

Investor Update 9 August 2021

Dear Investor,

The administrators have recently attended a further meeting held on 30 July 2021 with two representatives of the investor support group ("the Investor Support group") which has been formed by a number of investors to discuss the progress of the administration of The House Crowd Limited ("THC") and its three subsidiaries, House Crowd Finance Limited ("HCF"), House Crowd Finance (Security Agent) Limited ("HCFSA") and House Crowd Property Management Limited ("HCPM"). The Investor Support group submitted written questions to the Administrators in advance of this meeting.

In the interests of transparency, the administrators have now taken the decision to publish these questions and respective answers to the wider investor community.

Should any investors still wish to join the Investor Support group this can be done by using the following link:

<HTTPS://thcmoneyrecovery.wixsite.com/website>

Please be advised that requests to join may take up to 5 days to be processed. The Investor Support group is not managed or endorsed by the Administrators and is ran by a group of volunteers.

The Administrators are also able to provide their regular update in respect of the Development loans and Bridging Loans.

Regards

The Joint Administrators

Administration process

- 1) Are there any criminal proceedings in place or plans to bring criminal charges against THC directors? How were they allowed to create so many investment instruments when the existing ones were struggling? I have investments that matured 4 years ago with not a penny paid.

The Administrators have no powers to commence criminal proceedings against directors but do have a statutory duty to report (confidentially) to the Department for Business, Innovation & Skills on the conduct of Directors in the three years prior to the administration on matters such as wrongful trading, misfeasance and any other antecedent transaction offences. This report has now been completed and filed with BIS; this is confidential and cannot be shared with any 3rd parties.

Independently, we can also make claims against directors (and other parties) when there is evidence of breaches of the Insolvency Act; and where such actions will benefit creditors.

HCD – Developments

- 1) With regard to HCD23, Do you really think your response to where the £9.6m has gone is acceptable? I demand a complete breakdown of exactly where it has gone and to whom. Any sale prior to this information being made available to investors at such a massive loss would be negligence on the part of all those involved. I would expect Quantuma who are meant to be representing investors interests here to be absolutely committed to finding out what has happened instead of just pushing through this sale at a massive loss. This smacks of fraud at worst and complete incompetence at best.

Noted. We can provide a breakdown from the records held by the House Crowd; plus, those records recovered by the administrators of HCD23. This breakdown won't however impact the current position in terms of the value of that site. It has been marketed by the receiver appointed by the vendor, and has also been reviewed by HCD23's administrator's own property advisers. The considerable legal, practical, and commercial issues relating to the developer and vendor have been covered previously in updates and Q&As. Taking all this in to account the value that will be achieved by the sale is as best as it can be, albeit very disappointing. To clarify, just because £9.6m has been spent on the project doesn't mean this is worth a minimum of £9.6m.

It is worth noting again that HCD23's administrator has the same statutory duties to report to BIS on the conduct of that company's directors, plus bring any appropriate claims against them; which would include any claims for misfeasance, wrongful trading, or transactions that defraud creditors.

HCF – loans

- 1) What of P2P loans not shown in latest lists provided by administrators. I lent £1000 to Llesty Village?

The loan in respect of Llesty Village is listed in the P2P loan summary under reference HCF191.

ISA – AI

- 1) Could you ask the administrators to reactivate the pages on THC website which explain how the different investment platforms work? I am referring in particular to the links on this page:

<https://www.thehousecrowd.com/learn-more/how-to-invest>

Today, I wanted to remind myself of the terms and conditions relating to my "auto-invest" portfolio and all the links were deactivated. I don't see any reason for blocking these explanatory pages as they formed the basis for my investment choices which were made some considerable time ago and I had forgotten the details.

I am sure I am not the only investor who would like to re-examine the details of the terms of the "contract" entered into. This deliberate(?) obfuscation is not acceptable.

The options are:

- re-code the website however there is a risk the website may crash, and we may not be able to re-boot it. The original developer is based overseas, and we understand that it was coded in a way that only they understand. We can contact them, but there will be a cost and it is worth noting they are already a creditor of the company
- if it's just 1 person asking for a particular set of T&C's we email them to the individually
- if it is wider group we can include in an investor update, but it is worth noting there are multiple T&C's.

- 2) Having read the Investor Update 12 July 2021 from the Administrators, I am concerned and have the following question(s):
 - a) It seems that the administrators are still unable to reconcile where the AI/ISA monies have gone. Can we be assured that these monies have been invested correctly in developments and loans? (and have not been used for other purposes) Please answer YES or NO.
 - b) If the answer is NO, they have not been correctly invested, what is being done about it?
 - c) Has the FCA been advised accordingly? If so, what response has been made by them.
 - c) Is there any evidence of fraud? If so, have the police been informed?

Thank you for your questions which we will answer in turn:

- a) Yes – no evidence that monies have not been invested in developments and loans; but, the reconciliation provided is in our opinion imperfect. Further analysis is required to establish whether these funds were invested in line with the criteria set out for the AI products.
- b) N/a
- c) The FCA are aware of the ongoing issue with AI monies. No formal comment has been made by the FCA on this point
- d) Please refer to question 1 under the section “Administration Process” and the answer to this question. Please note that in the event that there is evidence of fraud found this is not something that could be discussed in any event because of the whistle blowing provisions contained in UK money laundering regulations.

Other

- 1) Hi, I am a shareholder in THC but not an investor in any of their projects, so I have no login details on THC website. The latest email from the administrators is asking me to log in to THC website to read the answers to some questions, but as I have no login I cannot do this.

The updates where investors have been asked to log into the THC website have been provided in respect of the loans made by THC into either bridging or development loans. As you are a shareholder of THC, with no investment in any of the projects, these updates will not be relevant to you.

In respect of your shareholding, the updates relevant to yourself will be those provided by the administrators regarding the progress of the administration, which be issued as appropriate, filed at Companies House and notified to creditors and shareholders; as we did in respect of the original proposals documents which were issued in April 2021.

- 2) The Administrators have only partially answered a previous question on the definition of recovered funds in respect of percentage based payment. I do not think the recovered funds should include HCP properties and HCD23 as these are not under the Administrator's control. Could they confirm this.

There are 2 distinct answers to this question.

HCP Properties – you are right, this is not included in that cost methodology

HCD23 - in the case of this loan, the cost methodology would apply as we are actively managing this loan.

- 3) Could the investors provide an update on HCMF002 - The Chimes, Mezzanine Product. This is different to other products and there has been no update since the start of the administration process. Is this because there is a question over funds that may have been mixed with AI/ISA/HCBC products?

Discussions have been held with the mezzanine funder and we await their formal correspondence which is due in the next 2 weeks. In summary there is a proposal to repay capital in full by September 2021 via a re-finance. This proposal also extends to interest and default interest; to be repaid within the next 6 months. Once the details are formalized we will report back to investors.

- 4) I have been receiving regular investment updates, but I have never received any updates about an investment I have made in the above product, which is the HouseCrowd Bridging Company No. 1 (HCBC1) Accordingly, could you provide me with the current situation regarding this investment - it seems to have disappeared off the radar!

The company known as HCBC1 is not in administration however the administrators are aware that funds raised by this company have been invested into various loans made by THC. It is noted that Mr Fearnhead has resigned as a director but also worth noting that as “A” shareholder, HCPM can appoint and remove directors. This position will be reviewed, and it is likely that a director will need to be appointed following the resignation of Mr Fearnhead on 9 July 2021. This is currently under review and a replacement director has been identified.

In respect of any funds being distributed back to preference shareholders, this is likely to be managed by way of a solvent liquidation.

- 5) What is being done about Suhail Nawaz being the only director of House Crowd Bridging Company 1 Ltd.

Please see comments above – it looks like an oversight in that Suhail Nawaz was not removed as a director when he ceased to be involved with The House Crowd.

- 6) Who appointed Lewis Walters to be sole director of HCP137? It’s the one with the biggest potential surplus!

This is currently under review; but no answer has been received.

- 7) Carl Davis has stated that he is working as a consultant for Quantuma and that he is not involved with The House Crowd. What exactly is his role? This is particularly important given that certain parties have stated that he was heavily involved in the decision to appoint Quantuma and he is now being paid by them.

Carl Davies (“CD”) was employed as a consultant by The House Crowd Limited (“THC”), he was not involved in the decision to appoint Administrators to THC. This decision was made by various board members which doesn’t include CD. For clarity, CD **was not** a Director of THC and therefore **had no ability** to vote on whether to place the company into Administration. This decision was made by the non-executive Directors who were Bill Anthony and John Houghton and ratified by the board.

Quantuma were advising the Board for several months leading up to the administration and therefore well positioned with a good understanding of the business when the Board decided to appoint administrators.

CD has been retained purely as a consultant to The House Crowd in administration by the Administrators to assist with discussions with the FCA, reconciliation of Auto Invest monies and dealing with investor queries where input from CD is required. In addition to the retention of CD, the Administrators have also retained the services of other consultants as well as employees to assist with the wind down of the platform.

Timescales for the unwinding of various investments:

Questions have been raised by members of the support group regarding the timescale for the realization of property assets and the return of funds to investors. Details of the various investments have been listed below. We would comment that the timescales detailed below are only an estimates and factors outside the control of the Joint Administrators which may adversely impact the ability to deliver within the estimated timescales.

Additionally, any return of funds to investors will be subject to an application to Court and directions as to the fairest mechanism for funds to be returned to investors. Indications are that this application will not be listed until September 2021 at the earliest.

HCP Properties:

There are currently circa 54 individual HCP companies which either still own an investment property or have sold the investment property and the cash from this sale is held pending distribution to investors. The Joint Administrators are currently looking to appoint an independent director to take over the control of these companies. This director will deal with various statutory duties as well as the return of funds to investors in the most efficient manner. This is estimated to be completed by March 2022.

Development Loans:

The various HCD loans are at differing stages of completion, some of these sites are substantially complete and awaiting sales and some require further construction work to bring these properties to a standard where these can be sold. As these sites are at varying stages of completion, the estimated completion dates for the conclusion of sales on these sites varies.

Based on our current understanding of the build progress and level of reservations/interest in all of the development sites, the sale of all these properties are forecast to have been sold by March 2022.

P2P Bridging Loans:

Shortly after the appointment of Administrators, all bridging loans borrowers were asked to provide their written proposals to repay the loan and accrued interest. Responses have been received from some borrowers however others have chosen to ignore these requests. Where appropriate, enforcement of security will be considered to take control of the property. Pursuing the borrower(s) for any shortfall is likely to take some time as this will potentially be reliant on a Court process where the timescales for Court hearings are outside the control of the Joint Administrators. It is estimated that this process could take until December 2022 to be unwound.

The Joint Administrators had explored the possibility of a sale of the loan book but the offers received were very unattractive.

The Joint Administrators
The House Crowd Limited
House Crowd Finance Limited
House Crowd Finance (Security Agent) Limited
House Crowd Property Management Limited

The House Crowd Limited ("the Company") was placed into Administration on 24 February 2021 and House Crowd Finance Limited, House Crowd Finance (Security Agents) Limited and House Crowd Property Management Limited were all placed into Administration on 25 February 2021 (together "the Companies"). The affairs, business and property of the Companies are managed by the Joint Administrators, who act as agents of the Companies and contract without personal liability. Frank Ofonagoro is licensed in the United Kingdom to act as an Insolvency Practitioner by the Insolvency

Practitioners Association. Jeremy Woodside and Frank Wessely are licensed in the United Kingdom to act as Insolvency Practitioners by the Institute of Chartered Accountants in England & Wales.

This update is intended for, and should only be read by, you the account holder(s). Its contents are confidential. Any reproduction, dissemination, copying, disclosure, modification, distribution and /or publication of this message without our prior written consent is strictly prohibited.

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