CORPORATE FINANCE BONDS

Series 7
Terms & Information

For professional advisers only

Series 7

High Yield Asset Backed Returns from Secured Corporate Lending

A 5-year Senior Secured Bond, paying 6.25% fixed p.a; investing in secured loans to companies. Capital value accruing daily on a straight line basis.

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

£500m Note Programme, Series 7, GBP 5Y 6.25% Senior Secured

ISIN No. GB00BDRKWQ32
SEDOL No. BDRKWQ3

Settlement: Through Crest, Euroclear and Clearstream

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

Coupon payment dates: Interest paid semi-annually in December and June.

Redemption date: 15 December 2021

Minimum investment of just £100,000 in aggregate. Capacity £5m

Suitable for ISA, SIPP, SSAS, Portfolio Bond and Investment Platforms

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

IMPORTANT NOTICE

Investment in Corporate Bonds and the income from them will be at risk and you may lose some or all of the funds invested, due to potential default in the underlying loan pool. High yield securities are subject to a greater risk of loss of principal and interest than higher-rated, investment grade fixed income securities. Investments in newer markets and smaller companies offer the possibility of higher returns but may also involve a higher degree of risk. This is intended for investors seeking a medium term investment i.e. typically 5 years. If you need to access your money quickly it is possible that, in difficult market conditions, it could be difficult to sell your holdings in the secondary market. Bonds might also become less economically attractive in times of increasing interest rates. Past performance is not a guide to future performance. Investments, or income from them, can go down as well as up. Changes in exchange rates will affect the value of investments made overseas. This brochure, which is a financial promotion for the purposes of Section 21 of the Financial Services and Markets Act 2000, has been approved for UK publication by Clear Capital Management Limited Liability Partnership of 35 New Bridge Street, London, EC4V 6BW, which is authorised and regulated by the Financial Conduct Authority with firm reference number 598743.

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.

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 (CFB) 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 1: Property Development

CFB 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 CFB team conducted a detailed review of the business plan, historical accounts / EBITDA, corporate infrastructure, process and governance and the opportunities and risks relating to the business.

The business could readily support debt obligations from its current portfolio and already enjoyed a substantial revenue base. The objectives for the use of funds borrowed were carefully agreed with the purpose of accelerating growth potential.

CFB 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.

Case Study 2: Sustainable Energy

CFB was approached by a business with a strong track record in the wind farm sector, acting previously as broker to source and negotiate contracts for private equity firms, such as Scottish Equity Partners, which works closely with energy company SSE, pension funds and institutional investors.

The company sought capital to build its own business interests, acting as principal in its dealings with its long standing network. This network included a panel of estate agents such as Knight Frank, Fischer German and Savills to identify potential sites.

The company presented CFB with its business plan and operational process, providing evidence of a detailed due diligence process, cash flow projections, details of feed in tariffs and contractual terms with the energy companies.

The business model was to establish an SPV for each site so CFB could secure a charge over all assets of that SPV, comprising the wind turbine, all legal contracts and rights to future income with the benefit of insurance policies.

The exit plan for each of the SPV was to re-finance the project from a major lender such as Close Brothers bank, specialist lenders in the sustainable energy sector or through a sale to a business such as Scottish Equity Partners / SSE.

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