Investor Update 5 October 2021

Dear Investor,

The administrators have recently attended a further meeting held on 30 September 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

1. I had previously asked about HCF185 and what had happened to the Tomlin order. You said that there wasn’t one. I was in regular correspondence with Nigel Beverley who was investor relations manager and I had been chasing this loan via email correspondence. I had been told by THC operations manager (I think his name was Carl) over the phone that after much negotiation and on Counsel advice they had compromised and attained a Tomlin order for repayment of capital only and that it could not be enforced until after 23 August 2020 due to court closures.

I had made reference to this Tomlin order in my emails last year and as recently as February this year just before THC went into administration. Please follow this up as if there is no Tomlin order it will prove THC lied in which case it becomes a criminal matter.

The loan (HF185) that you make reference to is for the secured property, Micheldelving, which we are currently instructing solicitors on to obtain an opinion from legal counsel. During our discussions with the solicitors and review of documents relating to this loan, there has been no reference to a Tomlin Order and we have asked for confirmation that this is the case. We will revert back once the solicitors have advised further.

There is another loan, HCF165, which relates to a secured property called Cherry Tree and is subject to a Tomlin Order. The borrower of this loan has recently submitted a redemption proposal by way of a re-financing that is being considered by the Joint Administrators.
It is possible that The House Crowd team have made a transposition error when discussing this previously.

2. Please can we have an update on the status of HCBC1 loans. How are they to be treated?

House Crowd Bridging Co 1 Limited (“HCBC1”) issued preference shares to investors who made their investment via HCBC1. These funds were then invested in loans alongside Self Select and Auto Invest monies. The expectation is that when the loans are repaid, HCBC1’s share will be paid back in the same way as the Self Select and Auto monies.

To return funds to the preference shareholders, all loans in which investments have been made will need to have been repaid. It is likely that the company will need to go through a form of solvent liquidation process for the shares to be redeemed.

Any repayment of funds will be subject to Court direction.

3. The Fusion account, where I have my remaining £92k investment, does not seem to have any update. What is happening to it? How and when will I get my money back.

Funds invested via the Fusion account have been invested in loans alongside Self Select and Auto Invest monies. The expectation is that when the loans are repaid, Fusion’s share will be paid back in the same way as the Self Select and Auto monies.

Any repayment of funds will be subject to Court direction.

4. You have now had over six months to sort out this mess. You have given no satisfactory answers in the updates. When will you give some figures. Best case/worse case scenarios would be an improvement. How much money is currently being held by yourselves/solicitors.

In respect of the bridging loan recoveries, and where the redemption of the loan has been completed, the Joint Administrators have been able to provide details of recoveries made to date in their six-month investor update.

In respect of the development loans, the Joint Administrators are unable to provide comment on monies currently held by the SPV entities as until such a time that properties are completed and/or the associated costs of construction of the same are discharged by the HCD company, any figures provided would be misleading and would not provide an accurate position.

We have provided estimated future recoveries on both the development and bridging loans in the bi-weekly, and recently provided six-month update as best we can given the evolving situation.

These figures are based on current information and are subject to change throughout the Administration process.
5. In February 2021 I was told by Clarissa Fearnhead that investors in HCD013 would get interest paid by April 2021. Obviously this never happened but are the administrators aware of this and is there any chance of interest being paid for HCD013?

This development site was sold by the company prior to the appointment of the Administrators and we understand these funds were used to repay investor capital at that time. As the company appears to have no assets and no future we income are not sure why this assertion was made.

6. HCD20-4, I have invested in this site. And the properties were sold. Why haven't I received my payment?

There still remains one property left to sell at the development site owned by HCD20. Once all properties have been sold, and the associated costs with building and selling the properties paid, it is likely that the direction of the Court will be sought prior to the distribution of any monies.

7. Can you give any further update on The Royal Oak - HCF076 and Parkside HCD017 please.

HCF076 – This loan is currently with solicitors for review, following which they will request repayment from the borrower and if necessary take any further recovery action.

HCD17 – All properties at this development are now sold, lender capital was repaid prior to the appointment of Administrators. Funds to cover the accrued interest are held by the Administrators. It is likely that the direction of the Court will be sought prior to the distribution of any monies.

8. Would it be possible to include the whole capital investment value on the HCD Updates spreadsheet in order to calculate global ROI? At the moment only the outstanding capital (SS & AI) amount is being shown as is the total anticipated recovery amount but no mention is made of capital amounts already paid back to investors. It's all well and good to show the total capital surplus/shortfall for a given project but without knowing the total amount of capital invested, it is impossible to forecast the gross return/loss that individual investors can expect to obtain. An example of this is HCD020 (Rudheath).

Capital outstanding (SS + AI) = £627,400. Total Anticipated Recovery =£1,124,763. Subtract one from the other to get Potential Capital Surplus =£497,363, but without knowing the amount of capital already paid back, this figure is not really useful beyond basically implying some interest should be returned if the project remains in profit but you can't work out how much this represents per individual investor without knowing the global ROI ratio.

We can review this request and look to provide feedback in due course.

In the Quantuma Development Loan Book spreadsheet, I don't understand how the figure for Capital Outstanding (CO) is arrived at if the Self-Select Investment Value (SS) is a precise value and the Auto Investment Value (AI) is included as "TBC" because you would expect that SS+AI=CO. Please explain.
We were previously provided with figures for the total level of capital outstanding. At times these figures were not always accurate and have been subject to change once further information has come to light. Some of the calculations provided to us also had omissions.

The SS figure is known from company records and is a relatively static number and easier to identify. The AI figures is yet to be confirmed. AI monies were recycled through various HCD developments with funds deployed at the discretion of THC’s management.

Whilst investors might assume that the balancing figure should be the sum outstanding to AI investors, until this is known, the Joint Administrators considered it best to provide “TBC” so as not to provide inaccurate figures to investors.

9. In the Bridging loan updates, are the repayments to date repayments to investors or THC? As an investor in HCF179 I can confirm that I have not received any repayment of capital.

The repayments shown in the Bridging loan updates are payments received by THC. The Administrators have not distributed any funds received in respect of repayments made to Bridging loans.

10. If anyone has invested in the latest tranche of ISAs how can their monies be apportioned the same as all other investors when it is impossible for their money to have been used in the biggest catastrophe, HCD23.

The apportionment and ultimately the return of investor monies (including ISA funds) is likely to be subject to Court direction.

11. Why has the promised new director of the HCP’s not materialised? When will we see any monies being paid out from these companies?

The process of the appointment of the new director has been protracted and is still ongoing. There have been complications to consider and some intransigence on the part of the current Director.

As part of this process, our solicitors have recommended that a waiver from the current Director (Frazer Fearnhead) is obtained which will prevent him from making any claim against the HCP company in the future. This waiver has been provided to Frazer Fearnhead however he was away from the office until 29 September. It is expected that on his return the waiver will be signed which will in turn allow the appointment of the replacement Director to be made.

Once the replacement Director is appointed, he will be able to make a recommendation as to the most efficient way to return funds to the HCP shareholders.

12. None of the previous HCP’s have been through a liquidation process. Why is this being proposed now? I’m sure if the shareholders were asked to vote they would reject this.

We are aware that The House Crowd previously distributed funds to shareholders via capital reduction although we aren’t convinced the methodology was properly applied.

Once appointed, the incoming Director who has agreed to take over from Frazer Fearnhead in the running of the HCP companies will assess the situation and recommend the most
appropriate method to return funds to the shareholders. This will be either via capital reduction or solvent liquidation.

13. When will Quantuma put their proposals in front of the courts? Can we have any input?

The application to Court is specifically for the Administrators to be able to fund their work on behalf of investors. It is an application personal to the Administrators and the Administrators’ legal Counsel is not agreeable to investors inputting into the drafting of the Administrators’ personal application. However, the Administrators are agreeable to providing Investors with a summary of the key basis of their application when this is finalised.

14. What percentage of monies recovered will go to Quantuma.

The Administrators as part of the drafting of their application are in the process of estimating what % of realisations will go towards their fees. When the application is finalised the Administrators will confirm this % as part of their summary to investors of the key basis of their application to Court.