



Zephyr X

HEADS OF TERMS

ZX CHEETHAM HILL HOLDINGS LIMITED
LIMITED 36 MONTH FIXED RATE LOAN NOTE
MAY 2023



Important Note

The content of this document has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000. You could lose all of your money invested in this product. This is a high-risk investment and is much riskier than a saving account.

Strictly Private and Confidential Subject to Contract



ZX CHEETHAM HILL HOLDINGS LTD

LOAN NOTE ISSUER TERM SHEET

Issuer	ZX Cheetham Hill Holdings Limited
Issuer Registered Address	46 Curzon Street, London, W1J 7UH
Issue Size	GBP 2,500,000 (Two Million Five Hundred Thousand GBP)
Term	36 months from the relevant issue date The Issuer reserves the right to extend the term by a further 12 months.
Coupon Rate per annum	15% per annum, payable on maturity.
Issue Date	Available to subscribe from and including 5th May 2023
Closing Date	36 months from the relevant Issue Date for each Loan Noteholder
Minimum Investment	GBP 25,000 *Bespoke options are available for larger ticket sizes and joint ventures.
Availability	Direct investment offering is applicable to professional investors, certified high net worth investors, certified sophisticated investors, self-certified sophisticated investors, institutional investors and companies only.
Security Trustee	Blue Water Capital Ltd 53 Calthorpe Road, Edgbaston, Birmingham B15 1TH
Transferable	No
Early Repayment	No The loan note, whole or in part, could be repaid early, including the full term interest and bonus, should the project be completed before the end of the 36-month term.
Use of Proceeds	The funds raised will be lent to ZX Cheetham Hill Holdings Ltd, a wholly owned SPV of the Company, by way of an inter-company loan agreement to partly fund the costs associated with the Cheetham Hill BTR Development in Cheetham Hill, Manchester. The costs include, but are not limited to property investment, development costs, management costs, agency fees, administration and marketing costs. Additional senior debt funding will be raised in order to complete the scheme; developments typically require c.12-18months build phase before completion and units being available for rent and/or the development being available for refinancing or sale.
Security (1/2)	The obligations of the Issuer pursuant to the Loan Notes are secured pursuant a legal charge to be granted by Zephyr X Holdings Limited (the Shareholder) in favour of the Security Trustee over the shares held by it in ZX Cheetham Hill Holdings Limited (the Share Charge). Recourse under the Share Charge is limited to, inter alia, the value of the shares charged thereunder. No security is granted by the Issuer over the property comprising the Scheme or over any of its other assets.



Security (2/2)

The Security Trustee holds the Share Charge for the benefit of the Loan Noteholders on the terms set out in the Security Trust Deed. The Share Charge and the Security Trust Deed are important documents that you should read. The Security Trust Deed explains the roles and responsibilities of the Security Trustee. These are available on request from investments@zephyrx.co.uk.

IMPORTANT – The Issuer will take out a debt facility with a senior lender to complete the development of the Scheme. The senior lender will hold a first ranking charge over all or substantially all of the assets of the Issuer and will restrict payments by the Issuer in respect of the Loan Notes until the senior lender is paid in full. The Shareholder may also be required to grant security over the shares in the Issuer and the Share Charge and the obligations of the Shareholder to the Security Trustee will be subordinated to any security and obligations granted to the senior lender.

Ranking

The debt owing to the Loan Noteholders and the obligations of the Issuer to the Loan Noteholders will be subordinated to those owed to the senior lender. All loan notes should rank pari passu, equally and rateably without discrimination or preference alongside all unsecured creditors of the Issuer.

Law

English Law

Governing Law

United Kingdom

Solicitors

Gateley PLC
One Eleven, Edmund Street, Birmingham, B3 2HJ

Accountants

Grant Thornton LLP
30 Finsbury Square, London,
EC2A 1AG



HEADS OF TERMS RISK FACTORS

In addition to all of the relevant information provided in this Heads of Terms ("HoT"), the following specific risk factors are being set out for your information. This is not an exhaustive list, and there may be further risks in an investment in the Loan Notes which are pertinent to your personal circumstances.

Always take independent legal, financial and/or tax advice before investing.

RISK TO CAPITAL

Invested capital is at risk and you may not get back what you invest. The Issuer, like all businesses, is vulnerable to financial difficulties and investing in unlisted corporate loan notes involves significant risk of default and loss of capital. Investment in loan notes of this nature is speculative and involves a higher degree of risk than other types of investment. Investments of this type are not suitable for all investors.

NON-TRANSFERABLE & ILLIQUID INVESTMENT

The Loan Notes are not transferable or negotiable on the capital markets and no application will be made for the Loan Notes to be admitted for listing or trading on any market. It will not be possible to sell or realise the Loan Notes until they are repaid by the Issuer so please ensure you are fully aware of the risks involved and that you will not be able to cash in or sell your Loan Notes before their maturity date.

Prospective Investors should not submit an Application Form unless they are prepared to hold the Loan Notes for their full term. In the event of the death of a Loan Noteholder or in other exceptional personal circumstances, individual Loan Noteholders may be repaid early. However, any such early repayment is at the Issuer's discretion and subject to there being sufficient cash available at that time.

Financial services compensation scheme and regulation

The content of this document has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000. Please note that this is an unregulated product. The compensation entitlements under the Financial Services Compensation Scheme (FSCS) do not apply to this investment. In the event of the Issuer being unable to pay either the capital or interest payments, the protections afforded by the Financial Services and Markets Act 2000 including recourse to the Financial Ombudsman Service and access to the FSCS will not apply.

SECURITY TRUSTEE

Whilst the security in favour of the Loan Noteholders is held on their behalf by the Security Trustee, the Security Trustee shall not be responsible, nor shall face any liability, for any loss incurred by the Loan Noteholders relating to a failure of the Issuer to make payments (whether of interest or of the principal amount) to the Loan Noteholders when due. The Security Trustee will not have any ability or responsibility to protect any monies in the accounts of the Issuer which may have been set aside for payment of interest or of the principal amount in respect of the Loan Notes. The Security Trustee cannot guarantee return of any monies in the event of default. The Security Trustee has no role in the day to day management of the Issuer and its personnel are not experts in the Issuer's business. Accordingly, in the event that the security is enforced, there can be no guarantee that it will be possible to realise the assets for their full value (or realise them at all in some cases).

SECURITY - NO GUARANTEE OF REPAYMENT

The Issuer does not grant any security in respect of its assets and there is no security granted over the Scheme or the property comprised in the Scheme.

The Loan Notes are, however, secured by way of the Share Charge granted by the Shareholder over the shares in the Issuer. This means that should the Issuer fail to pay under the Loan Notes, the Security Trustee may make a demand on the Shareholder to repay, inter alia, amounts owing under the Loan Notes and the Loan Noteholders rank ahead of unsecured creditors in respect of the Shareholder in a default situation. However, recourse under the Share Charge is limited to the value of the shares held by the Shareholder in the Issuer and the related rights. The secured assets including the shares, have not been valued and the presence of this security does not guarantee that investors in the Loan Notes will be repaid at maturity or receive their interest payments in full. The obligations Loan Notes rank below employees and administrators and may rank alongside or even below other fixed and floating charge holders.

Additionally, the Issuer and the Shareholder have the right to enter into other loan arrangements, issue further loan notes and to grant prior ranking security interests to banks and other lenders without the permission of Loan Noteholders. In the event that loan arrangements are entered into, the senior lenders will restrict payments on the Loan Notes until they are repaid in full. If security is granted in favour of the senior lenders, such prior ranking security is granted, the senior



lenders will have their claims on the Issuer and the Shareholder satisfied in full before the Issuer's remaining assets (if any) are available to satisfy the claims of Loan Noteholders. More generally, where the Issuer has a number of secured creditors (even of equal ranking), the Issuer's available assets would be spread around a larger group of secured creditors in a default or insolvency situation resulting in less being available to satisfy the claims of Loan Noteholders.

CANCELLATION RIGHTS

Once an investor has signed their application form and subscribed to a Loan note, they will have a period of seven (7) days to cancel the application. Investors should review the term and conditions of application carefully and seek professional advice from financial intermediaries authorised under FSMA to advise on investments of this type.

SENIOR SECURITY

The Issuer has not granted any security over its assets in respect of its obligations under the Loan Notes.

Whilst the Shareholder has, pursuant to the Share Charge granted security to the Security Trustee on behalf of Loan Noteholders, the Shareholder and the Issuer may at any time, and without reference to the Loan Noteholders, create other security including which ranks ahead of the Share Charge to banks, lenders, funds, and other financial institutions. This arrangement allows the Issuer to execute its business plan which includes seeking debt from institutional lenders such as banks. Whilst such debt is outstanding, these lenders will restrict payments to the Loan Noteholders unless and until the relevant senior debt is paid in full. Further, where the Issuer or the Shareholder have granted such prior ranking security, in the event that there is a cash shortfall, those prior ranking lenders would be paid back from any enforcement proceeds in priority to the Loan Noteholders and there may not be sufficient funds available to redeem the Loan Notes either in whole or in part or pay the full amount of interest owed on the Loan Notes. The existence of the security granted by the Shareholder therefore should not be taken as a guarantee that Loan Noteholders will receive their money back and Loan Noteholders should note that their capital remains at risk.

LOAN NOTE RETURN RATE, MARKET INTEREST RATES AND INFLATION

The Loan Notes attract a fixed rate of interest and as such will not benefit from any subsequent increases in market interest rates. Accordingly, you should note that a rise in interest rates may adversely affect the relative returns that the Loan Notes offer. Further, inflation may reduce the real value of the returns over time.

NO RIGHT TO PARTICIPATE IN MANAGEMENT OR PROFITS BEYOND FIXED RETURN

Loan Notes are a very different kind of investment to equity shares and investors do not own a stake or have any right to participate in management of the Issuer. As such, Loan Noteholders will not be in a position to object to particular strategies or decisions of the Issuer's directors.

RISKS RELATING TO THE ISSUER

Investments in this type of company carry particular risks over and above the general risk of unquoted debt investments described above. Investors are reminded that there is no guarantee that the Issuer's strategy or trading activities will be successful and that their investment is consequently at risk.

PERFORMANCE RISK

The Issuer and the Scheme may not perform as well as expected and may even fail completely. Investors are reminded that any financial forecasts included in this document are hypothetical projections only. Projected results have many inherent limitations and there are frequently sharp differences between such projections and the actual results subsequently achieved. The Issuer cannot make any representation or warranty as to what the actual results will be and has provided its projections by way of illustration only.

OPERATIONAL RISK

Operational factors may disrupt the Issuer's activities and result in increased internal costs, project delays, aborted projects and/or project cost increases. **These risks may be related to and not limited to:**

- The capacity of the staff and systems to develop a property in the estimated time scale and subsequently sell/ rent or refinance them.
- The ability to source property acquisition opportunities and generate value.
- The ability to retain key members of the Management Team
- Failure to satisfy contract conditions, budget cost overruns and losses if one or more of these risks were to occur, the Issuer may not generate sufficient returns to services the Loan Notes or redeem them in full (or at all).

PROPERTY MARKET RISKS

Fluctuations in the property market could affect the value of the properties. Any negative fluctuations in the property market could affect the performance of the Issuer and its ability to repay Loan Noteholders.



SENIOR DEBT FUNDING

Once proceeds have been raised from the issue of Loan Notes, the Issuer and the Shareholder may seek to obtain debt funding from a senior lender/s. In the event that the Issuer cannot obtain senior debt finance, or the costs of senior debt finance are more than anticipated, there is a risk that the Issuer may not achieve its stated objectives with a potentially adverse effect on its ability to account to Loan Noteholders for interest, principal or other amounts in connection with the Loan Notes.

Please also note rights of the Loan Noteholders and the Security Trustee under the Loan Notes and the Share Charge, will be subordinated to the rights of the senior lender(s). Payments under the Loan Notes will also be restricted until a senior lender(s) is repaid in full.

TAX

Investors are advised to take their own tax advice on the tax consequences of acquiring, holding and disposing of the Loan Notes. Nothing in this document should be considered as tax or legal advice.