

Full Loan Request: Brighton - Two GB - Office

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| Main Site: | 1 Clifton Mews, Clifton Hill, Brighton, BN1 3HR |
| Date: | 12th July 2018 |
| Asset Description: | A purpose-built, end of terrace 3-storey office building within a gated Mews style development offering 2,606 sq.ft of office space, currently let to six tenant. |



| Deal Summary | | | |
|----------------------------|-----------------------------|-------------------------|-----------------------|
| Loan Type | Commercial Real Estate Loan | Borrower Profile | A SPV Limited Company |
| SIPP Classification | SIPP eligible | Loan Purpose | Refinance |

| Property Summary | | | |
|--------------------------------|----------|----------------------------|------------------------------|
| Market Value | £900,000 | Property Income | £96,000 |
| Vacant Possession Value | £900,000 | Market Rental Value | £64,000 (see comments below) |
| Tenure | Freehold | Asset Class | Office |
| EPC Rating (min. E) | D | | |

| Loan Summary | | | |
|------------------------------|-----------|--------------------------------|---------|
| Total Loan Required | £500,000 | Loan to Value (LTV) | 55.56% |
| Blended Interest Rate | 6.75% | Interest Cover | 2.84x |
| Loan Term | 36 months | Interest Expense (p.a.) | £33,750 |

| Tranche | Risk | LTV | Loan Amount | Interest Rate | Interest Cover |
|---------|--------|--------|-------------|---------------|----------------|
| B | Medium | 51-65% | £50,000 | 8.1% | 2.84x |
| A | Low | 0-50% | £450,000 | 6.6% | 3.23x |

Borrower Details

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|-------------------------------|---|
| Name | Two GB Ltd |
| Registration | UK Registered Limited Company |
| Main Business Activity | Two GB Limited is a special purpose vehicle which holds the Subject Property |
| Ownership Structure | The Company is fully owned by David Pounds and his Partner, Debra Stokes. David is the sole Director and the guarantor to the proposed loan |

Applicant Details

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| Name | David Pounds |
| Age | 58 years |
| Experience | David Pounds was a film engineer in the TV industry but he now works as a video/film consultant. He purchased the Property in 2007 and he has managed the property and tenants since that date. |
| Credit History | There is no adverse data on file other than the additional information below which was volunteered by the Applicant from outset. |
| Net Worth | David Pounds' worth lies in the Subject Property, via the Borrowing Company (which has equity in the order of £610,000 excluding monies owed to the shareholders) and his house which he states has equity of £600,000. He owns both with his Partner, Deborah Stokes. |
| Additional Information | <p>The Applicant has volunteered that in 2014, his media companies (Electric Sales Ltd and Electric Sky Productions Ltd) went into Administration due to a major client breaking a contract. Both companies were placed in liquidation in 2017.</p> <p>Despite this history, David Pound's credit file with Creditsafe shows a credit score of 598 which is within the top band.</p> |

Loan Details

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| Loan Purpose | <p>The proposed loan releases a net advance of £468,125 after the deduction of fees and six months interest retention. The net advance will be used to:</p> <p>A. Clear a current mortgage with HBOS/Lloyds of £290,000 secured by a first charge on the Subject Property.</p> <p>B. £135,000 will be used to clear a loan to the Borrower by its owners David Pounds and Debra Stokes in consideration of which a current second charge on the Subject Property will be released.</p> <p>C. The balance of £43,125 will be used to refurbish the ground floor of the Subject Property whereupon it will be re-let on an enhanced rent.</p> |
| Gross Loan Amount | £500,000 |
| LTV | 55.56% |
| ICR | 2.84x |
| Serviceability | The current rental income would have to decrease by 65% before interest cannot be serviced. As the rent is paid by six tenants, it is considered that a reduction by this amount is unlikely. |
| Interest reserve | <p>Proplend will retain £16,875 (6 months interest) from the gross loan amount which will be held on account.</p> <p>The balance of the Interest Reserve will be applied to the repayment of principal at the end of the loan term.</p> |
| Early Repayment | 2% year 1, 1% year 2 |

Strategy During Loan Term

During the loan term, the Applicant proposes to refurbish the ground floor of the Subject Property, optimise the rent and then refinance on more attractive terms. During refurbishment, the rent would be temporarily reduced from £96,000 to £87,000 p.a. (which still covers interest 2.5x) but the Applicant would not start works before the existing tenant, or a suitable replacement tenant, has signed an agreement to lease on completion of the works.

| Existing Facility | | Bank Loan | |
|-------------------|---------------|-----------|---|
| Lender | HBOS / Lloyds | Expiry | Due of repayment but not under pressure from Bank |
| Value | £290,000 | Status | Holding over |

| Existing Facility | | Personal Loan | |
|-------------------|-----------------------------|---------------|---|
| Lender | David Pounds & Debra Stokes | Expiry | No expiry date at the shareholders discretion |
| Value | £135,000 | Status | Needs repayment to release 2nd charge |

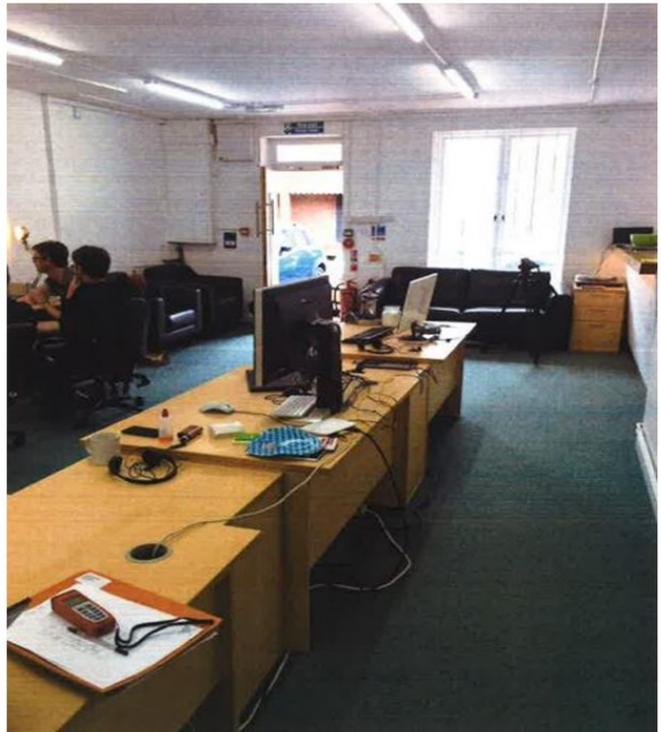
Property Details

The Subject Property is a three storey end-terraced building, constructed in the 1980's. It forms part of a purpose-built terrace of six properties in a gated, off-street, courtyard environment. The Property has two car parking spaces within the courtyard and there are ample parking provisions within the surrounding streets. The building is currently divided up into six offices which share communal areas such as toilets and kitchen facilities. The Applicant proposes to use some of the proposed loan to create a self-contained, open plan, office on the ground floor which he feels will be more marketable and should enhance the rental income. It should also enhance the value of the Security.

First Floor Office



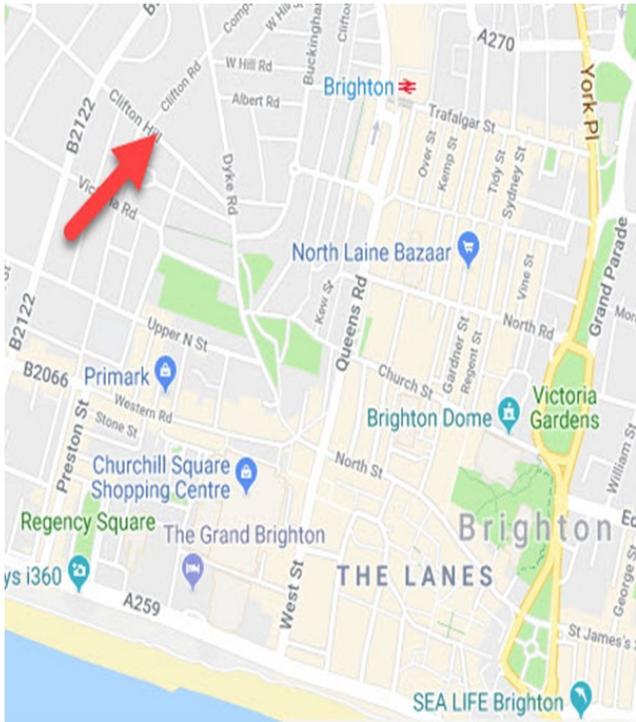
Ground Floor Office (requiring refurbishment)



Location

Brighton is a City of approximately 250,000 residents which lies some 50 miles to the south of London. In addition to having a catchment population of around 500,000, it boasts two universities and attracts over five million tourists and delegates each year.

The Subject Property is in a mainly residential area of Brighton just to the North of the City's main retail area. There is a good supply of local shops and cafes/restaurants close to the Property. Brighton's railway station is a ten minute walk from the Property providing a regular service, taking approximately one hour, to London Victoria. There is also a bus route which runs close to the Property. Gatwick Airport can be reached via the M23 in approximately 45 minutes and around 20 minutes by train. The A 259 dual carriageway coastal road can be easily accessed providing good links to other towns along the South Coast and adjoins the M23 running northbound



Tenant Details

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|-------------------|---------------------------------|-------------------------|---|
| Tenant | There are currently six tenants | Activity | Various but mostly associated with media industry. |
| Lease Type | 3 or 6 month licences | Lease Start Date | Most tenants have been in occupation for several year |

| Licencees | Licence Term and Rent | Credit Profile - CreditSafe |
|-------------------------|----------------------------------|-----------------------------|
| Wafer Audio Ltd | Six months at £1,100 per month | 58/100 - B - Low Risk |
| Second Games Impact Ltd | Six months at £1,300 per month | 96/100 - A - Very Low Risk |
| Mayday Assistance Ltd | Six months at £2,267 | 58/100 - B Low Risk |
| Evermade Ltd | Three months at £1,000 per month | 58/100 - B -Very Low Risk |
| Moreover Ltd | Three months at £750 per month | 87/100 - A - Very Low Risk |
| Star Content Ltd | Six months at £2,500 per month | 52/100 - B - Low Risk |

Security

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|------------------|--------------------|------------------|--------------------|
| Main Site | First Legal Charge | Debenture | Debenture Required |
|------------------|--------------------|------------------|--------------------|

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|---------------------------|--|--|--|
| Personal Guarantee | The Guarantee of David Pounds, Director of Two GB Ltd for the sum of £50,000 | | |
|---------------------------|--|--|--|

Exit Strategy

Following the refurbishment and re-letting of the ground floor, the Applicant will seek to optimise the rental income across the Building and then re-finance on more attractive terms.

Covenants

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|---------------------|-----|---------------------|-------|
| LTV Covenant | 65% | ICR Covenant | 1.25x |
|---------------------|-----|---------------------|-------|

Fees

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|------------------------|----|-------------------|----|
| Arrangement Fee | 2% | Broker Fee | 1% |
|------------------------|----|-------------------|----|

Valuation

A valuation of the property was carried out by Austin Gray on 13th June 2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £900,000
Vacant Possession Value: £900,000
Open Market Rental Value: £64,000

It should be noted that the rental value provided by the valuer reflects the estimated rent that might be achieved if the Property was let, in its entirety, on lease to a single tenant. The Borrower maximises the rent by granting multiple licences but, if the Property had to be let on a single lease, the rent is likely to cover the interest 1.89x

Report on Title

A report on Title will be supplied by Enact acting on behalf of Proplend Security Ltd, and its comments thereon can be viewed under documents.

| Lender Risks | Mitigant | Risk Level |
|---|--|---------------|
| Risk that the management of the Borrower is not able to execute their business plan. | If the refurbishment is not undertaken, the current rental income is more than adequate to continue servicing the rent. The rent would have to decrease by 65% before interest is not covered. At the comparatively low gearing of 56% and interest cover at 2.84x, refinance within the three year loan period should not prove to be difficult | Low |
| Risk that the Borrower stops making monthly interest payments to Lenders due to loss of income and or tenants, whose licences have ended, have vacated or have gone into receivership. | The spread of tenants, all of which have been graded as a low or very low risk by Creditsafe, makes the likelihood of this scenario remote | Low |
| 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. | Due to the low gearing of 56% and the aggregate rental income covering interest 2.84 x, the ability to refinance over the next three years is strong | Low |
| Risk that the Property falls in value due to either macroeconomic or property specific reasons | The value of the Subject Property would need to fall by 44% before there is a risk that the proposed loan is not covered. The valuer believes that the Property could be sold, fully vacant, for 1.8 x the proposed loan. | Medium |

Conditions Precedent

The following actions have been completed prior to credit approval:

- Satisfactory AML/KYC checks in respect of the Borrowers / Directors / Shareholders
- Clear credit searches against the Directors / Shareholders
- Formal, independent valuation addressed to Proplend Security Limited by a RICS qualified valuer confirming market value of the property.
- Satisfactory completion of all stated security requirements / Report on Title.
- Adequate insurance cover with Proplend Security Limited named as First Loss Payee
- Proplend Ltd diligence to be satisfied that interest payments can be serviced
- Loan to value not to exceed 56% on draw down

Documents

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

- A Draft Standard Loan Contract
- The Report On Title and Lettings Report produced by Paris Smith
- A copy of the Valuation Report

Next Steps

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

Log-in your Proplend Lenders Account, go to Loan Investments

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.

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

PROPLEND DISCLAIMER - PLEASE NOTE:

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