Proplend Loan Request

Date	20 April 2017
Property Name	Burton upon Trent – Offices
Property Description (Short)	Grade II listed building used as offices and providing 58,313 sq ft. of accommodation

Loan Request Summary

Borrower	A Limited Company	**Valuation**	£2,300,000
Loan Type	Commercial Investment	**Total Loan Required**	£825,000
Purchase/Refinance	Refinance	**Loan to value (LTV)**	36%
Property Asset Class	Office	**Whole loan blended interest rate p/a**	8.5%
Current Property Income	£100,000 p.a.	**Rental Value**	£410,000 p.a.

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%	£ ---	---		
A	Lower	0-50%	£ 825,000	8.5%	1.43x	
Total			**£ 825,000**	**8.5%**	**1.43x**	**12 Months**

OVERVIEW

Borrower

The proposed Borrower is a special purpose Limited Company. The Principal and Guarantor is an experienced businessman with a successful trading business.

Property

- The Property is Grade II listed, constructed in the 1860's and forms a part four storey and part three storey building. It was converted in 1990 to industrial and office use.
- The Borrower is proposing to secure planning to covert the building into 90 apartments. The conversion would take place in 3 stages leaving the current tenant in occupation until the 3rd stage.
- There is a single tenant, paying £100,000 p.a., who utilises the ground floor, left hand side of the building (approximately 18% of the floor space).
- The remaining 82% of the floor space is currently vacant but, being a listed building, empty property rates are not payable.
- The rental value of the Property is £410,000 p.a.
- The Tenant declared a turnover of £74 Million in its audited accounts for y/e Sept 2015 producing a pre-tax profit of £37 Million.

Loan Request

- The loan is to assist with the refinance of the Property and further planning process over the next six months.
- The proposed loan of £825,000 includes a provision for the retention of six months interest and the payment of Proplend fees.
- The proposed gearing level is 36%.
- Annual interest expense will be £70,125 giving an interest cover of 1.43x against current rental income.

Loan Tranches

- Tranche A, comprising £825,000, 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 Property.
- Proplend will retain 6 months interest from the Loan.
- Personal Joint and Several Guarantee from the Directors and Shareholder of the Borrower, limited to the sum of £83,000.

BORROWER

Borrower
Charles Jordan Ltd is a Special Purpose Vehicle ("SPV") owned by Mr Avtar Sandhu (the sole director and a 1% shareholder), and his wife, Mrs Duljit Sandhu (99% shareholder). The subject Property is the sole asset owned by the SPV. Mr Sandhu's main business interest is a successful business recycling mobile phones. In the 11-month period to November 2015, his Company achieved a turnover in excess of £21 Million and a pre-tax profit of over £861,000. Mr Sandhu is married with 3 children and 3 grandchildren. He lives in a wealthy part of Hampton in Arden near Solihull. In addition to his main business interest, he has developed various residential schemes including 19 apartments in Sutton Coldfield. He also owns and lets various other residential investments in the Birmingham area. No credit issues have been reported by Mr Sandhu in respect of himself or the SPV and this has been confirmed by credit checks.

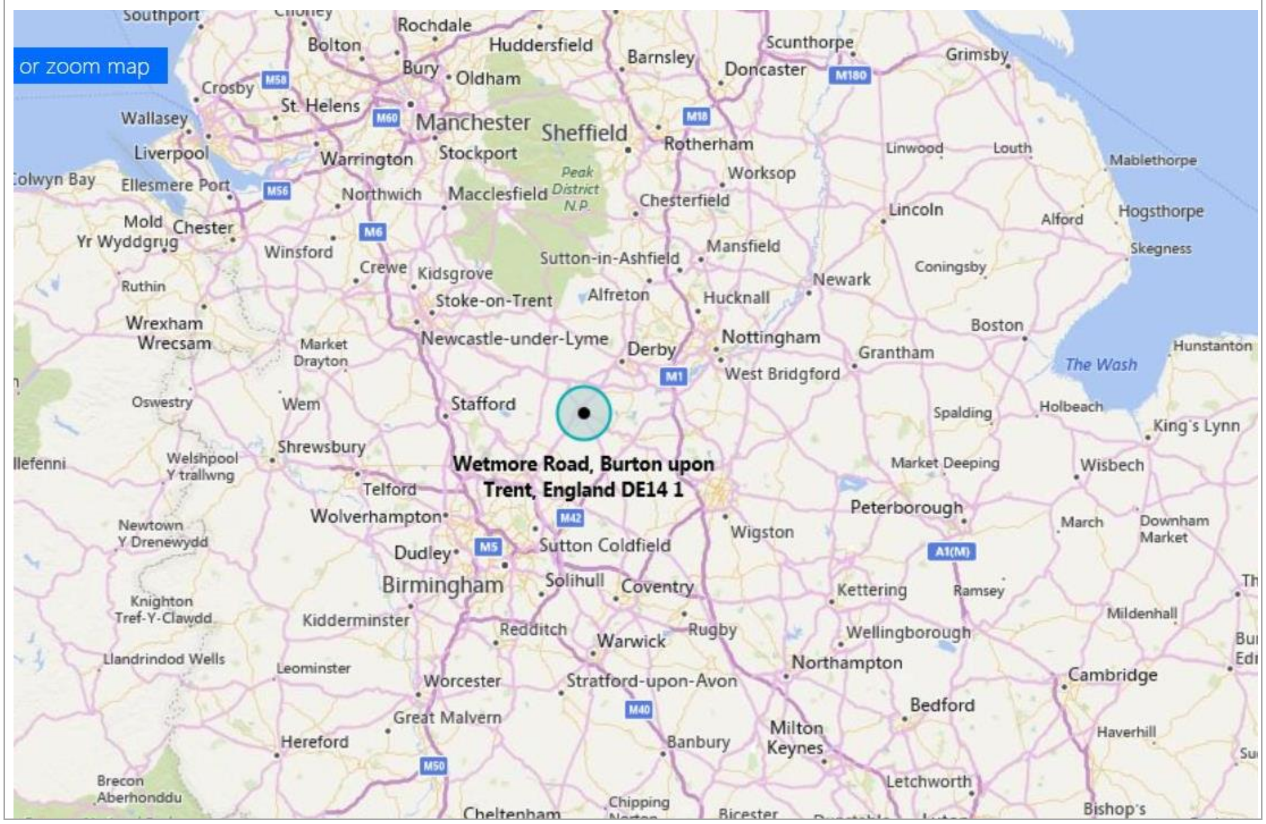
Business Plan
• The purpose of the loan is to refinance the Property and provide funds to progress the planning process. • The Site was purchased at a very advantageous price within a short time-scale. Expensive bridging finance was therefore taken at short notice. • Whilst the subject loan is a short-term investment facility fully serviced by the current rent passing, ultimately the Borrower is proposing to secure planning to covert the building into 90 apartments. • The subject loan will be refinanced onto traditional development finance, post planning. This process should take between six to nine months. • No development activity will occur during the term of the subject loan. It is referenced merely to provide additional comfort and rationale around financing a significantly vacant building.

PROPERTY

Location

The property is situated approximately a mile to the east of Burton Upon Trent town centre in East Staffordshire. The town has a population of approximately 72,300 (2011 census) and is situated just to the east of the A38 trunk road approximately 12 miles south west of Derby and some 12 miles north east of Lichfield. The M42 motorway is approximately 6 miles to the south and Birmingham and the West Midlands conurbation some 20 miles to the south west.

The property itself is situated on the site of a former mill and brewery building, the subject property being a converted mill building sitting towards the front of the site with a large car park facing the subject property to the south.



Asset Description

- The Property is Grade II listed, constructed in the 1860's and forms a part four storey and part three storey building. It was converted in 1990 to industrial and office use.
- There is a single tenant, paying £100,000 p.a., who utilises the ground floor, left hand side of the building (approximately 18% of the floor space).
- The covenant of the Tenant is considered strong.
- Whereas the current lease expires in December 2019, we are informed that it has no

plans to move having spent considerable sums of refurbishing its accommodation. The Applicant wishes to keep the lease termination as it is as he will want to develop the third phase of 30 flats in 2020.

- The remaining 82% of the floor space is currently vacant but, being a listed building, empty property rates are not payable.
- The rental value of the Property is £410,000 p.a.




Tenure

The Property is freehold.

Valuations

A valuation of the Property was carried out by PLP Property Consultants in March 2017, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

Market Value:	**£2,300,000**
Vacant Possession Value:	**£2,300,000**
Vacant Possession, Forced Sale, Value:	**£1,700,000**
Market Rent:	**£410,000**

Title Report

A Report on Title has been supplied by Paris Smith, acting on behalf of Proplend Security Ltd, and their comments thereon can be viewed under documents.

TENANTS & LEASE

Tenants and Leases

- There is a single Tenant, Inspired Gaming (UK) Limited, paying £100,000 p.a., who utilises the ground floor, left hand side of the building (approximately 18% of the floor space).
- The lease expires on 31 December 2019, with a break option on 1 January 2017 having expired (please see the Paris Smith Lettings Report).
- The Tenant declared a turnover of £74 Million in its audited accounts for y/e Sept 2015 producing a pre-tax profit of £37 Million.
- The Tenant is rated A (Very Good) by Equifax, with the rental obligations of the Tenant guaranteed by another group company.

SECURITY & SERVICEABILITY

Security

The Security for the Borrower's performance under the loan will be documented by Paris Smith 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 Debenture and Mortgage including first ranking legal charge over the Property
- 6 months interest will be retained from the Loan and held on account. See Interest Reserve section for further details.
- Personal Guarantee from the Director and sole Shareholder of the Borrower, limited to

the sum of £83,000.

Interest Reserve
Proplend will retain £36,094 (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 Interest Cover Ratio is 1.43x, indicating that the current rental income is more than sufficient to cover the interest expense.

Covenants
• Asset Cover (loan to value): maximum 50% • Interest cover: Minimum 1.25:1

LENDER RISKS:

RISK	LEVEL	MITIGANT
Risk that the management of the Borrower is not able to execute their business plan.	HIGHER RISK MEDIUM RISK **LOWER RISK**	• Principal is of means and the ultimate business plan, whilst of comfort and credible (residential conversion), is not a major consideration for the repayment of the subject loan • Leverage is modest at 36% LTV
Risk that the Borrower stops making monthly interest payments to Lenders due to loss of lease income and or	HIGHER RISK	• Loan serviced comfortably by a tenant of significant scale (Turnover of £74 Million and pre-tax profit of £37 Million) who have no plans to move having spent money

tenants whose leases had ended, had exercised a lease break or have gone into receivership.	MEDIUM RISK **LOWER RISK**	refurbishing their space • No rates payable on vacant office space • Proplend will hold a 6-month interest reserve, and there is a limited Personal Guarantee from an investor of means

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 MEDIUM RISK **LOWER RISK**	• At 36% LTV, the property would need to decrease in value by 64% before the loan is 100% LTV which is considered a remote risk, especially with the valuation report showing a vacant possession value at the same level • The borrower is already in discussions with other lenders about development finance to execute his ultimate business plan for the Property (the conversion to residential), which would see the subject loan repaid

Risk that the Property falls in value due to either macro-economic or property-specific reasons.	HIGHER RISK TRANCHE C 65-75% LTV MEDIUM RISK TRANCHE B 51-64% LTV **LOWER RISK TRANCHE A 0-50% LTV**	• The Subject Property is centrally located in a Town where there is an under-supply of residential accommodation • A pre-application report from the Local Authority states that the presumption for change of use to residential is favourable • As such, it is considered that the Property will continue to be attractive to both investors and developers

DOCUMENTS

Additional Documents

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

1. A Draft Standard Loan Contract
2. The Report On Title and Lettings Report produced by Paris Smith
3. A copy of the Valuation Report dated 30th March 2017

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.

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