loan.
2. If the *Loan Request* is *Active* on the Proplend Loan Exchange (PLE) and your Proplend account has sufficient funds to cover your investment, pick the Tranche you wish to lend into and click *View Loan*. The next screen will show the amount of the Loan Tranche available and the key details. Click *Invest* to continue. Select the amount you wish to invest using the drop down menu and click *Invest*. Check the Loan Contract and click *Accept*. A copy of the Loan contract signed by you will appear in your *Lender Dashboard*. Follow the same process to invest into another Tranche.
3. If the Loan Investment is *In Funding*, pick the Tranche you wish to lend into and click *Lend Now*. You will be required to enter the loan amount twice and then *Lend Now*. You then have the option to Lend again into a different Tranche if you wish. A copy of the Loan contract signed by you will appear in the *Waiting to Close* screen in your *Lender Dashboard*. When all the Loan Tranches are 100% filled, the Borrower will be invited to sign the Loan Contracts and the final Security documentation will be completed by Proplend Security Limited before drawing down the loan. This may take up to 10 days from 100% funding and you will be kept informed.
4. If the *Loan Request* is still *Pending* you can register your interest via the *Pre-Offer* facility.
5. If you need to transfer funds to your Lender Account in order to make an investment or an Offer to Lend then go to the *Lender Dashboard Banking* Screen. Here you will find our *Barclays Client Money Account details*, ensure to include your unique *Lender Reference* when you make the transfer or this may delay the transfer. Please let us know you are transferring funds via the *quick email facility*.
6. Once your funds have cleared in your Lender Account you will be able to make an investment through the PLE or an *Offer to Lend*.

If you have any questions, please call us on 0203 379 8290

PROPLEND DISCLAIMER - PLEASE NOTE:

The information provided in this Loan Request is provided solely by the applicant borrower and not Proplend Ltd ("Proplend") or Proplend Security Limited ("PSL"). Neither Proplend nor PSL has verified or audited the information in the Loan Request or the Loan Request itself; and the publication of the Loan Request by the applicant on the Service Website does not constitute any approval, endorsement or representation by Proplend or PSL in relation to the Loan Request. Neither Proplend nor PSL provides any warranty, representation or undertaking as to the accuracy, timeliness or reliability of the information in the Loan Request or that the Loan Request or any Due Diligence Material accurately reflects the risks associated with the Loan Request; nor does Proplend or PSL make any recommendation or give any advice of any kind in relation to the Loan Request. Expected bad debt estimates are estimates for general guidance only and neither Proplend nor PSL warrant their accuracy or reliability. Lenders should seek their own independent legal, financial, tax or other advice before lending. Capital at Risk.