



# Proplend Loan Request

<b>Date</b>	2 <sup>nd</sup> August 2017
<b>Property Name</b>	The Abertawe Grand Hotel - Swansea
<b>Property Description (Short)</b>	A 53-bedroomed hotel with a 120 seat banqueting suite, 2 further conferencing rooms, an 70 cover restaurant and a 100 seat sports bar.



### Loan Request Summary

<b>Borrower</b>	A single asset Limited Company	<b>Valuation Plus additional security</b>	£2,750,000 £400,000
<b>Loan Type</b>	Commercial Investment	<b>Total Loan Required</b>	£1,450,000
<b>Purchase/Refinance</b>	Refinance	<b>Loan to value (LTV) With additional security</b>	53% 45%
<b>Property Asset Class</b>	A Hotel and conferencing facility D2 & C1	<b>Whole loan blended interest rate p/a</b>	9%
<b>SIPP</b>	Suitable for a SIPP		
<b>Current Property Income</b>	£161,200 p.a.	<b>Rental Value</b>	£161,200 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%	£ 75,000	10.90%	1.24x	18 months
A	Lower	0-50%	£ 1,375,000	8.90%	1.32x	18 months
<b>Total</b>			<b>£ 1,450,000</b>	<b>9.00%</b>	<b>1.24x</b>	<b>18 Months</b>

## OVERVIEW

### Borrower

- The proposed borrower is a single asset Limited Company controlled by the Applicant.
- The Applicant declares his net worth (based on UK property investments) at £3.3 Million
- He will provide a personal guarantee for 10% of the loan sum.

### Properties

- The Subject Property is a 53-bedroomed hotel with a 120-seat banqueting suite, 22 further conferencing rooms, a 70 cover restaurant and a 100 seat sports bar.
- The Property is let to a hotel management company also controlled by the Applicant and his son.

- The Hotel is currently achieving a turnover of between £130,000 and £140,000 per month.
- The Management Company is paying a rental to the proposed Borrower of £161,200 p.a. This provides an interest cover ratio of 1.24x
- The Property was recently valued at £2.75 Million. (copy valuation available)
- The collateral security was valued in January 2017 for £1 Million.

#### Loan Request

- The proposed Borrower is currently borrowing the aggregate sum of £1.31 Million from four lenders each of which assisted with the purchase of the four interests that make up the Abertawe Grand Hotel
- The Applicant wishes to consolidate this borrowing into one loan
- The proposed loan of £1,450,000 includes a provision for the retention of six months interest and the payment of fees.
- The net loan, after the deduction of the interest provision and fees, will be £1,341,250
- The proposed gearing level is 53%. Additional security can be provided which will reduce the gearing level to 43%
- The rental value of the property is £161,200.
- Annual interest expense is £130,500, giving an interest cover of 1.24 against current rental income.

#### Security

- The Loan will be supported by a first legal charge over the Subject Property.
- A second legal charge on another commercial property, valued at £1 Million, against which there will be loan of £600,000, also provided by Proplend, and secured by a first legal charge. The equity provided by the second legal charge will therefore be £400,000 which would reduce the gearing level to 45%
- Proplend Security Limited will hold a floating charge over the Assets & Undertaking of the Borrower.
- Director's personal Guarantee from the Director for 10% of the loan sum
- Proplend Security Limited will retain 6 months interest from the Loan.

#### Loan Tranches

- The following tranches are based on the security of the Hotel alone and does not reflect the equity in the collateral security.
- Tranche A, comprising £1,370,000, will attract gross interest of 8.9% p.a.
- Tranche B, comprising £75,000, will attract gross interest of 10.9% p.a.
- Lenders are offered the opportunity to lend with minimum loan amounts of £1,000 on a 'first come first lend' basis.

## **THE BORROWER**

### **The Borrower**

The proposed Borrower is a SPV by the name of The Abertawe Grand Ltd (“TAGL”). It was formed in 2016 to bring together the four titles and ownerships that make up the Subject Property. The sole Director is Mr Cornelius Moloney, aged 59, who acquired the original part of the Hotel in 1999. Mr Moloney is providing a personal guarantee for 10% of the loan sum.

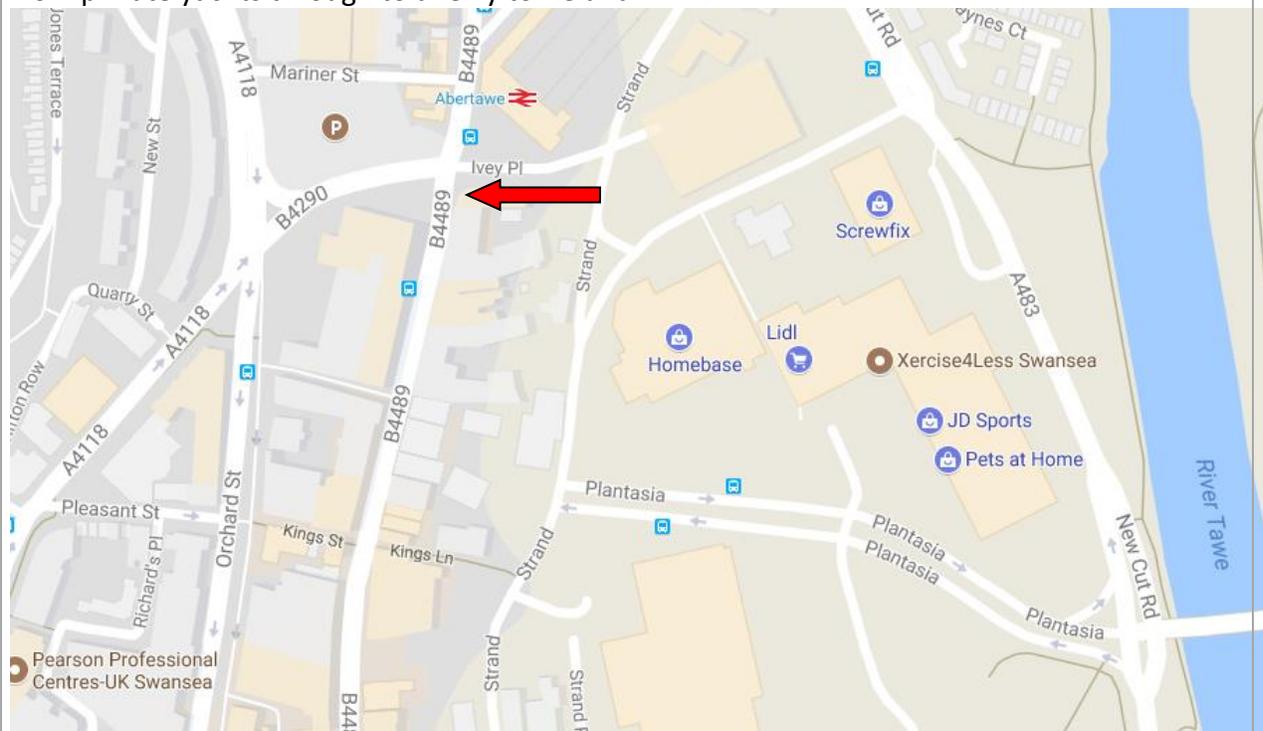
TAGL is owned by a UK holding company by the name of Isola Bella Group Ltd which, in turn, is owned by the Moloney Family Trust.

## **THE PRINCIPAL PROPERTY**

### **Location**

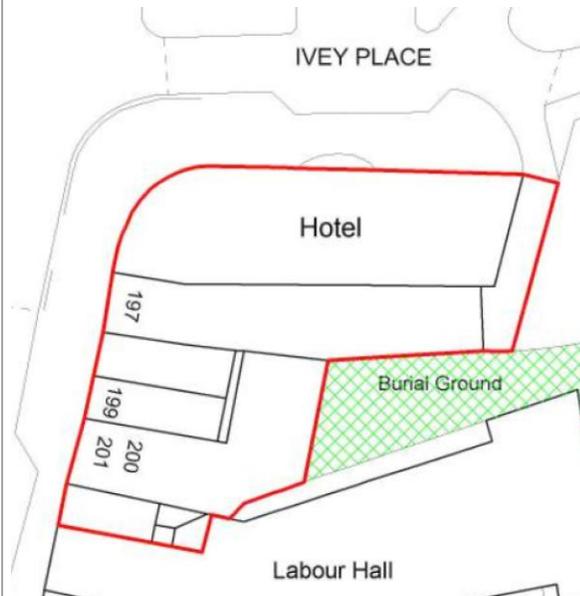
The Abertawe Grand Hotel is located on the corner of Ivey Place and Swansea High Street (The B4489). It is well positioned immediately opposite the City’s rail terminus providing good links to Cardiff, Bristol and London. The M4 motorway also runs close to the north of the City with access from two junctions. There is a multi-storey car park, immediately to the rear of the Hotel and another municipal car park diagonally opposite. A site on this junction has been granted planning permission for a new shopping concourse (including a supermarket) and residential accommodation for 700 students. The Subject Property also lies close to Swansea University, Liberty Stadium and the Castle ruins.

Swansea is the second largest city in Wales with a population of £230,000. The City is home to various significant organisations, including the DVLA, and Swansea University insures a significant student presence. Swansea Bay also provides a strong maritime presence ranging from private yachts through to a ferry to Ireland.



## Asset Description

The Subject Property comprises a six storey, art-deco, building built in the 1930's. To the rear, and fronting the High Street, a further five, three-storey, retail buildings have been added to the Hotel through the acquisition of three further titles. The full address of the Hotel is: Ivey Place, 197, 198, 199, 200 & 201 High Street, Swansea SA1 1NG



Station Suite Banqueting & Meeting Room



Executive First Floor Bedroom



Reception Lobby



The Hotel has 53 letting rooms providing 116 bed spaces. These include 14 triple and two penthouse suites both with balconies incorporating hot tubs. The Hotel includes a banqueting hall, two further conferencing suites, a restaurant, a sports bar, a spa & solarium.

## Tenure

The Abertawe Grand Hotel comprises four titles. Ivey Place is held on a 125 lease from 2003 on a fixed rental of £2,000 p.a. The three other titles are 197 High St, 198-199 High St & 120-121 High St which are all freehold

## Valuations

A valuation of the Property was carried out by Pinders on 27<sup>th</sup> July 2017, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

**Open Market Value:** £2,750,000  
**Vacant Possession Value:** £1,800,000  
**Open Market Rental Value:** £160,000 p.a.

## TENANT & LEASE

### Tenants and Leases

The Abertawe Grand Hotel is let to Celtic Hospitality Ltd (“CHL”) for a rental of £161,200 p.a. CHL is a wholly owned subsidiary of TAGL so the Hotel is effectively owner-occupied. Accounting records for the year ended 28<sup>th</sup> Feb 2017 show a turnover £1,446,077 and a net profit of £217,489. Once the management charge paid to the owners is added back, the adjusted net profit was £398,821.

## The COLLATERAL SECURITY

### The Property

A second legal charge is offered on a property known as The Former RAFA Club & Nursing Home, Ffynone Road, Swansea, SA1 1DE. This comprises a 0.84 acre site in an elevated overlooking Swansea Bay, close to the popular “Uplands” suburb of Swansea.



In June 2016 the Site was granted planning permission for the construction of 32 apartments, 24 to be converted from the existing derelict building and a further 8 to be built two new detached coach houses.



The Applicant has decided to sell the Site and it is being marketed for £1.3 Million. In January 2017 the Site was valued by Savills for £1 Million. Proplend is to provide a facility of £600,000 against this Property for a period of 12 months in order to refinance current borrowings and allow the Borrower a reasonable marketing period. A second legal charge on the Site will also be taken by Proplend in support of the proposed loan on the Hotel. When the Site is sold, and the primary loan from Proplend repaid, the sale proceeds will be used to reduce the loan against the Hotel to £1 Million.

## **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 Hotel.
- The Loan will also be supported by a second legal charge over the Site in Ffynone Road.
- 6 months interest will be retained from the Loan and held on account. See Interest Reserve section for further details.
- A Personal Guarantee from the Director and sole Shareholder of the Borrower for 10% of the facility

**The drawdown of the Loan will be subject to receipt of a satisfactory report on title.**

### **Serviceability**

The Interest Cover Ratio is 1.24x, indicating that the current rental income is more than sufficient to cover the interest expense.

### **Interest Reserve**

Proplend will retain £65,250 (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.

### **Covenants**

- Asset Cover (loan to value): maximum 65%
- An ICR ratio of 1:1.24

### **Relevant Background Information**

The Hotel was previously run by Ivy Place Hotels Ltd ("IPHL") under the control of Mr Moloney. In September 2016 IPHL was put into Receivership in what we consider to be pretty spurious circumstances. The Hotel had borrowed £750,000 from another P2P lender (the "Lender") which was due for repayment in July 2016. An offer from Cambridge & Counties had been secured to replace the facility but the Lender appeared to frustrate the repayment by delaying the paperwork and adding significant additional charges. It also appeared to have lined up another buyer before appointing the Receiver. Unfortunately for the Lender, it only took a charge over a third of the Property making up the Hotel which did not include the restaurant, the banqueting sweet, the stairs, the lifts and the majority of the letting rooms. The Receiver therefore had very restricted, if not existent, market to sell to. By the time the Applicant had facilitated the repurchase of the part of the Hotel from the Receiver, a sum of over £1.15 Million had been paid to the Lender and we have received confirmation that none of its investors suffered any loss on this particular Loan.

In April 2017, The Abertawe Grand Ltd ("TAGL") purchased the Property in charge to the Lender and thereby combined, under one ownership, the four freehold and long-leasehold interests that make up the whole Hotel. The purchase was negotiated by a Michael Thompson who is a solicitor now specializing in corporate restructuring. He was appointed by Mr Moloney as the Lender and its appointed Receiver were being particularly aggressive with regards to the sale of the Hotel to a third party. Mr Thompson has explained to us that the Lender had agreed a pre-sale to another Hotelier and existing customer even before a Receiver was appointed. Under the circumstances, it was thought best if all negotiations (which needed to be fairly robust) were handled by a legally qualified and experienced person, on an arms-length basis. Mr Thompson acted as the Director of TAGL throughout these negotiations. As soon as the purchase by TAGL had been completed, Michael commenced the process of reappointing Cornelius Moloney and his son as directors.

TAGL is a subsidiary of a UK holding company by the name of Isola Bella Group Ltd. ("IBGL"). In June of this year Proplend provided a loan of £400,000 to another company owned by IBGL which is secured on two freehold properties with an aggregate value of £605,000. Mr Moloney is a guarantor on this facility. The Directors of IBGL are Cornelius Moloney and his Son Colin Moloney. The shares in IBGL are held in a Trust the Beneficiaries of which are the Moloney Family.

### Business Plan

The planned method of repayment will be through refinance with a High St lender or Challenger Bank once a period of trading under the new structure has been established.

In the meantime, the Property offered as collateral is on the market for £1.3 Million. Upon its sale, and after repayment of the monies secured by a first legal charge, the sale proceeds will be used to reduce the proposed loan on the Hotel down to £1 Million (sufficient sale proceeds permitting). At that point, the gearing on the proposed loan would reduce to 36%.

### LENDER RISKS:

RISK	LEVEL	MITIGANT
Risk that the management of the Borrower is not able to execute their business plan. 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"> <li>The Borrower plans to refinance the Subject Properties within the loan period. It is felt that the level of loan to value at 53% (45% with additional security) is sufficient to ensure that refinance can be achieved after a reasonable trading period.</li> </ul>
	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"> <li>The Lessee is owned and controlled by the Applicant. The operating company is currently achieving a consistent level of turnover and profit to continue the servicing of rent and therefore interest payments.</li> </ul>
	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"> <li>The Subject Property would need to fall in value by 57% before the loan is not covered.</li> </ul>
	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 Report on Title and Lettings Report produced by Paris Smith
3. Copy Valuation Reports dated July 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