



SILC CREDIT FUND

DISCRETE LOAN MEMORANDUM

SCF Discrete Loan 10094 Units

Investment Summary

Investment Amount	\$5,500,000.00 (increased from \$3,800,000.00)
Target Return	9.50% p.a.
Investment Term	18 Months
Loan Type	First registered mortgage

Trustee

Specialised Investment and Lending Corporation Ltd ACN 149 520 918

Investment Manager

SILC Portfolio Solutions Pty Ltd ACN 616 916 593



1. Discrete Loan memorandum

This Discrete Loan Memorandum is issued by Specialised Investment and Lending Corporation Ltd ACN 149 520 918, holder of AFS licence number 407100, (**Trustee**) as the trustee of the SILC Credit Fund (**Fund**). It is important that you read this entire Discrete Loan Memorandum in conjunction with the Information Memorandum Part A for the Fund dated 27 July 2017 (**IM**) and the Trust Deed before making any decision to invest.

This Discrete Loan Memorandum forms Part B of the IM and contains an offer to apply for a class of units known as SCF Discrete Loan 10094 Units. The SCF Discrete Loan 10094 Units will be referable to a Loan made to Glengarry Developments Pty Ltd (**Borrower**). Key information about the Loan is outlined herein.

It is important you read the entire Discrete Loan Memorandum and the IM before making any decision to invest in the SCF Discrete Loan 10094 Units. The disclaimers in the "Notice" and the "Important Information" in the IM apply equally to this Discrete Loan Memorandum and capitalised words or terms used in this Discrete Loan Memorandum have the same meaning as in the IM, unless separately defined in this Discrete Loan Memorandum.

Applying for an investment

The offer under this Discrete Loan Memorandum is for a total of 3,800,000 of SCF Discrete Loan 10094 Units at \$1.00 each.

Only Qualified Investors who have submitted to the Trustee a completed Application Form (Part 1) found within the IM are able to make an application for SCF Discrete Loan 10094 Units under this Discrete Loan Memorandum.

To invest in SCF Discrete Loan 10094 Units, you will need to complete and lodge the Application Form (Part 2B) attached to or accompanying this Discrete Loan Memorandum together with payment of the relevant application monies or if applicable, instructions to convert your Cash Units held. After your application is accepted by the Trustee, you will be issued with SCF Discrete Loan 10094 Units.

Applications are accepted for a minimum of \$250,000 however, the Trustee may accept applications for lower amounts in its absolute discretion.

Key dates

Date of this Discrete Loan Memorandum:	29 May 2023 (updated)
Original Close Date:	24 Feb 2020
Restructure Date:	9 June 2023





2. SCF Discrete Loan Unit 10094 Unit details

Investment Details	The SCF Discrete Loan 10094 Units are referable to a Loan made to Glengarry Developments Pty Ltd (Borrower) made on the terms outlined herein.
Target Return to Investor	<p>Targeted to be 9.50% per annum (or effective interest 10.16% per annum based on the full 18 month loan term) from Restructure Date (originally 8.5% per annum), net of Fees and Costs.</p> <p>This is not a forecast or guaranteed return.</p>
Distributions	<p>From the Restructure Date, there will be no distributions during the investment term as the underlying loan interest shall capitalise on a monthly basis and be payable at the end of the loan.</p> <p>Investors will receive a proportion of the income referable to SCF Discrete Loan 10094 Units based on the number of SCF Discrete Loan 10094 Units they hold in relation to the total number of SCF Discrete Loan 10094 Units on issue and the number of days they have held the Units for during the period.</p>
Investment Term	<p>Up to 18 months from Restructure Date, subject to a minimum term of 12 months.</p> <p>The Investment Manager may extend the term for up to 30 days with notice to Investors; however, if you do not wish to participate in the extension, please notify the Investment Manager as soon as possible (please refer section 3.3(2) of the IM for more information).</p>
Minimum Subscription Amount	<p>The minimum amount to be raised under this Discrete Loan Memorandum is \$5,500,000.00.</p> <p>If the minimum subscription amount is not raised by the Close Date, then the Borrower will be given the option to accept a lower Loan amount. If the Borrower does not accept the lower Loan amount within 3 Business Days, then the Loan will not proceed and all application monies will be returned to Investors within 3 Business Days thereafter. The Investment Manager will advise you if either of this situation occurs.</p>
Brief Description of Investment	<p>The investment relates to a restructure of an existing loan of \$3.80m to an increased loan amount of \$5.50m for a further 18 month term. The loan will be secured by a 1st ranking registered mortgage over a vacant land valued at \$13.50m in November 2022.</p> <p>The additional funding is to assist the borrower with the following purposes:</p> <ul style="list-style-type: none">• Ongoing planning costs relating to the Latrobe Boulevard development site – based on professional advice received, they have decided to withdraw the existing plans from VCAT, re-shape the plans to take in to account all feedback from council and community to date and re-submit the matter to council before 30 June 2023





- Completion of environmental audit for Latrobe Boulevard development site
- Early stages of pre-developments (engineering plans/works) & marketing costs for Latrobe Boulevard development site
- Cash flow to assist with construction of Stage 3 of Nexus Apartment Project (Nexus 104 - Apartment Development- Highton)

Strategies for loan repayment:

- Stage 3 of the project undertaken by the Borrower at 104 Colac Rd (NEXUS Stage 3) is commencing imminently and is expected to complete within 12 months (subject to availability of contractors / supplies) which will provide the Borrower with approx. \$2.8m in share of net profit which can be used to reduce debt. Early pre-sales to date of \$2.475 (21%) of a total \$11.73m in value is currently held. There is no registered debt against this project.
- Land at 140 Colac Rd has been listed for sale recently (140-150 Colac Road & 246-248 South Valley Road, Highton) and is expected to sell for \$16m-17m of which the Borrower has 45% interest/share, noting a first mortgage of \$3.42m on the site provided by a third party. A letter from Colliers indicating an opinion of value of \$16-17m is also held.
- Refinance of land debt over Latrobe into construction facility.

Issue of SCF Discrete Loan 10094 Units

As at the date of the Loan Memorandum, there are currently 3,800,000 SCF Discrete Loan 10094 Units on issue.

As at Restructure Date, an additional 1,700,000 SCF Discrete Loan 10094 Units be issued .

If drawdown is delayed beyond a 2-month period after this date, Investors will be given the opportunity to withdraw their investment.





3. Key Information about the Loan

(a) Loan Details and Terms

Borrower	Glengarry Developments Pty Ltd ACN 050 237 860
Brief description about Borrower	<p>Glengarry Developments Pty Ltd is a property development business based in the Greater Geelong Region, owned and managed by Wayne Jennings – Company Director & Secretary.</p> <p>Since commencing in 1989, the Borrower has completed a number of successful residential developments, particularly in the Highton, Grovedale, Belmont and Waurin Pond areas in the Geelong region. Over this period they have developed more than 400 townhouses. The Borrower also has several developments projects (including the Nexus104 project) that it plans to complete over the next 3-5 years horizon. Stage 1 and 2 of this Nexus project has been completed with stage 3 commencing in the short term which forms part of the repayment strategy.</p> <p>Further to this, the Borrower holds 2 other properties (including their house & farm which sits on 37 acres valued at \$2m with \$70K bank loan) which may be sold should the need arise to meet their obligations.</p> <p>Julie Jennings (director, shareholder & guarantor) operates her own hair salon on a sole trader basis deriving additional income available to assist with servicing if necessary.</p> <p>The Borrower group (Wayne & Julie Jennings, Glengarry Developments Pty Ltd (Borrower) and Jennings Investment Trust) indicate a net asset position of \$9.9m.</p>
Type of loan	Fully drawn Loan. 1 st ranking registered mortgage;
Total loan amount	<p>\$5,500,000.00 (increased from original \$3,800,000.00) excluding capitalised interest for the loan term.</p> <p>The loan facility will be capped at a total of \$6,600,000 (allowing \$1,100,000 worth of capitalised interest).</p>
Loan Term	18 months from Drawdown Date Subject to a Minimum Loan Term of 12 months
Loan Purpose	Cash flow and development costs needed by Borrower to complete planning applications for the site at Latrobe Boulevard, Newtown and completion of Stage 3 of Nexus project.





Maximum loan to valuation ratio (LVR)	<p>Calculated on principal loan amount: 40.74%</p> <p>Calculated on total loan facility (including capitalised interest): 48.89%</p> <p>Based on \$13.5m “as is” land valuation of 510A Latrobe Boulevard, Newtown only. The remaining security held has not been taken into account for the purposes of this calculation.</p>
Arrangements for re-payment	<p>Borrower wishes to progress to develop the site in the future upon completion of other development projects currently in progress. The loan is expected to be repaid via either or combination of:</p> <ul style="list-style-type: none">- settlement of completed units at Stage 3 of Nexus project,- sale of land at 140 Colac Rd, Highton- refinance or sale of property.
Interest Rate Payable	<p>Lower lending rate payable</p> <p>9.5% p.a. (from original 8.25% p.a.) - fixed</p> <p><i>Applicable for as long as the Borrower complies with all of its obligations.</i></p> <p>Higher lending rate payable</p> <p>14.50% pa - fixed</p> <p><i>Applicable for any period in which the Borrower has not complied with all its obligations.</i></p>
Interest Repayment Terms	<p>Interest is calculated daily and capitalised (compounds) on a monthly basis.</p>
Loan conditions precedents	<p>The following are some of the conditions required to be met before any funds will be advanced to the Borrower. If these conditions are not met, then the offer of finance may be withdrawn.</p> <ol style="list-style-type: none">1. Execution of all loan and security documentation2. Provision of certificate of currency for all customary insurances (including public liability insurance, if applicable)3. Valuation report prepared by Preston Rowe Paterson to confirm value of no less than \$6.7m4. Evidence that all outstanding statutory fees and taxes (including land taxes) are paid in full5. Evidence of pre-sales held for Stage 3 of Nexus development at 102-104 Colac Rd, Highton
(b) Security	
Mortgage over secured property	<p>First ranking registered mortgage over:</p> <ol style="list-style-type: none">1. 510A La Trobe Boulevard, Newtown VIC





Detailed information on each Secured Property may be found in section 3(c) below.

Limited guarantee

Directors' personal guarantees:

1. Wayne Anthony Jennings
2. Julie Jennings

General Security Interest

Third ranking general security agreement over all current and after-acquired property of:

Glengarry Developments Pty Ltd ACN 050 237 860

Specific Security Interest

First ranking registered specific security interest over:

2. Glengarry/Jennings' interests in 104 Colac Rd
3. Glengarry/Jennings' interests in 140 Colac Rd, Highton

(c) Secured Property

This section outlines information on each of the secured property relating to the Loan. Photos/images of each secured property can be found in Appendix 1.

If the Borrower defaults under the terms of the Loan, the Trustee will have various rights under the mortgage in relation to the secured property, including a right to exercise a power of sale.

Secured property 1**Address**

510A La Trobe Boulevard, Newtown VIC

Title details

Vol 9681 Folio 763 and Vol 10313 Folio 508

Valuer's executive summary¹

The subject comprises a Mixed Use Zoned allotment of 9,585m², comprised within two (2) Certificates of Title.

The property benefits from approximately 97 metres of frontage to the Barwon River.

The site is located within the West Fyans and Fyans Street Precinct Structure plan which was adopted in 2009, and implemented to redevelop this precinct.

The subject falls within Precinct 4 a "Mixed Use High Density Precinct", with a desired vision to encourage high density residential development of 2-5 storeys, with opportunities for ground floor retail, cafes, restaurants and commercial uses to be supported in the southern section of the precinct.

The subject site has a sloping topography down toward the Barwon River.





¹ A copy of the full valuation of the Property may be obtained from the Investment Manager on request, at no charge.

Valuer	Preston Rowe Paterson
Valuation amount (ex GST) and basis	\$13,500,000 As is land value on vacant possession
Valuation date	24 November 2022
Encumbrances	Mortgage in favour of Specialised Investment and Lending Corporation Ltd ATF SILC Credit Fund
Other Comments	The subject property was acquired in 7 July 2006. While the Valuer has commented that they have sighted a preliminary development plan for 73 townhouses, a Development Approval application has been submitted. The Borrower's ultimate plan is to eventually develop this site.

(d) Loan fees and costs

In addition to the interest rate payable, the below costs are paid by the Borrower to the valuer, broker, lawyer and the Investment Manager for valuing, sourcing, originating and arranging the Loan. Some or all of these costs may be capitalised as part of the Loan. All costs quoted exclude GST.

Loan Renewal Fee	1.00% of the total Loan amount. Payable by the Borrower to the Investment Manager and deducted from the advance at settlement for progressing all Loan documentation to settlement.
Line Fee	1.00% p.a. of the total Loan amount. Payable by the Borrower to the Investment Manager. This fee capitalises monthly in arrears and is payable at the end of the loan term.
Valuation & Appraisal	Costs involved in valuing the secured property. Paid by the Borrower to the valuer to progress all Loan documentation to settlement.
Legal	Costs involved in documenting the Loan facility. Paid by the Borrower to the lawyers prior to commencing Loan documentation.
Disbursements	Paid by the Borrower prior to Loan approval from the advance at first Drawdown Date/settlement.





Mortgage Registration	Paid by the Borrower deducted from the advance at first Drawdown settlement.
Stamp Duty	Deducted from the advance at settlement, payable by the Borrower if applicable.
Other	N/A





4. Specific Risks

You should consider the summary of risks of investing in the Fund is section 5 of the IM. In addition to the risks described in the IM, the following risks are specific to the SCF Discrete Loan 10094 Units offered under this Discrete Loan Memorandum.

- The following specific risk is relevant where the Loan involves security over vacant land or other non-income earning land. As the Borrower will not receive income from the secured property, the ability of the Borrower to repay the capital and interest on the Loan is ultimately dependent on sale of the secured property to third party purchasers. There is a risk that a sale may take longer than expected, a purchaser does not settle their sale contract on time or at all or property market conditions may change which could have an impact on the ability to sell the secured property or the price at which it may be sold. This may delay the return of your investment.
- In the event that the Investment Manager exercises its powers under the mortgage, priority repayment from sale proceeds (after GST and selling costs) will be in the following order:
 - Legal and recovery costs incurred by the Investment Manager (if paid by the Investment Manager from its own funds) or a third party underwriter (if paid by a third party underwriter).
 - Payment of Investors' capital invested in SCF Discrete Loan 10094 Units.
 - Payment of Investors' income distributions owing on SCF Discrete Loan 10094 Units.
- An investment in the SCF Discrete Loan 10094 Units is an illiquid investment. Investors will not be able to withdraw their investment in the SCF Discrete Loan 10094 Units until the Loan has been fully and finally repaid. There is currently no secondary market for SCF Discrete Loan 10094 Units and it is unlikely that any active secondary market will develop. You should only consider an investment in the SCF Discrete Loan 10094 Units if you are not likely to require access to your investment in the medium term.





5. Glossary

Borrower	Glengarry Developments Pty Ltd ACN 050 237 860
Drawdown Date	The date on which Loan funds are disbursed to the Borrower.
Application Form (Part 2B)	The application form for the SCF Discrete Loan 10094 Units attached to or accompanying this Discrete Loan Memorandum.
Lender	Specialised Investment and Lending Corporation Ltd as trustee for the SILC Credit Fund ABN 49 154 945 582
Loan	The loan to the Borrower, as outlined in section 3 of this Discrete Loan Memorandum.
Loan Manager	SILC Portfolio Solutions Pty Ltd ACN 616 916 593
SCF Discrete Loan 10094 Units	Units in the Fund in the class known as “SCF Discrete Loan 10094 Units”.





6. Appendix 1: Secured Property - Photos/Images

Secured Property 1: 510A Latrobe Boulevard, Newtown VIC 3220

Valuation of 510a Latrobe Boulevard, Newtown VIC 3220
Prepared for The SILC Group



Preston Rowe Paterson
International Property Consultants and Valuers

Valuation Summary

Interest Valued	Freehold
Date of Inspection	24 th November 2022
Date of Valuation	24 th November 2022
Significant Valuation Uncertainty	This valuation has been conducted at a time where the market is experiencing material uncertainty due to the economic fallout from the Covid 19 pandemic. To date, transactions which have occurred since the start of crisis indicate a significant shift in demand for property such as the subject has not occurred. We confirm in this valuation we have considered the information available and made appropriate adjustments. However, in the event future transactions indicate the market is impacted to a greater or lesser extent than has been critically assumed in this report we reserve the right to review our assessment of value.
Valuation (Exclusive of GST)	\$13,350,000 (Thirteen Million Three Hundred and Fifty Thousand Dollars)

Extract of valuation report held





Aerial view of property





