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Full Loan Request: Worthing - Sealion - Office Refinance

Main Site:	8 & 9 Liverpool Terrace, Worthing, West Sussex, BN11 1TA and Land at South Side of 11 Shelley Road, Worthing, West Sussex, BN11 1TU
Date:	5/2/2019
Asset Description:	Two adjoining, mid-terraced, Grade II listed buildings predominately used as offices and also a separate stand-alone car park.



Deal Summary

Loan Type	Commercial Bridge	Borrower Profile	Commercial real estate investment
SIPP Classification	SIPP Ineligible	Loan Purpose	Refinance

Property Summary

Market Value	£1,050,000	Property Income	£28,661
Vacant Possession Value	£1,050,000	Market Rental Value	£88,190
Tenure	Freehold	Asset Class	Office

Loan Summary

Total Loan Required	£682,500	Loan to Value (LTV)	65%
Rate of Interest	12.00%	Interest Cover	0.35x
Loan Term	12 months	Interest Expense (p.a.)	£81,900

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£157,500	15.30%	13.77%	0x
A	Low	0-50%	£525,000	11.01%	9.909%	0x

Borrower Details

Name	Sealion Estates Limited
Registration	A Limited Company registered in Guernsey.
Main Business Activity	The Borrower, Sealion Estates Limited, is a Limited Liability Company registered in Guernsey, formed for the purpose of holding the Properties.
Ownership Structure	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.

Applicant Details

Name	Mark Staples
Age	52
Experience	<p>The Guarantor has been a Chartered Surveyor for over 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.</p> <p>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).</p>
Credit History	As the Borrower is a Guernsey based company, no Experian Credit information is available. Proplend has instructed Paris Smith to seek Foreign Lawyer Opinion accordingly, to advise on the legal and security documents of the transaction.
Net Worth	<p>The Guarantor's net worth statement shows Total Assets of £456,900, Total Liabilities of £230,000, and Total Net Worth of £226,900.</p> <p>Assets are mainly in property, both in Hong Kong and England with liabilities being mortgages on those properties.</p> <p>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.</p>

Loan Details

Loan Purpose	<p>Refinance.</p> <p>We are asked to provide a 65% LTV gross loan facility, in order to redeem the remainder of the original Worthing Mixed Use loan, as well as raise capital of approximately £70,000 for internal alterations, refurbishment and fitting out on the vacant units, in preparation for change of use and sale.</p> <p>In line with the Borrowers desire to achieve vacant possession, rental agreements are being allowed to run off and the vacant units remain unlet. As such, the current income produced has fallen, meaning interest cover has reduced to 0.78x, with the deficit being made up out of Company funds.</p> <p>As such, unlike the first loan which was a commercial mortgage, this new loan will be a bridging loan.</p> <p>Having sold 7 Liverpool Terrace at auction in June 2018, the Borrower intends to obtain planning permission for change of use to residential for both 8 and 9 Liverpool Terrace, with the intention of selling both 8 and 9 to a developer with the benefit of full planning.</p> <p>The original intention was to submit the planning application within the term of the now expired loan, however the borrower has taken more time preparing the plans than originally intended as they have been in discussions with Building Control over their requirements and how a compromise can be reached, due to the fact that the buildings are Grade 2 Listed. The Borrower wants to get this right first time, rather than having to withdraw and resubmit the application.</p>
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As such, the Borrower has requested that Proplend refinance the current facility for a further 12 months. The funds from the refinance will be used to fully redeem the current loan facility.

Gross Loan Amount	£682,500
LTV	65%
ICR	0.35x
Interest reserve	Proplend will retain £102,375 (15 months interest) from the gross loan amount which will be held on account. The balance of the Interest Reserve will be applied to the repayment of principal at the end of the loan term.
Early Repayment	2% first 3 months, no fee thereafter.

Existing Facility

Lender	Proplend	Expiry	25/1/2019
Value	£464,800	Status	Past maturity, but interest payments up-to-date.
Rate	8.69%		

Strategy During Loan Term

Regarding the £70k new money, the intention is to start implementing the planning permission already obtained for 8 Field Row. This will involve relocating the electricity and gas supplies to the buildings which currently come in through Field Row, constructing a separating wall and installing new staircases. This work is about to commence imminently, and the Building Control application has just been submitted.

The Borrower also plans to separate 9 Field Row from the front building at 9 Liverpool Terrace, as the intention is to retain both of the Field Row properties whilst selling off the remainder with the benefit of planning permission (which would enable the Proplend loan to be repaid).

The Applicant's brother is a builder and is organising the works required. He has estimated the cost to be approximately £45-50k for No.8, including refurbishing 8 Field Row as a house but excluding separating 9 Field Row internally in the same way - this is expected to cost somewhere in the region of £12-15k.

The Borrower will obtain planning permission for change of use to residential for both 8 and 9 Liverpool Terrace (he has already secured planning on the Field Row unit but this is small and would only provide a one up - one down duplex).

The two buildings on Liverpool Terrace would provide seven flats, (six over the three floors plus possibly one in the roof void of both addresses).

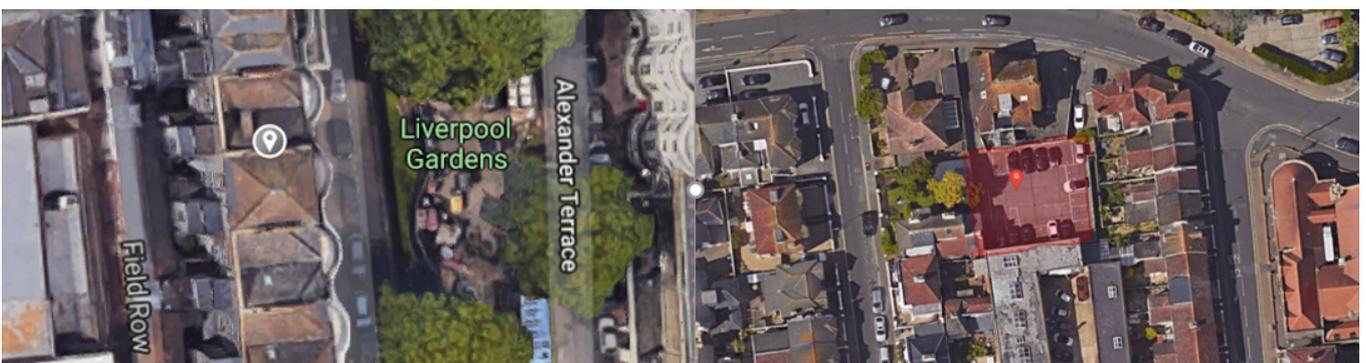
He will then sell on both 8 and 9 to a developer with the benefit of full planning. Number 7 Liverpool Terrace was sold without the benefit of planning in June 2018 for £465k.

Property Details

The security now comprises 8 and 9 Liverpool Terrace plus 8 Field Row plus the car park area at Shelley Road.

8 & 9 Liverpool Terrace comprise 2 mid-terraced bow fronted Grade II listed period properties, each with retail/ office accommodation in an adjoining smaller terrace at the rear, known as Field Row. 8 & 9 Liverpool Terrace have been converted to offices with accommodation predominantly arranged over the basement, ground, 1st, 2nd and 3rd floors. No. 8 has been extended into the roof to create 4th floor accommodation.

Land to the south of 11 Shelley Road comprises an enclosed and relatively poorly surfaced car park with 23 marked spaces. Nos. 20, 21 and 22 are however in tandem and No. 23 is in triplicate. The square configuration has also resulted in some corner spaces being hemmed in. Taking the above into consideration, we are of the opinion that 17 of the parking spaces have unencumbered access.



Location Report

Liverpool Terrace and Shelley Road are situated within the town centre and are within approximately ¼ of a mile of one another. Liverpool Terrace is accessed via Shelley Road to the north and Montague Place/ Montague Street to the south, the latter of which comprises the town's primary retail thoroughfare.

Liverpool Terrace overlooks lawned gardens and the terrace comprises predominantly converted offices and to a lesser extent, residential dwellings.

Notwithstanding a higher proportion of commercial premises as you travel eastward towards the town centre, Shelley Road is mainly residential in nature.



Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required	Property Insurance	PSL Interest Noted and Current Doc Held
Personal Guarantee	Individual Guarantee from the Directors and Shareholders of Sealion Estates Limited for the sum of £136,500		

Exit Strategy

As above, the borrower will sell on both 8 & 9 to a developer with the benefit of full planning consent.

Having sold 7 Liverpool Terrace at auction the Borrower intends to obtain planning permission for change of use to residential for both 8 and 9 Liverpool Terrace, with the intention of selling both to a developer with the benefit of full planning.

Covenants

LTV Covenant	65%	ICR Covenant	0x
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Fees

Arrangement Fee	1%	Broker Fee	0%
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Valuation

A valuation of the property was carried out by Stiles Harold Williams Partnership LLP on 29/1/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £1,050,000 - this is broken down by the valuer to: 8 Liverpool Terrace £490k, 9 Liverpool Terrace £440k, Shelley Rd £120k
Vacant Possession Value: £1,050,000
Open Market Rental Value: £88,190

Report on Title

A Report on Title will be supplied by Paris Smith LLP acting on behalf of Proplend Security Ltd, and it's 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.

The Borrower has successfully gained planning permission for change of use to residential in 6 & 7 Liverpool Terrace.

Medium

The Guarantor is a Chartered Surveyor with 25+ years' experience. He has ties to Worthing and maintains a residence there.

There is a credible back-up plan to hold Properties as an investment in the unlikely event that change of use is not granted.

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.

There is a deliberate strategy of ending leases to facilitate business plan of converting to residential.

Medium

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 (65% LTV).

Proplend will hold a 15-month interest reserve of £102,375.

Since inception, significant equity, £1,000,000, has been invested into the transaction.

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.

Given the potential redevelopment value of the properties as reflected in the robust vacant possession value, a decrease of this nature is unlikely.

Medium

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.

Risk that the Property falls in value due to either macroeconomic or property specific reasons

The property is well located in a stable UK town.

Medium

There are very few similar sites available in such a central location, which have a variety of alternative uses, subject to planning.

At 65% LTV, the property would need to decrease in value by 35% (£367,500), 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.

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 75% 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 LLP
- 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 to 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 397 8290

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