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Via email only: bgf@treasury.gov.au

The Manager
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**Tyndall Capital's Submission regarding the Australian Business Growth Fund**

**Background of Tyndall Capital**

Tyndall Capital welcomes the opportunity to provide a submission in response to the proposed Australian Business Growth Fund (**BGF**). As an arranger of funding solutions where wholesale investors invest in small and medium enterprises (**SMEs**), Tyndall Capital is well positioned to offer guidance and recommendations on several aspects of the proposed BGF.

Tyndall Capital is financially audited by Bell Partners and has its business processes audited by Deloitte Touche. Tyndall Capital is an AFSL No. 503 796 holder and has been in operation since 2012. It established a marketplace lender named Marketlend Pty Ltd, please see Annexure B for details on Marketlend.

The CEO of Tyndall Capital and Marketlend, Leo Tyndall, has been vocal in the media on the issue of irresponsible lending in the Australian market. He has drawn attention to how SMEs are being caught in borrowing cycles that can impair their viability and offered solutions as well as providing guidance on the overall health of the economy and Australian business.

**Recommendations**

Government participation in the capital markets is a crucial and valuable addition to the growing investor marketplace for SME lending, as it assists business owners in accessing vital competitive debt and equity funding which they require to make their small businesses flourish. Therefore, our recommendations are as follows:

1. If the Government is seeking to invest in equity funding, we recommend that it should be in the form of convertible debt to ensure a stringent contractual engagement is established between the company and the fund.

2. With the ability to invest, the Government should consider, as a primary objective, the need to assist companies where banks are reluctant to invest or participate. We recommend that this should be managed and monitored through the establishment of eligibility criteria, wherein the company only receives funding (if any) from a bank to the extent that that funding does not become a pass-through investment to the bank.

3. To elaborate on our recommended eligibility criteria, we submit that where a company is already owned in any form by a bank or has a fund where the majority ownership is a bank, it should be disqualified. Further companies that have warehouse facilities that rank senior and super should be disqualified.

4. Lastly in terms of eligibility criteria, we recognise that the inability for corporates to entertain venture capital and participation in equity in the early stages is significant,

however, it should still be the case that only companies with audited accounts should be able to participate, and directors' fees must be limited.

5. The recording of the investment is paramount in the equity investment, but it is necessary that a low-cost environment is created so that the legal fees and account fees do not absorb the equity investment.

6. To handle this challenge, Tyndall Capital recommends the use of blockchain and security token offering[1] recording to enable the government to record its investment and keep the cost of the provision of investment at a minimum.

To assist the BGF further, we have included two annexures to this report.

1. Annexure A, being a summary of international comparisons to assist in the assessment or establishment of equity investment; and

2. Annexure B, being a background of Tyndall Capital, and its wholly owned marketplace lending subsidiary, Marketlend and its credentials.

To contact Tyndall Capital please refer to the details below:

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[1] Details on Security Token Offerings is accessible at https://thetokenist.io/security-tokens-explained/

## Annexure A - International Comparisons

**Canadian Business Growth Fund Summary** (**CBGF**)

1. Initial capital commitments of $545m
    - Australian BGF is only a $100m Commonwealth commitment with an indication of the level of banks' and insurance companies' support
2. CBGF seeks to invest between $3 million to $20 million in dynamic mid-market companies with $5 million to $100 million in annual revenue, have a demonstrated growth trajectory, and a clear vision for accelerated growth.
3. CBGF will not:
    a. invest in companies with excessive leverage
    b. take a controlling equity stake
    c. invest in start-ups and unproven business models
    d. real estate
    e. change of control buy outs
    f. resource extraction
4. Investment structure typically structured using preferred instruments that can be tailored to align with the goals and balance sheets of the companies we invest in.

**United Kingdom Business Growth Fund** (**UKBGF**)

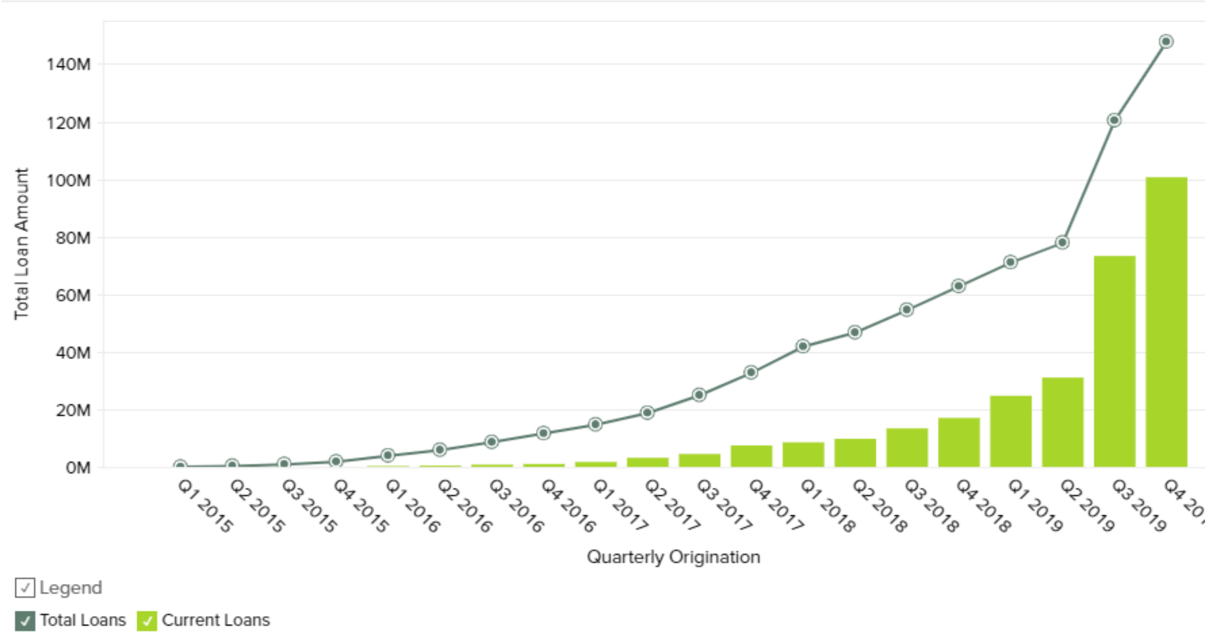
1. Businesses deserve a better kind of equity partner. Someone to help them scale, without taking control.
2. UKBGF funds businesses at all stages of growth, from earlier-stage companies or ventures to more established SMEs and quoted companies

**Annexure B - Marketlend Performance**

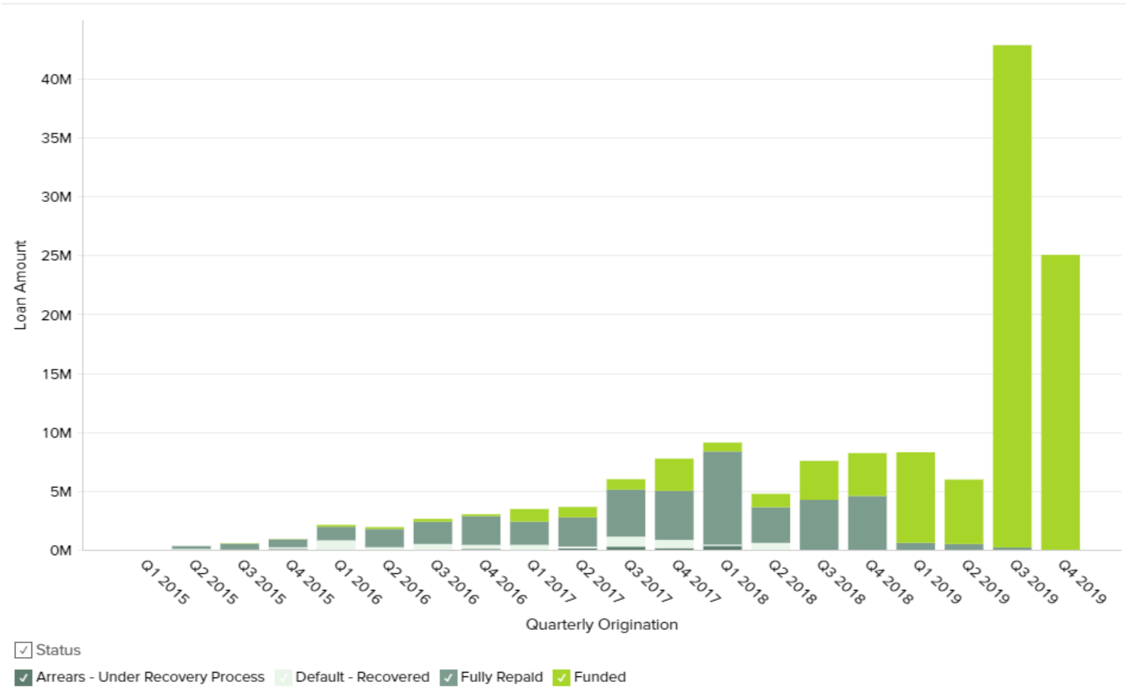
## Marketlend Data

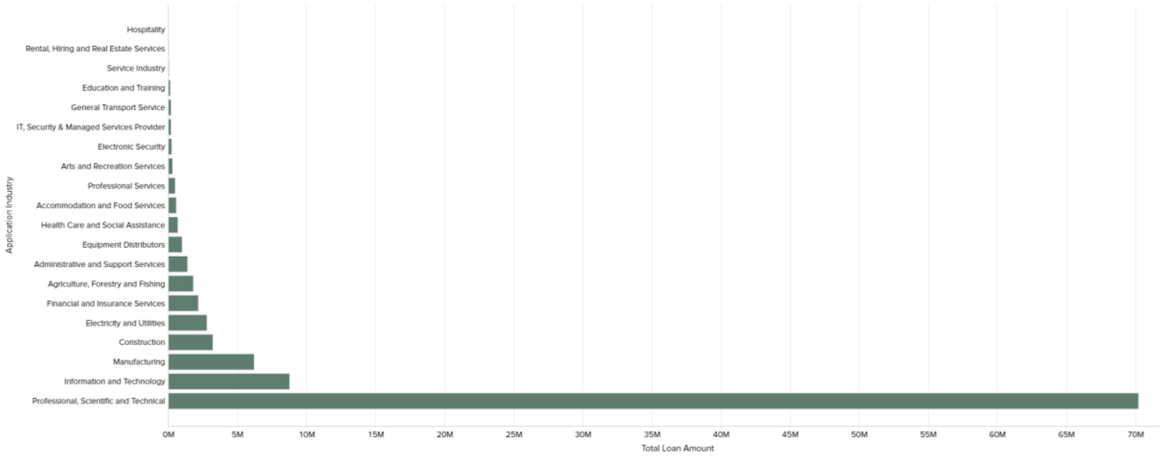
1. Total funded to date using securitisation to sell the loans to the investors purchasing debt securities is $147.67m
2. Total originated loans: 760 loans up to the end of Q1 2019
3. Please see below charts demonstrating Marketlend's data:

**Total Loans Originated and Current Loans**




**Current Status of All Loans Originated**





Hospitality
Rental, Hiring and Real Estate Services
Service Industry
Education and Training
General Transport Service
IT, Security & Managed Services Provider
Electronic Security
Arts and Recreation Services
Professional Services
Accommodation and Food Services
Health Care and Social Assistance
Equipment Distributors
Administrative and Support Services
Agriculture, Forestry and Fishing
Financial and Insurance Services
Electricity and Utilities
Construction
Manufacturing
Information and Technology
Professional, Scientific and Technical
Application Industry
0M
5M
10M
15M
20M
25M
30M
35M
40M
45M
50M
55M
60M
65M
70M
Total Loan Amount