Series developed exclusively for investment platforms with raise of £25m

CORPORATE FINANCE BONDS

Series 10
Terms & Information

For professional advisers only

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The Series 10 Notes are rated: Public 'A' (sf)(ind) rating with Stable Outlook by ARC Ratings S.A.

ARC RATINGS world partners

Series 10

High Yield Asset Backed Returns from Secured Corporate Lending

A 5-year Secured Note offered to platform investors at a 31.25% discount. Capital value accruing daily on a straight line basis equivalent to 6.25% per annum.

Investment Brief

The bond's investment mandate is to use Note proceeds to lend on a secured basis to a minimum of five borrowers per Series - a business model akin to that of a bank. Lending is secured against the assets of the borrower to meet the exacting requirements of the Listing Particulars. The Key Points of the Investment Brief are as follows:

- Security is usually at least a registered Debenture secured against all assets of the borrower with a typical minimum Debt Service Coverage Ratio (DSCR) of 1.2x
- Diversification across multiple loans to companies in a broad spread of business sectors (minimum of 5)
- Step-in rights in the event of a breach of lending covenants
- Management reporting by borrowers against milestones ensures potential problems are quickly identified and resolved
- Borrower's business plan, cash flow forecasts, due diligence process, market analysis and good standing are independently assessed by the Investment Advisory Committee (IAC)
- Focus on the ability of the borrower to service the monthly interest with a clear exit route through capital repayment, refinancing or asset sale
- IAC applies a sensitivity analysis of a 20% haircut on the borrower's financial projections to ensure the cash flows are sufficient to meet obligations under a worst case scenario

CORPORATE FINANCE BONDS

Technical Information

GBP 500m Secured Note Programme, Series 10, GPB 5Y Zero Coupon Bond, Senior Secured

ISIN No. GB00BYQJ1946
SEDOL No. BYQJ194

Settlement: Crest, Euroclear & Clearstream

Listing: Note listed on the Global Exchange Market of the Irish Stock Exchange under approved programme

Terms: Bond matures on the redemption date at GBP 1, creating a capital growth over the period of 31.25% (6.25%pa)

Redemption date: April 24, 2022

Denomination of GBP 1 for Platform trading

Valuations on Bloomberg and Financial Express

Secondary Market provided by market maker on matched bargain basis

ARC Ratings S.A.

Corporate Finance Bonds submitted Series 9 to ARC Ratings S.A. (ARC), an international credit ratings agency, which has rated the bond as "A (sf) (ind)".

Founded in 1988 and converted into ARC in 2013 as a joint venture between five ratings agencies from four different continents, the combined group provides the financial platform and infrastructure to compete with the "big 3" global agencies.

ARC has over 600 ratings staff, serving 10,000 national and corporate clients from 20 offices, and enjoys a fee turnover of more than USD 50m.

ARC is registered with the European Securities and Markets Authority (ESMA) as a Credit Ratings Agency.

About the Ratings Process

As well as assessing the governing documents and legal structure of the GBP 500m Secured Note Programme, previous Series issued and this specific Series rated, the ARC team conducted a formal interview with the management of Corporate Finance Bonds Ltd. The following areas were interrogated:

- History of CFB and background of Directors and key staff
- Corporate strategy and objectives
- Bios and experience of members of the Investment Advisory Committee researching borrower applications for approval by Directors
- CFB Lending criteria and permitted business sectors to which loans can be made
- Details and process of borrower application and loan underwriting
- Borrower loan term, interest payment management and exit route / capital repayment
- Position of CFB as first charge and subsequent management of secondary loans, overdraft facilities and mezzanine finance
- Loan Book Management using CFBs custom built technology platform
- Disaster and Recovery plan
- Security Range (typically from 100% to 150% of loan)

The interview was conducted on April 7, 2017 and led by lead analyst Zeshan Mirza.

NOTE: Investments in Corporate Bonds and the income from them will be at risk and you may lose some or all of the funds invested.

Our Policy

Investment policy will be to offer loans to property developers, technology companies, professional services firms and financial sector businesses enjoying the following characteristics:

- Security from property portfolios, land banks or secured planning permission
- Client retainers and contracted flows of new business
- Assets under management that generate lifetime dealing fees and commissions
- Alternative investment products, platforms and service providers
- Sustainable Energy developments qualifying under legislation for guaranteed feed-in tariffs
- Intellectual Property and registered patents
- Where directors are willing to provide personal guarantees

In all cases a charge will be taken against all the assets of the business by way of a Debenture.

Parties

Issuer: Corporate Finance Bonds Ltd

Trustees & Registrar: Fairoak Trustees

CREST Registrar: SLC Registrars Ltd

Legal Advisers: GRM Law

Investment Advisers: Clear Capital Management LLP

Management of Bond Assets

The capital raised in the Series is allocated to asset based lending. According to the Asset Based Finance Association, a record GBP 1.31 trillion was lent throughout Europe in 2015, with the UK representing 26 per cent of the market.

This has left a lending gap for astute investors to exploit by making capital available for business growth secured against the assets of the business, whether by a fixed and floating charge on all assets of the company or against a specific fixed asset or property.

The bond proceeds provide loan capital to businesses that are seeking capital to accelerate plans and build sustainable revenue streams.

Primary focus is on the property development sector, particularly developers seeking finance for acquisition of land banks and/or property for investment, distressed property, student accommodation and bridging finance.

Lending is also made to scalable businesses in the professional services sector that can dramatically enhance profitability through technological advancement, process re-engineering and M&A activity. Corporate Finance Bonds seeks borrowers who can show how the use of funds will increase profitability and balance sheet growth and so can readily support debt obligations and provide an identifiable exit route for debt commitments.

Case Study

This can be clearly demonstrated with reference to a specific project:

Corporate Finance Bonds was approached by a property development business seeking a GBP 5m facility to finance the development of properties.

The properties were primarily acquired from distressed sellers and required significant refurbishment before onward sale or rental.

The Corporate Finance Bonds team conducted a detailed review of the business plan, historical accounts / EBITDA, corporate infrastructure, process and governance and the opportunities and risks to the business.

The business could readily support debt obligations from its current property portfolio and enjoyed a substantial revenue base from these current activities.

The objectives for the use of funds borrowed were carefully agreed with the purpose of accelerating growth potential.

Corporate Finance Bonds and its team of professional advisers leveraged collective expertise to provide bond holders with stable returns from fully collateralised lending, supported, in this example, by a highly positive interest cover ratio and a sole charge of the entire assets of the property development company.

IMPORTANT NOTICE

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