GRIFFIN

Introduction to Secured Private Lending

Completed Project |
THE RESIDENCE, Scarborough

CONTENTS

SECURED PRIVATE LENDING

Griffin's unique Secured Private Lending model offers a small group of lenders the exclusive opportunity to lend capital to boutique projects and earn a higher-than-average fixed rate of return over a defined period.

Completed Development | LOFTHAUS, Leederville

01 INTRODUCING SECURED PRIVATE LENDING

WHAT IS SECURED PRIVATE LENDING

In a world of low interest rates, Griffin's Secured Private Lending model (**SPL**) offers an attractive option for investors to earn annual fixed returns of 10% or 14% (based on investment value) over a defined short to medium term.

SPL is an opportunity to get property asset allocation in your investment portfolio without owning or developing property yourself.

The SPL structure brings together a group of wholesale investors who lend indirectly to boutique property projects without the risks of having to create something that may not be possible individually.

Although Lenders are not directly investing in property, they are investing into a vehicle that funds the development and construction phases of each individual property project. Griffin clients are Lenders to the 'Entity' that owns and develops a project's land.

Lenders can diversify their investment and lend to multiple Griffin projects which allows them to invest in projects with varying investment time frames depending on where the project is in the development cycle, to provide capital as required.

The SPL structure by Griffin offers the protection of a jointly secured creditor holding a 2nd mortgage charge over the project land.

Lender's accrued interest & loan principal are paid out at the maturity date as defined in their individual Loan Agreement.

An investment project is completed once titles have been issued and the 1st mortgage has been repaid.

Earn fixed returns of 10% or 14% p.a. paid at maturity*

Short to medium term investment

Secured via a second mortgage

Issued under an Australian Financial Services licence

WHAT ARE PRIVATE & PREMIER LENDERS

Griffin offers two rates of returns depending on the amount invested.

The minimum investment amount per project is $50,000. The total amount invested can be spread across multiple projects, with varying completion time frames which provides the lender with returns at different points in time.

A **Private Lender** earns 10% p.a. and qualifies by investing between AUD$50,000 and AUD$249,000 into Griffin projects.

A **Premier Lender** earns a higher rate of 14% p.a. and qualifies by investing a total of AUD$250,000 or more across Griffin projects.

Besides the rate of return, there is no difference in the documentation, security or otherwise between Private and Premier Lenders.

*Stated returns are not guaranteed and repayment of your interest and loan capital will be dependent on the success of the project.

02 QUALIFYING AS A LENDER

Griffin's SPL model is ideal for wholesale investors that are interested in an alternative investment strategy to the traditional property investment.

To qualify as a Lender, an applicant must be recognised as a wholesale investor as defined in section 761 of the Australian Corporations Act (2001). One of the following criteria must be satisfied:

1	2	3
The applicant lends a minimum of $500,000 into a single project offering.	The applicant has net assets of at least $2.5 million	The applicant has a gross income for each of the last two financial years of at least $250,000 per year

NOTE: if (2) or (3) applies, the applicant will need to provide a completed Accountants Certificate which has been signed no later than 6 months prior. Accountants' certificates expire after 2 years.

REGULATORY & COMPLIANCE FRAMEWORK

Griffin SPL projects are issued by SMATS Consortium Pty Ltd. SMATS Consortium Pty Ltd holds an Australian Financial Services License (**AFSL**) No. 480476, which has been issued by the Australian Securities & Investment Commission (**ASIC**).

The AFSL is overseen by two appropriately qualified Responsible Managers (**RMs**) who provide guidance and oversight on the activities undertaken.

The compliance aspects of our AFSL are outsourced to an expert compliance company to ensure the maintenance of all AFSL and activities are to the highest standard.

In addition, ASIC requires certain standards to be met throughout the year, including an independent audit of the company financial accounts, updating the company policies and forward-looking cash flows.

An audit of Griffin's client files and the procedures may be required.

Operating under an AFSL requires Griffin to ensure the SPL project Information Memorandums contains all relevant information that investors require to make an informed decision to meet the compliance requirements .

03 INDIRECT EXPOSURE TO PROPERTY

SPL is a different type of investment from direct property ownership. It appeals to investors seeking shorter investment timeframes for more assured and higher than average returns.

Property development by nature has inherit risks, many projects may be too large financially or beyond the means of any one to undertake individually, especially if they lack the experience or skills to properly plan and oversee a sizeable development project and mitigate the associated risks.

Griffin's Secured Private Lending model was designed to offer investors the opportunity to achieve property asset allocation in their investment portfolio without having to directly develop or own an investment property and experience the associated ups and downs.

ADVANTAGES

- Set yield within a defined time frame
- No rental market fluctuations
- No ongoing property management costs
- No stamp duty
- No foreign buyer fees
- No capital gains tax
- 10% withholding cap for non-residents for tax purposes under a loan structure
- No legal fees
- No sales commission (unlike the normal disposal of properties)
- Fixed returns
- Low entry capital
- Property market exposure
- Diversification of investment properties (across projects, states & locations)
- Suitable for a SMSF
- Secured by a loan agreement and security trust deed

DISADVANTAGES

- No actual ownership of property (if asset accumulation is the investment goal)
- No ability to create long-term passive income earning potential
- Investment is illiquid and for a set time
- No capital growth or increased equity

04 SECURED PRIVATE LENDING MODEL

Griffin's Secured Private Lending projects bring together the right piece of development land with a project management team who can expertly manage the process and a design team that maximises the site potential.

Griffin's project management team and investment committee focus on distressed assets, in blue chip locations, backed by a boutique medium-sized development model. Feasibilities are generated based on potential dwelling sales. Sale rates are determined by analysing suburb location, market demographics and comparison to other local area developments.

A funding model is set up for each project which includes a group of capital investors and funders to ensure the project has sufficient funds to realise profit potential while minimising the risk for all parties.

Griffin assess the merits of each project to establish the interest rate payable to equitably share the profit potential while maintaining a sensible approach to ensure the project does not create an adverse risk to any parties involved.

When you invest in SPL, there are no additional fees (such as administrative, management, or exit fees) associated with your investment.

Four reasons to choose Secured Private Lending

1 CERTAINTY

SPL offers certainty by confirming the return as a % per annum. You have clear and precise knowledge of your actual return rather than an unknown rate pending final sales. You will receive your capital and interest repayment before the owners of the development entity.

2 SIMPLICITY

You know your rights and benefits as a lender within the legal framework rather than the uncertainty of being an owner/developer.

No fees.

Funds can be split across multiple projects of the lender's preference.

3 SECURITY

As a secured creditor you have the protection of a jointly held 2nd mortgage charge over the entire project offering you greater security than being a project owner.

4 EFFICIENCY

SPL is tax efficient as the interest is taxable in Australia as normal income for tax residents and subject to a 10% withholding tax for non-resident taxpayers.

04 SECURED PRIVATE LENDING MODEL

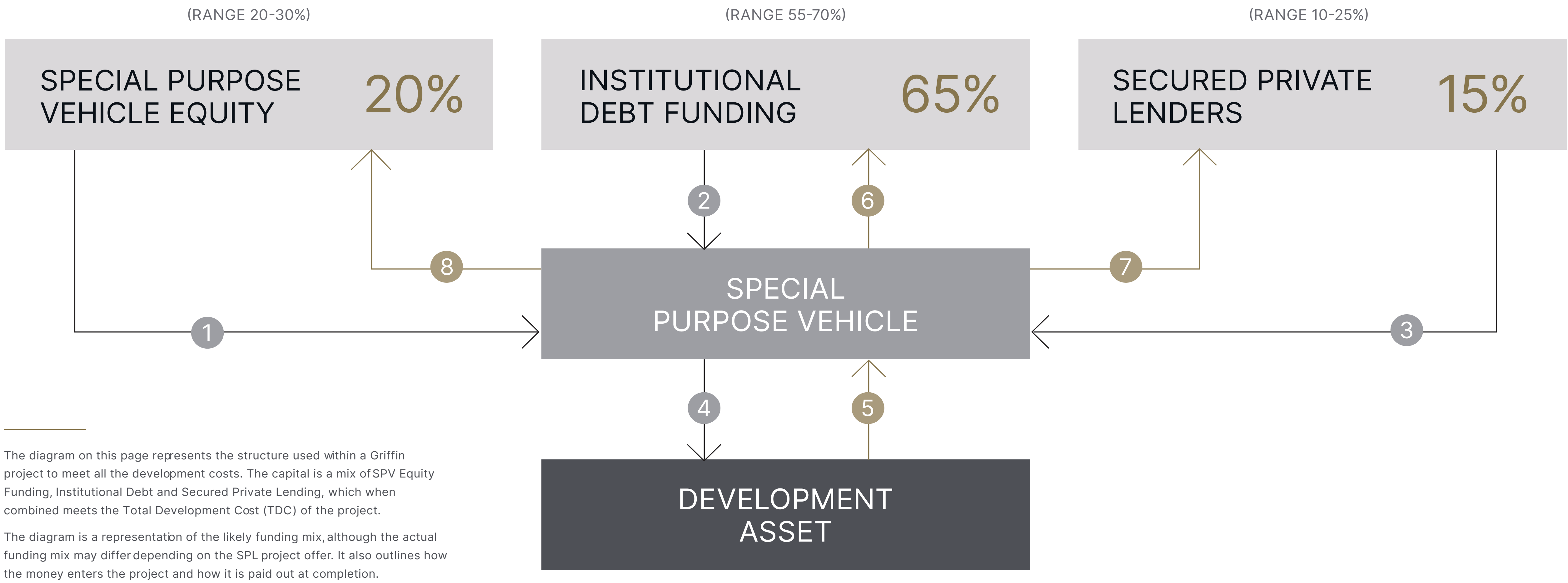
PRIORITY

THIRD	**SPV Equity**	**20%**
SECOND	**Secured Private Lending**	**15%**
FIRST	**Institutional Debt Funding**	**65%**
		100%

THE STRUCTURE

1. At the commencement of the project, a Special Purpose Vehicle (**SPV**) is established as a unit trust with a corporate trustee to acquire and develop the project land.
2. The corporate trustee is an Australian company with a sole director responsible for acting on behalf of the trust and the unitholders.
3. The unit trust is the owner of the project.
4. Lenders enter a binding loan agreement with a special purpose holding company that on-lends the loan funds to the SPV.
5. The loan funds are used soley for the purpose of completing the development project.
6. The security trustee registers a 2nd mortgage on behalf of the Lenders over the project land.
7. After project completion, the SPV repays the 1st mortgage lender, then Secured Private Lenders (2nd mortgage holders) and finally the SPV Equity.

04 SECURED PRIVATE LENDING MODEL



The diagram on this page represents the structure used within a Griffin project to meet all the development costs. The capital is a mix of SPV Equity Funding, Institutional Debt and Secured Private Lending, which when combined meets the Total Development Cost (TDC) of the project.

The diagram is a representation of the likely funding mix, although the actual funding mix may differ depending on the SPL project offer. It also outlines how the money enters the project and how it is paid out at completion.

Funding In

1. First capital to enter the project is SPV Equity funding which can range from 20% – 30% of TDC
2. The second level of funding for the project is First Mortgage Institutional Debt ranging from 55% – 70% of TDC
3. Upon Development Approval, private capital is sourced through Griffin's Second Mortgage Secured Private Lending opportunities ranging from 10% – 25% of TDC
4. The collective of funds raised are transferred into the Special Purpose Vehicle (SPV) which is utilised to fund all project costs

Funding Out

5. Funds raised from the sale of the Development Asset dwellings are disbursed by the SPV as outlined in steps 6, 7 and 8
6. First Mortgage Institutional Debt is paid out first
7. Secured Private Lenders are repaid principal investment plus accumulated interest
8. Equity Funding is returned to equity holders in addition to potential profit

05 WHAT MAKES THE GRIFFIN MODEL SUCCESSFUL?

When you invest as a lender, you are lending to a boutique development project. The risk position of the project is managed through a rigorous understanding of property development and awareness of the risks.

The strength and security of Griffin's SPL model is built on the following factors:

ENSURING PROJECTS ARE NOT TOO LARGE

Griffin specialise in boutique size developments, between 5 and 30 dwellings.

STRONG AND DISCIPLINED SITE SELECTION

A detailed feasibility analysis is conducted to provide a thorough basis for selecting viable projects with the potential for profitable outcomes.

CAPABLE MANAGEMENT

Griffin has a strong team of professionals that are well experienced and skilled in site selection, project management, development design, implementation and real estate sales management.

STRONG CAPITAL POSITION

Each project is well balanced financially and not overstretched to ensure all parties are protected. Project funding is through owner equity and pre-construction funding (usually 20-30%), a construction loan (55-70%) and SPL loans (usually 10-25%).

MARKET APPEAL

Griffin creates high quality, well designed, boutique-style properties (often a mix of residential and commercial) that have genuine appeal to buyers, so they can be sold efficiently at price points to ensure profitability.

The developments are attractive to owner occupiers and local and international investors.

END FINANCE EXIT OPTION

Griffin's primary project selection criteria prioritises projects of a boutique-size with 5 to 30 dwellings.

Griffin's management involves overseeing sales agents to secure consistent sales at the projected prices outlined in the feasibility analysis.

Upon completion of a project, Griffin's directors have the option to secure financing against unsold dwellings. This strategic approach may provide the necessary funds to meet loan maturity dates, serving as a crucial risk mitigation strategy for Lenders.

PROJECT EXECUTION

Griffin has an enviable track record in commencing and completing projects with expert management and oversight of projects. This success is founded on the ability to systematically structure a project to focus on key tasks through the entire project cycle including the sale of all dwellings.

INVESTMENT STRUCTURE

The unique investment structure offers Lenders a grouped registered 2nd mortgage over the project land, which provides Lenders with a secured position and priority repayment of their loan and accumulated interest ahead of any distributions to unitholders.

The loan structure offers the certainty of expected return from the loan. The capital structure provides flexibility to deal with 1st mortgage lenders or any unexpected cost increases and ensure each project is fully funded to complete the development.

Artist Impression | NOUVEAU, Nedlands WA

06 RISKS OF SECURED PRIVATE LENDING

By their very nature, all investments carry some level of risk. The following is a brief outline of some of the risks you should consider as a lender to a project. This outline does not consider all risks that you may encounter, and we encourage you to read your loan agreements and relevant offer documents before deciding to become a lender.

Artist Impression | THE QUALIA, Brighton VIC

LENDER RISKS

The return of your capital and payment of your loan interest relies on the success of the project you lend to.

Generally, Lenders will hold security behind the institutional debt funder who holds a first mortgage security over the project land. Should a breach of the loan with the institutional debt funder occur, the institution may act on their first mortgage rights and take possession of the project land.

Mitigation Strategy

Griffin has an enviable track record of successfully completing projects and repaying loans and interest to institutional debt funders and Lenders.

Each project's debt levels will vary and may include debt used to acquire the project land from an institutional lender, institutional debt funding for construction purposes and loan facilities from our Lenders. We closely manage the cashflow of each project and our debt facilities to minimise the risk of defaulting on any facility.

PLANNING RISK

At the commencement of a new development project, there is the risk that the local government will not provide development approval or a revised development approval on a previously approved project.

Mitigation Strategy

We only offer projects to Lenders that have received planning approval or are awaiting final approval. Also, our land assessment criteria and due diligence prior to purchase significantly reduces the planning approval risk to Lenders.

DELIVERY RISK

During the construction phase of the development there is the risk that the appointed builder:

- is unable to finish construction due to financial reasons.
- completes the build to a substandard specification.
- experiences delays in completing the construction.

Mitigation Strategy

Griffin, as the Asset Manager, conducts due diligence on the strength of the builder. We only appoint builders with the experience and financial strength deemed necessary for the type of build planned.

The development entity normally enters a fixed price building contract with the builder. The contract clearly identifies the required specifications for construction, including the cost and timeframe for completion.

The builder may be liable for liquidated damages if the timing of construction does not meet the agreed timeline set out in the building contract.

EXIT RISK

On completion of construction, the return of your loan capital and interest is generally dependent on sales of the dwellings.

Mitigation Strategy

Lenders hold a priority position for repayment after the Institutional Debt Funders.

Once sufficient sales have occurred and settled, the Institutional Debt Funders are repaid. Lenders are next in line for repayment of loan capital and interest from sales before any funds are released to the project owners.

To pay out the construction debt facility the project must achieve a sufficient level of sales. Once the construction facility, is repaid, the 1st mortgage is released which enables the Project Owners to secure a debt facility over the completed dwellings with the loan proceeds used to pay out the SPL loans. This is known as a completed stock loan facility.

There is no guarantee that a completed stock loan facility will be available and the use of such a facility is subject to the discretion of the Trustee.

If required, the Project Owners could contribute further equity into the project to repay the SPL loans, though there is no requirement for the project owners to do this.

07 GRIFFIN PROJECTS

COMPLETED

Butler Medical Centre
Butler WA

Flourish
Camberwell VIC

Parkview
Como WA

Hamilton Hill Medical Centre
Hamilton Hill WA

Loft Haus
Leederville WA

Embankment
Martin WA

204 Walcott
Menora WA

Reside on Money
Perth WA

One54 Tuart
Tuart Hill WA

The Residence
Scarborough WA

IN DEVELOPMENT

Astoria
Applecross WA

Cube on Canning
Attadale WA

Qualia
Brighton VIC

Abode
Como WA

Lucida
Como WA

Calibre
Glenelg SA

Hastings
Hawthorn East VIC

Nouveau
Nedlands WA

Coastal Edge
North Coogee WA

Howard Street
Paddington QLD

Liberty
Perth WA

IN PLANNING

Manhattan
Applecross WA

Coterie
Como WA

Evergreen
Como WA

Beach Rd
Coolum QLD

Musgrave Street
Mosman NSW

Westwood
Nedlands WA

The Henry
Plympton SA

Sukha
Scarborough WA

Stone St
South Perth WA

191 Mill Point Rd
South Perth WA

193 Mill Point Rd
South Perth WA

08 INVESTMENT TEAM

Griffin's highly skilled and experienced team believe in the value of relationships with an absolute commitment to integrity and professionalism. As a boutique family-based business, the team prides itself on accessibility and regular communication throughout the lifecycle of your investment.

Investment Team

09 INVESTMENT PROCESS

1 Introduction Meeting (Michael Devine)
Introduction to Griffin & the Secured Private Lending model

2 Post Introduction meeting (Christian Woodall)
Lender is sent specific project availabilities and onboarding documentation, including:

- Personal Details/ID Check
- Wholesale Confirmation
- Entity Verification (if required)
- Private Lender Application Form & Know Your Client onboarding

3 Investment Document Generation (Christian Woodall)
The Investment documents are populated and sent to the Lender for review & signing via DocuSign (along with Security Trust Deeds for Lender's records)

4 Transfer of Funds (Christian Woodall)
Once signed Investment documents have been received and counter signed by a Griffin representative the completed Investment Documents are returned to the Lender.
The individual project bank account details are issued, and the Lender transfers the funds.

5 Investment Certificate & Receipt Issued (Maegan Farrow)
The Investment commences the date that total funds are received into the project account. Following this, the Lender will receive an investment certificate & receipt for their records.

6 Ongoing Updates (Maegan Farrow)

- Project update emails are released on a regular basis.
- Investment update meetings are scheduled with Michael or Christian on a 6 monthly basis.

7 Maturity (Michael Devine or Christian Woodall)
Two months prior to investment maturity, a meeting is scheduled to discuss rollover opportunities. There are 3 options which Lenders may consider:
1. Rollover principal and or interest
2. Extend investment (if applicable)
3. Full payment of principal and interest

10 FREQUENTLY ASKED QUESTIONS

ABOUT SPL STRUCTURE

Q: What are the criteria to be qualified as a wholesale lender?

A: To qualify as a wholesale lender you need to meet one of the following criteria:

- Earn at least $250k AUD or more per annum for the last 2 financial years
- Able to invest at least $500k AUD in one transaction
- Hold at least $2.5m AUD in net assets

Q: Can my representative advise which projects I should or should not participate in?

A: Your representative can provide you with general advice on the product and available projects, but is unable to consider your personal financial needs regarding capital placement. Investors are advised to seek their own independent personal advice before making any financial investment.

Q: Can I invest my capital across multiple projects if I choose?

A: Yes, so long as each investment meets at least the minimum investment amount of $50,000 AUD.

Q: Are the funds advanced spread over many projects?

A: No, each loan agreement is allocated solely into the specific development you choose to participate in.

Q: What are the tax repercussions of my investment?

A: All clients are advised to speak with their accountant regarding their personal tax outcomes of any potential investment.
However, in general, non-Australian residents for tax purposes will be subject to a 10% withholding tax (deducted at the time of loan maturity prior to payment). Australian residents will be required to declare interest as part of their standard tax return.

Q: What is my security?

A: Secured Private Lenders hold a grouped 2nd mortgage over the development property. The mortgage is registered in the name of the Security Trustee who will act in the best interest of all beneficiaries in the event of default.

Q: What is the process when my investment is due?

A: Prior to your individual investment loan maturity, a Griffin representative will be in contact to arrange a meeting to discuss your individual maturity options. Should you wish, you will have the opportunity to extend or rollover capital and/or interest at the completion of your loan term.

Q: Who is paid first from the proceeds of sales?

A: The 1st mortgage lender is repaid first, Secured Private Lenders are paid second, and finally the Project Owners (Equity).

Q: What happens if we need to get out early?

A: You can make a request for early repayment, and we will try to work through any options to provide an early redemption, should the project be able to accommodate this. Note, while this would be by our best endeavours, it is not an assurance.

Q: When is my loan interest and principal repaid?

A: Interest is accrued and paid with the loan principal at the loan maturity date.

10 FREQUENTLY ASKED QUESTIONS

ABOUT THE PROJECT

Q: How are projects sourced?

A: Griffin's project management team and investment committee focus on stressed assets, in blue chip locations, backed by a boutique medium-sized development model. Feasibilities are generated based on sales. Sale rates are determined by analysing suburb location, market demographics and comparison to other local area developments.

Q: What happens if the builder does not complete the project?

A: As project manager, Griffin appoints an external builder to the project. Part of this process includes a review of the financial strength of the builder. Should a builder not complete a project because of financial issues, Griffin will work with the 1st mortgage lender to appoint a new builder and agree new contract terms.

This is likely to result in project delays and may result in an increase in construction costs. Griffin will raise further project equity, if required, and is able to extend the term of your loan for up to 12 months to compensate for project delays. Griffin's focus is to complete the project and repay your loan and accrued interest.

Q: What happens if the apartments don't sell?

A: The 1st mortgage lender is repaid the loan and interest from the initial sales from the project. Once the 1st mortgage lender is paid out, the net proceeds from the next sales are used to repay the Secured Private Lenders.

If sufficient sales have not occurred to achieve this, Griffin can secure 'completed stock' finance to raise funds to repay the Secured Private Lenders. Griffin's model of building in highly sought after suburbs in small to medium sized developments makes the end apartments attractive to completed stock lenders.

ABOUT THE RISKS

Q: What are the major risks?

A: As a lender to the project, your major risk is not being repaid your loan capital and accrued interest. This may occur if the project does not complete as the repayment of your loan and interest is reliant on the completion of the project.

Griffin has a track record of successfully completing projects and repaying investors' loans.* Our project management team has significant experience in selecting quality projects within the Griffin model and in delivering projects.

Q: What happens if the development costs increase?

A: Griffin enters into a fixed price build contract for each project. Therefore, the onus is on the builder to complete the construction within budget. In some circumstances a project has incurred increased costs, but the project has been able to meet the cost increases by raising further project equity. This decision to raise equity has been made based on upward forecasts for the end apartments being of similar or greater magnitude to the cost increases.

In recent times the project management team has delayed entering build contracts and has waited for construction costs and build cost estimates to moderate.

Whilst this is likely to extend project time frames, it has improved the economics of the project particularly considering high demand for our end apartments.

Q: Do all Secured Private Lenders rank equally with one another?

A: Yes, all beneficiaries rank equally. The 2nd mortgage over the development land is held for the benefit of all Lenders by the Security Trustee.

*Past performance is not a guarantee of future performance

Artist Impression |
LUCIDA, Como WA

GRIFFIN

Griffin Group

G2, 204 Walcott Street
Menora WA 6050
griffin-group.com.au

Version 8. November 2023