

INVESTOR PROPOSAL: Santa Catarina, Passos Manuel, Porto

1. INVESTOR PROPOSAL

- a) **Investment Opportunity:** Aram has identified an investment opportunity in Porto, Portugal.
- b) **Real Estate Below Market Value:** The opportunity involves the acquisition of a building benefitting from an Approved Project status for 33 Apartments, 16 car parking spaces and one retail unit. Porto was elected best European destination in 2012, 2014 and 2017, and given the central city location of the building, this acquisition was very attractive. The investment strategy is to execute the Approved Project status by carrying out the necessary renovation works (not ground up development hence execution risks are lower) and to sell the individual residential units and retail unit, thereby essentially capturing the development profit.
- c) **Current Investment:** Aram is investing its own equity to acquire the building (investing €5.3mm). A Promissory agreement has been signed and completion of the Public Deed is due to be executed shortly.
- d) **Investment Proposal:** If an investor is interested in investing, ARAM is offering the opportunity for an Investor to take a minority stake in the development (with Aram providing a majority of investment capital).
- e) **Investment Structure:** A potential investor would invest by entering into a Participation Agreement with ARAM which will return a proportional share of the development profit (less promote). ARAM would use the investor cash together with its own funds, to advance a shareholder loan (via a Lux Parent Co) to Prop Co (Glacier Motion) a Portuguese SPV. The building will be acquired and developed by Glacier Motion SA.
- f) **Tax Optimised:** The structure has been put in place to optimise the tax position.

2. THE ASSET

- a) **The Property:** Glacier Motion SA ("GM"), a Portuguese special purpose vehicle has acquired a building in Porto prime central location, with excellent amenities and transport links within the vicinity.
- b) **The Location:** The building is located in the historic heart of Porto, Santa Catarina, Passos Manuel 66-76, See **Appendix II** for full details on the property and location.
- c) **The Acquisition Price:** The freehold purchase price is €5.3m (currently financed by equity and advanced to GM via a shareholder loan).
- d) **The Area / Size:** The GCA of the building is approximately 3,200 sqm with a net area in respect of useable space of approximately 2,300 sqm. Based on this the purchase price equates to approximately €1,485 per sqm, which for a centrally located building in the heart of Porto with Project Approved status is extremely attractive.
- e) **Planning Approvals:** The building benefits from a recent Project Approval for the creation of 33 residential units, 16 car parking spaces, 34 storage units and 1 retail unit. As the project has been approved by the municipality, there is no planning risk in this acquisition.

- f) **Planning Risk:** None – Project Approved.
- g) **Development Strategy:** The asset has been acquired with an anticipated development cost of €4.6m (the development work is renovative as opposed to a ground-up development). Given the existing Project Approval and plans, GM is running a tender process to select a reputable contractor to commence work as soon as is reasonably practicable. The renovation construction works are expected to take no more than 18 months to complete.

3. BUILDING DEVELOPMENT TYPOLOGY

- a) **Development Execution:** Our professional team of architects and interior designers have been using the municipality Approved Project to finalise the interior designs and internal landscapes. We expect this design process to be finalised within 3 months. In the meanwhile the contractor tender process will run concurrently.
- b) **Building typology:** The building is in a prime central location well suited for a small studios, one and two bed apartments. The Approved Plans accommodate 33 residential units, 16 parking spaces and one large retail unit.
 - a) **Demand: Residential**
 - (i) The units will appeal to young professionals and others who work or wish to live in the city centre. These buyers will sacrifice space for location allowing them to buy a property at an affordable price.
 - (ii) Investment Buyers (likely to be foreign / expats) looking for investment in prime location to generate attractive yields and benefit from capital growth.
 - (iii) Golden Visa Investors who invest to obtain immigration benefits (EU visas / passports) but are also looking for properties which are centrally located and can provide yield.
 - b) **Demand: Retail:** Santa Catarina is one of the most thriving shopping areas in Porto, populated with designer brands and multiple chain stores providing a café culture appeal. We consistently high footfalls from both shoppers and tourists alike, we expect strong demand in the retail space at attractive price levels.

4. Exit Strategy & Returns

The exit strategy and returns will be dependent upon which option is achieved. Based on our review this can be summarised as follows. See **Appendix I** for a summary comparing different alternatives.

Option 1 (A) – Residential / Golden Visa Sales

- a) **Golden Visa Sales** – The units will be sold off plan as soon. Foreign buyers who are motivated by the ability to obtain a golden visa (and ultimately a passport) by investing in property in Portugal, will be targeted for off plan sales. Due diligence has shown that this asset will be ideal for such investors and

will include Chinese, Vietnamese, Brazilian, Russian, Middle Eastern, North African and South African buyers. Primary focus will be on China as this is the biggest market.

b) Key Investor Data;

- (i) **Sales Price:** higher price per sqm sales price achieved – average € 7,000 psqm,
- (ii) **Sales Period:** Faster off plan sales period - 6 months assuming approximately 5 apartments pcm
- (iii) **IRR:** ~71% (pre-tax / post promote)
- (iv) **ROI:** ~48% (pre-tax / post promote)

Option 1 (B) – Residential / Non-Golden Visa Sales

- a) Non-Golden Visa Sales – It is important that the building is of a type and in a location which would attract non-golden visa investors in case the golden visa market changes. The due diligence confirms that there is a market for local / expats and other foreign investors.

b) Key Investor Data;

- (i) **Sales Price:** same as for GV – average € 6,500 psqm,
- (ii) **Sales Period:** Slower off plan sales period – 18 months with 20% reservation deposit, 20% paid 6 months after and balance on completion
- (iii) **IRR:** 29% (pre-tax / post promote)
- (iv) **ROI:** 54% (pre-tax / post promote)

5. Promote

- a) As explained above the co investment would be achieved through a participation agreement.
- b) This will enable the investor to gain exposure to the asset performance in line with their investment amount as follows:
 - i. The net profits after tax as calculated at Glacier Motion (Prop Co) based on the development and sale of the asset (Asset Performance Proforma – see *Appendix III*), minus
 - ii. Any costs incurred by the parent of Glacier Motion for providing head office support & management minus
 - iii. The agreed Promote charged by the Sponsor
- c) It should be noted that any external investments are not capital protected as investor returns and principal will be linked to the performance of the asset

APPENDIX I – Summary of Alternatives

Scenario 1: GV sales		Scenario 2: Traditional sales	
Purchase price	€ 4,800,000	Purchase price	€ 4,800,000
Acquisitions costs	€ 576,985	Acquisitions costs	€ 576,985
Development cost	€ 4,434,567	Development cost	€ 4,434,567
Other Project Related costs	€ 559,500	Other Project Related costs	€ 362,000
Project Costs before financing	€ 10,371,052	Project Costs (related to acq / develop) before financing	€ 10,173,552
Financing costs	€ 0	Financing costs	€ 59,912
Project Costs after financing	€ 10,371,052	Project Costs (related to acq / develop) after financing	€ 10,233,464
Contingent costs	€ 601,355	Contingent costs	€ 401,910
Total Project Costs	€ 10,972,407	Total Project Costs	€ 10,635,374
Apartment sales	€ 4,994,067	Apartment sales	€ 362,000
Third Party Debt	€ 0	Third Party Debt	€ 4,434,567
Shareholder loan / Equity	€ 5,376,985	Shareholder loan / Equity	€ 5,436,898
Total Sources	€ 10,371,052	Total Sources	€ 10,233,464
Total Net Revenues	€ 14,390,032	Total Net Revenues	€ 14,140,567
Project Costs	€ 10,972,407	Project Costs	€ 10,575,462
Unlevered Pre-tax Profit	€ 3,417,625	Unlevered Profit	€ 3,565,105
Third Party Loan - Financing Costs	€ 0	Third Party Loan - Financing Costs	€ 59,912
Unlevered Pre-tax Profit (pre-promote)	€ 3,417,625	Unlevered Pre-tax Profit (pre-promote)	€ 3,505,193
Promote	€ 885,197	Promote	€ 624,184
Unlevered Pre-tax Profit (post-promote)	€ 2,532,428	Unlevered Pre-tax Profit (post-promote)	€ 2,881,009
Levered Returns & Key data		Levered Returns & Key data	
Pre-tax IRR (post-promote)	70.2%	Pre-tax IRR (post-promote)	28.2%
Equity Multiple (post-promote)	1.47x	Equity Multiple (post-promote)	1.53x
RoI (post-promote)	47.1%	RoI (post-promote)	53.0%
Equity Pay Back Period	10 months	Equity Pay Back Period	25 months
Sales Break Even Number of Apartments (Avg. Sale Price)	25 apartments	Sales Break Even Number of Apartments (Avg. Sale Price)	27 apartments
Average Price / unit sold (psqm)	€ 400,515	Average Price / unit sold (psqm)	€ 366,467

APPENDIX II - Property Description, Location and Project Overview

1.1 The Property

The property consists of one building in the historical centre of Porto, in Avenida Passos Manuel 66 – 76, which is in the corner with Santa Catarina. Santa Catarina is known as street with the highest pedestrian traffic (“shopping”) in Portugal. The asset is next to FNAC, a well known French retailer.



1.2 Property Macro and Micro Location

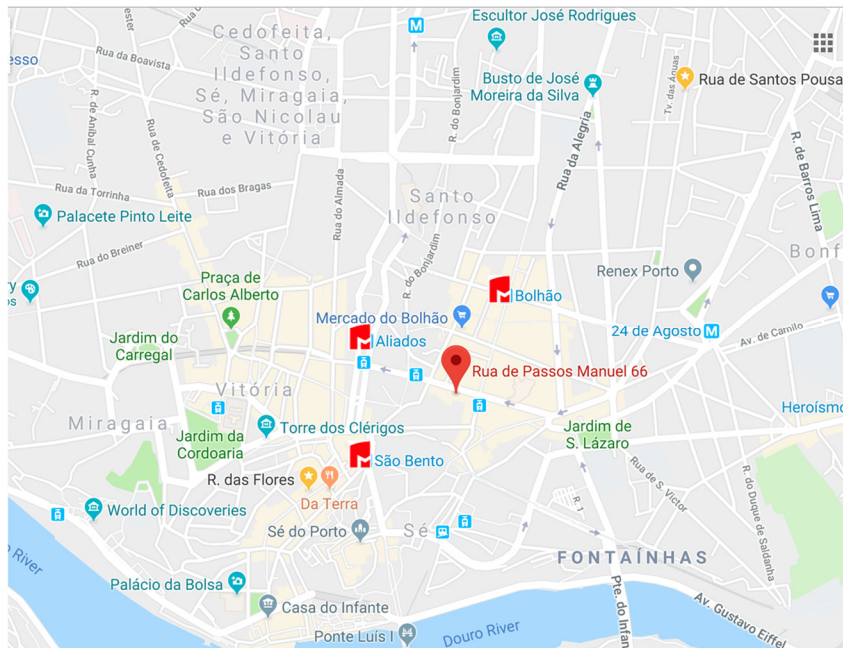
Over the past years Porto has become a very popular destination for tourists and the ex-pat community:




- Porto was elected best European destination in 2012, 2014 and 2017
- Advantageously located near the Douro Valley, one of the most renowned wine regions in the world
- Porto offers an excellent quality of life and great sceneries combining sea, river and mountain
- Everything in Porto centre is at a walking distance
- Growing gastronomy / Michelin restaurants

The city offers very attractive investment opportunities as:

- Real estate prices in Porto could be almost half the prices of Lisbon, providing increased rental yields;
- No restrictions on foreign property ownership;
- Golden Visa scheme offers to Non-EU nationals a EU visa and eventual passport for the investor and his family in return of a €350,000 property investment

The property is located in the heart of the historic city of Porto. It is 5 min walking distance from famous Avenida Aliados and next to Santa Catarina, a famous shopping area in the city. This area accommodates numerous hotels, as well as shopping areas, cafes, and restaurants.



-  Estação de São Bento (train station)
550m – 7min walk
-  Rua das Flores (shopping area)
650m – 8min walk
-  Rua de Santa Catarina (shopping area)
800m – 13min walk
-  Av. Aliados (main city square)
350m – 4min walk
-  Mercado do Bolhão (local market)
300m – 3min walk
-  Jardim São Lázaro (local popular garden)
450m – 6min walk
-  Bolhão, São Bento, Aliados
Metro Stations 300m

Rua Santa Catarina (Santa Catarina Street) is the most important shopping thoroughfare in Porto. This pedestrian street is located in the high part of town and starts from Praça da Batalha in the city centre, itself housing the pretty Igreja dos Congregados.

Rua Santa Catarina is packed with international stores like Zara, H&M and Promode. It also has numerous restaurants, street vendors and coffee shops such as the renowned Café Majestic, which is next to the building.

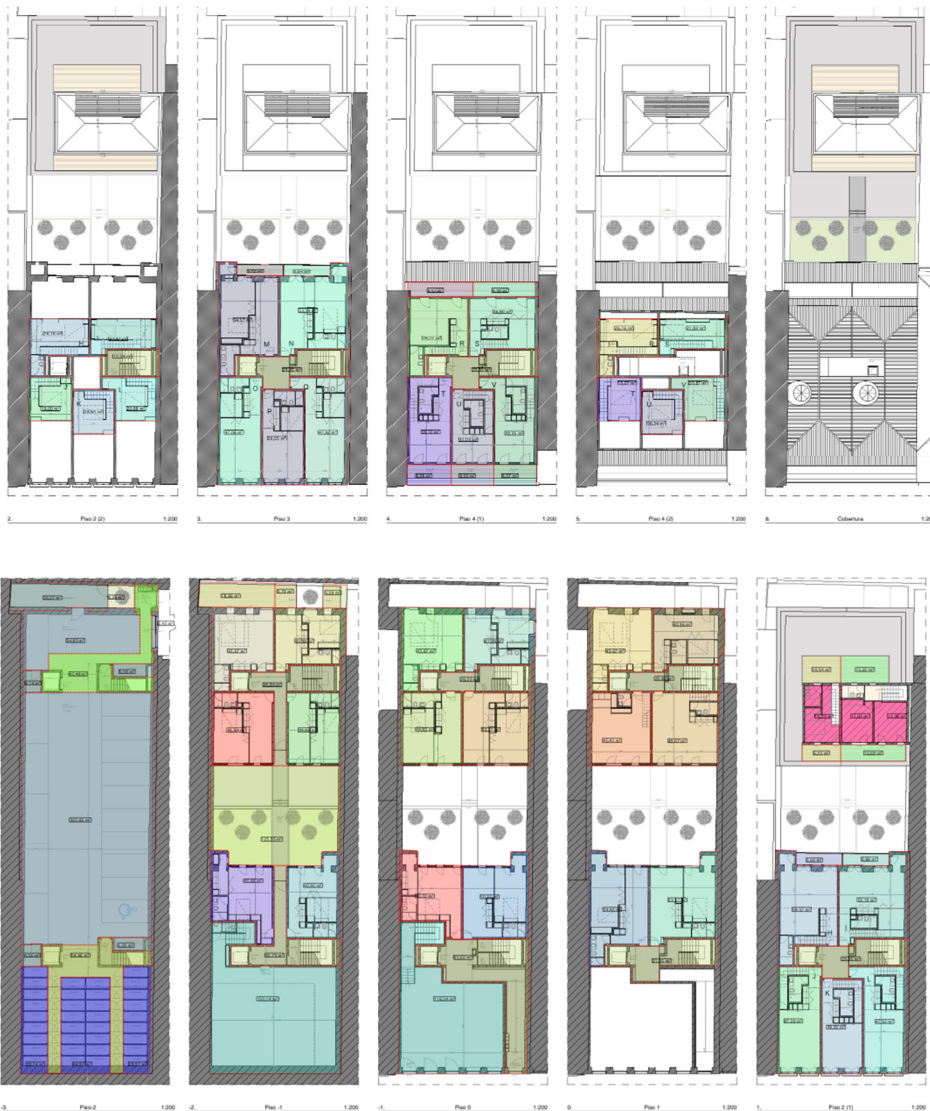


1.3 The Project

The Municipality has recently approved a project to build residential and retail units for a total Gross Construction Area (GCA) of around 3,200 sqm, which allow to accommodate 33 residential units, 16 parking spaces and one large retail unit.



Construction has been projected to go over 5 floors, and structured with 2 buildings separated by an open interior patio. The majority of the apartments will be either studios or one-bedroom given strong demand for these type of units in the centre.



APPENDIX III - Asset Performance Proforma

Gross Revenue	
Total Gross Sales	[]
Cost of Sales	
Brokerage fees related to sales	[]
Total Cost of Sales	[]
Gross Profit	[]
Project related costs	
Purchase Price	[]
Acquisition and Planning Costs	[]
Stamp duty	[]
Brokerage fees related to the acquisition	[]
Legal Fees	[]
Architectural fees	[]
Professional service fees	[]
Engineering fees	[]
Other service fees related to planning and development	[]
Contingency	[]
Other costs	[]
Construction costs	[]
Contractor costs	[]
Other legal & professional fees related to construction	[]
Total Project Costs	[]
Operating Expenses	
Corporate expenses (including office, staff, and other G&A expenses)	[]
Corporate Group expenses	[]
Other Admin expenses	[]
Total Operating Expenses	[]
EBITDA	[]
Financing costs	
Interest expense	[]
Arrangement fees	[]
Exit fees	[]
Other financing costs	[]
Total financing costs	[]
Income Before Taxes	[]
Taxes (e.g. corporate, transfer, VAT, etc.)	[]
Net Income	[]

APPENDIX IV – Investor Return Calculations *(for Illustrative Purposes Only)*

The below example (for illustrative purposes only) assumes investor contributes with 25% of the total required equity, while remaining 75% is contributed by the Sponsor.

We are showing 2 different scenarios for Investors' benefit:

- i. Scenario 1: IRR of 45%
- ii. Scenario 2: IRR of 10%

Main assumptions:

- 1) Total Equity Investment required in Project: €4.0m
- 2) Co-Investor's Equity Contribution (25%): €1.0m
- 3) Total Project Duration: 12 months
- 4) Hurdle Rate of 15% and 30% promote (for any profit above hurdle rate)
- 5) Costs incurred by the parent of Glacier Motion for providing head office support & management of €50,000

Scenario 1: Investors' Return above Hurdle Rate *(IRR of 45%, pre-promote)*

Net Profit After Tax	€ 500,000
General Costs at of Parent Co.	(€ 50,000)
Adjusted Net Profit After Tax (pre-promote)	€ 450,000
Profit within hurdle rate (i.e. 15% x €1mm) (A)	€ 150,000
Profit above hurdle rate	€ 300,000
Promote (i.e. 30% x €300k)	(€ 90,000)
Profit Above Hurdle Rate (B)	€ 210,000
Total Profit (after promote) (A+B)	€ 360,000
<i>IRR (after promote)</i>	<i>36%</i>

Scenario 2: Investors' Return above Hurdle Rate *(IRR of 10%, pre-promote)*

Net Profit After Tax	€ 150,000
General Costs at of Parent Co.	(€ 50,000)
Adjusted Net Profit After Tax (pre-promote)	€ 100,000
Profit within hurdle rate (i.e. 15% x €1mm) (A)	€ 100,000
Profit above hurdle rate	-
Promote (i.e. 30% x €300k)	-
Profit Above Hurdle Rate (B)	-
Total Profit (after promote) (A+B)	€ 100,000
<i>IRR (after promote)</i>	<i>10%</i>