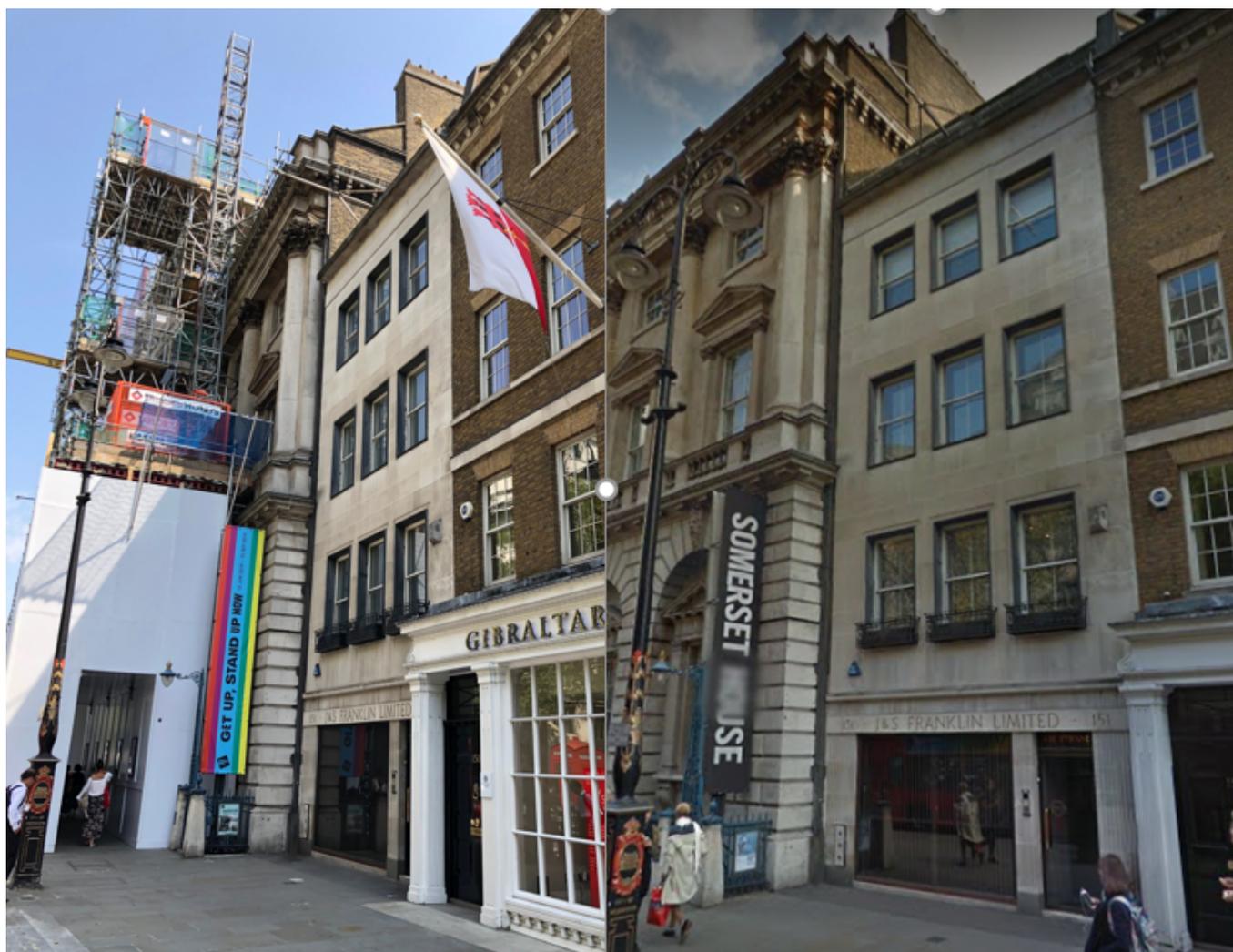


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Full Loan Request: The Strand, London - Offices

Main Site:	151 Strand, London, WC2R 1HL
Date:	29/7/2019
Asset Description:	A mid-terraced building arranged on basement, ground and five upper floors, providing office accommodation with ancillary storage and staff areas in the basement.



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	Property investment
SIPP Classification	SIPP Eligible	Loan Purpose	Refinance

Property Summary

Market Value	£4,200,000	Property Income	£260,000
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Vacant Possession Value	£3,675,000	Market Rental Value	£230,000
Tenure	Freehold	Asset Class	Offices
EPC Rating (min. E)	tbc	Planning Use	Offices

Loan Summary

Total Loan Required	£2,730,000	Loan to Value (LTV)	65%
Rate of Interest	7.50%	Interest Cover	1.27x
Loan Term	24 months	Interest Expense (p.a.)	£204,750

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£630,000	9.00%	8.10%	1.27x
A	Low	0-50%	£2,100,000	7.05%	6.345%	1.76x

Borrower Details

Name	J. & S. Franklin (Holdings And Management Services) Limited
Registration	UK Registered Limited Company
Main Business Activity	A property investment holding company with other assets.
Ownership Structure	<p>The Company is owned as follows;</p> <ul style="list-style-type: none"> - 36% Marc Franklin - 36% David Franklin - 18% Jasmina Franklin-Pierce - 10% Sydney Franklin <p>Marc and Jasmina are the active directors in the business.</p>

Applicant Details

Name	Marc Franklin and Jasmina Franklin-Pierce
Age	62 & 55 respectively
Experience	<p>Marc;</p> <p>Represents J&S Franklin Limited as Sales Director and ambassador for the organisation for over 40 Years.</p> <p>Serves as Executive point of contract with High Profile Clients, such as Heads of State, Commanding Officers of Armed Forces .</p> <p>Partner with the FD and other board members to ensure that board resolutions are carried out</p> <p>Lead Contract Negotiation</p> <p>Seeking our major client and formation of working relationships</p> <p>Overseeing and managing sales team, over a large geographical area</p> <p>Identification of emerging markets</p> <p>Formation of Sales plans</p> <p>Serving as business representative at major industry events, conferences, trade shows, and exhibitions</p> <p>Forming sales strategies to keep the company competitive and innovative.</p> <p>Primary contributor and driving force in the introduction and establishing Defencell into the market</p> <p>Jasmina;</p> <p>Founded Kuan Ltd in 1996, which developed a number of toiletries brands successfully sold worldwide. Sold to a US company in 2000.</p> <p>Represented J&S Franklin Limited in various facets, roles and as ambassador for over 30 years</p> <p>Provides leadership to the Board's Finance and Accounting strategy, to optimise the company's financial performance and strategic position.</p> <p>Responsible for ensuring that an organisation complies with standard financial and legal practice and maintains high standards of corporate governance.</p> <p>Ultimate responsibility for the company cash management policies</p> <p>Planned accounting and finance goals in alignment with company mission and objectives analysed and made improvement overhaul of financial accounting and control systems.</p> <p>Oversaw preparation and distribution of all project financial reports on a regular basis.</p> <p>Established a high level of credibility and manage strong working relationships with external parties including customers and advisors</p> <p>Collaborated with all departments on variety of subjects including Contract Negotiations, Tender Submissions and quotations, and purchasing.</p> <p>Management of Accounts Department and Staff Corporate finance: manage company policies regarding capital requirements, debt, taxation, equity, disposals and acquisitions, as appropriate.</p> <p>Provision of cash flow reporting.</p> <p>Brand Management, marketing and sales experience</p> <p>Product development and bringing new products to market.</p>
Credit History	<p>Jasmina - Strong (Creditsafe band 9 out of 10).</p> <p>Marc - Unbeknownst to Marc, a CCJ was registered against him in July 2017. This was related to private school fees. This has now been paid and settled with the school. A CP will be included as part of the release of funds to clear the CCJ from the register within one month from drawdown.</p>
Net Worth	<p>MF - £1.94m</p> <p>JFP - £1.64m</p> <p>All other assets are in Company names.</p>

Loan Details

Loan Purpose	Refinance. We are asked to provide a 65% gross LTV loan, in order to refinance the current lender - £2.3m net, and the remainder to provide the associated trading business with working capital, which will be used as collateral for a lucrative trade finance deal, which they are about to fulfil.
Gross Loan Amount	£2,730,000
LTV	65%
ICR	1.27x
Serviceability	Rental income to be received from the operating company is £19,250 pcm, with interest payments due of £14,930 pcm.
Interest reserve	Proplend will retain £51,188 (3 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 6 months, 1% months 7-12, no fee thereafter.

Existing Facility

Lender	Octane Capital	Expiry	31/8/2019
Value	£2,300,000	Status	Up to Date

Strategy During Loan Term

To consolidate the trading business and maximise profits.

The property has planning consent for the uppers to be converted to an Air BnB. At this moment, the Borrower is mulling over several options, as to how best and when to proceed;

- once the 2019 accounts have been produced, they may be able to refinance on a term loan, hence the 18-month term.
- the Borrower doesn't need the whole property, and so may sub-lease to generate additional income.
- they might sell with planning or might develop as planning is for an air B&B.
- the impending sale of a residential property in Ovington Gardens, London SW3, will generate some additional cash which might be used to repay our loan.
- they also have an offer for a division of J&S Franklin which is for £5m and it is expected that by the end of 2019 they will have accepted an offer for around £8m for that division, as Clearwater Corporate Finance have valued at in excess of £10m.

Property Details

The Property comprises a mid-terraced building arranged on basement, ground and five upper floors. The building is occupied by the Borrower's associated trading business, and provides functional albeit dated office accommodation with ancillary storage and staff areas in the basement.

The Borrower bought the property in 1986 for £800k and have spent c£200k in addition over the years, in cosmetic refurbishment. The Borrower applied for planning to convert the property to an apart-hotel and bar, which was granted in March 2018.



Location Report

The Property is located in Central London on the Strand, a major thoroughfare in the City of Westminster, very close to the edge of the northern bank of the River Thames. The Strand runs three quarters of a mile (1,200m) from Trafalgar Square eastwards to Temple, where the road then turns into Fleet Street inside the City of London. The Strand is also part of the A4 which is a main road running west from inner London.

The Property is 0.5 miles south of Holborn, 1 mile west of St Paul's Cathedral and 1.5 miles east of Mayfair, as well as 0.3 miles to the northwest of Temple underground station (5 minute walk), 0.4 miles southeast of Covent Garden underground station (8 minute walk) and 0.4 miles northeast of Charing Cross Station (8 minute walk).

The nearest motorways to the Property are the M1 and the M11; 7.5 miles northwest and 10 miles northeast of the Property respectively.



Tenant Details

Tenant	J. & S. Franklin Limited	Activity	Military Defence
Lease Type	to be FRI	Lease Start Date	August 2019
Months to Lease Break	36	Months to Lease End	36
Contracted Rent (£ p.a.)	£231,000	Occupation Level (%)	100%

Tenant Description

Please see <http://www.defencell.com/>

Design and manufacture of The DefenCell™ barrier system, which provides personnel and infrastructure protection in Military, Security and Environmental applications. Lightweight, man portable and non-metallic with a small logistical footprint, it is available in various flexible and modular configurations from individual positions up to complete forward bases and can be deployed rapidly, with or without engineering support.

In both military and security applications it affords protection from small arms fire right up to VBIEDs and artillery. In the environmental sphere, DefenCell™'s proven geocell technology makes it ideal for flood protection and ground stabilisation.

Tenant strength

Reasonable local covenant - financials to y/e 31-3-2018 show Net Worth having increased from £1.59m as at 31-3-2017, to £2.08m.

Security

Main Site	First Legal Charge	Debenture	Debenture Not Required
Share Charge	Share Charge Not Required	Property Insurance	PSL Interest to be Noted on Completion
Personal Guarantee	Joint and Several Guarantee from the Directors and Shareholders of J. & S. Franklin (Holdings And Management Services) Limited for the sum of £1,365,000		

Exit Strategy

As above, the property has planning consent for the uppers to be converted to an Air BnB. At this moment, they are mulling over several options, as to how best and when to proceed;

- once the 2019 accounts have been produced, they may be able to refinance on a term loan, hence the 18-month term.
- the Borrower doesn't need the whole property, and so may sub-lease to generate additional income.
- they might sell with planning or may develop as planning is for an air B&B.
- the impending sale of a residential property in Ovington Gardens, London SW3, will generate some additional cash which might be used to repay our loan.
- they also have an offer for a division of J&S Franklin which is for £5m and it is expected that by the end of 2019 they will have accepted an offer for around £8m for that division, as Clearwater Corporate Finance have valued at in excess of £10m.

Covenants

LTV Covenant	65%	ICR Covenant	1.25x
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Fees

Arrangement Fee	2%	Broker Fee	1%
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Valuation

A valuation of the property was carried out by Avison Young on 26/7/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £4,200,000
Vacant Possession Value: £3,675,000
Open Market Rental Value: £230,000

Report on Title

A Report on Title will be supplied by Paris Smith 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 management of the Borrower have significant commercial experience, and recognise that they do not need such a large freehold in a prime location. As above, they have a number of options available to them, in order to ensure our loan is repaid.

Low

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.

The Borrower is of sufficient means and integrity to ensure that our monthly interest payments continue to be honoured throughout the loan term, even in the event, however unlikely, of the trading business entering into financial difficulty.

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.

At less than 75% of the current vacant possession value, it is improbable that the Borrower would not be able to refinance on to more competitive terms by the time of maturity.

Low

There would also be considerable interest in the property should the Borrower decide to sell the freehold.

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

It is possible in this environment that the value of the property may fall in value at some point in the next two years, however, given that we are at 65% LTV, the property will have to fall by £1.47m before lenders in tranche B would be affected.

High

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
- 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

PROPLEND DISCLAIMER - PLEASE NOTE:

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