



GIPPSREAL MORTGAGE INVESTMENT SCHEME

ARSN 091 849 482

1) About the Scheme – Investment Overview

The Gippsreal Mortgage Investment Scheme (the Scheme) provides for investments in loans secured over legal interests in land; both freehold and leasehold, that is, mortgage investments.

A person investing in the Scheme invests in a first mortgage loan that has been approved by the responsible entity of the Scheme, Gippsreal Limited (“Gippsreal”).

The loan is made to a particular borrower and is secured by a first mortgage registered against a specific property. There may be a number of different investors in each loan.

This is generally known as a contributory mortgage scheme.

Each loan is separate from any other loan and are known as sub-schemes.

Reference to the Scheme means the total number of sub-schemes offered and managed by Gippsreal.

An investor's interest in the Scheme is limited to the investor's investment in a particular sub-scheme or sub-schemes in which their investment is made.

An investor is paid a pre-determined interest rate (either fixed or variable) on their investment.

Gippsreal may in addition manage direct mortgages on behalf of wholesale investors, (subject to limited conditions and specific authorisation of investors) as a separate portfolio of investments as part of the Scheme.

2) About Gippsreal Limited

Gippsreal is not a Bank.

Gippsreal is an unlisted public company holding a financial services licence under the Corporations Act.

Gippsreal itself does not fund loans but acts as the responsible entity and custodian (trustee) of the Scheme managing the funds on behalf of investors.

First Mortgage Fund Managers

Australian Financial Services Licence No. 219612

Australian Credit Licence No. 219612

ACN 005 443 292 ABN 80 005 443 292

Generic Form Product Disclosure Statement

The Responsible Manager and senior management have extensive experience in mortgage lending supported by three independent directors.

3) Banking Institution

Gippsreal's main banker is the Bendigo Bank although from time to time Gippsreal may place deposits with other Banks. Any institution with which Gippsreal places funds must be an APRA Approved Deposit Taking Institution (“ADI”), generally a bank.

4) Product Disclosure Documents

This Generic Form Product Disclosure Statement (“PDS”) document is designed to inform the investor generally about the Scheme, how it operates and how to invest in the Scheme.

This PDS document should be read together with the attached Offer to Invest and the Certificate of Investment which will issue on the placing of an investment in a sub-scheme. These three documents together form the complete Product Disclosure Statement.

5) Objective of the Scheme

The objective is to provide regular monthly interest income with capital stability offered by a first mortgage security held over a specific property.

6) Diversity of Investment

Investors are able to obtain a spread of investment by investing in a number of individual loans to different borrowers secured against a variety of properties.

7) Authorised Investments

The only investments approved by Gippsreal are in:-

- mortgages of freehold and leasehold land in any State or Territory of Australia; or
- deposits with an approved ADI – generally Banks.

This Generic Form PDS is dated the 25 June 2021 and is current as at this date. Gippsreal will manage the Scheme in accordance with the current Product Disclosure Statement as amended from time to time (a copy of which is available from Gippsreal's registered office or from Gippsreal's website gippsreal.net.au) regardless of whether an investor has been provided with an updated Product Disclosure Statement.

8) Australian Securities and Investment (“ASIC”) Benchmarks

Gippsreal’s regulatory authority, ASIC has developed a number of benchmarks for unlisted mortgage schemes designed to help retail investors understand the risks, assess the rewards being offered and decide whether the investments are suitable for them. Gippsreal is obliged to address the benchmarks in its disclosure documents on an “if not, why not” basis. The table below sets out generally the benchmarks and how they are addressed.

Benchmark	Statement	Explanation
Benchmark 1: Liquidity For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that: (a) demonstrate the scheme’s capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months; (b) are updated at least every three months and reflect any material changes; and (c) are approved by the directors of the responsible entity at least every three months.	This benchmark is met.	As Gippsreal is a contributory mortgage scheme not a pooled scheme this benchmark does not apply, but nevertheless Gippsreal does comply with this requirement as part of its financial management practice.
Benchmark 2: Scheme borrowing The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.	This benchmark is met.	Gippsreal has no external borrowings.
Benchmark 3: Loan portfolio and diversification For a pooled mortgage scheme: (a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region; (b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets; (c) the scheme has no single borrower who exceeds 5% of the scheme assets; and (d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).	This benchmark is met.	As Gippsreal is a contributory mortgage scheme not a pooled scheme this benchmark does not apply.
Benchmark 4: Related party transactions The responsible entity does not lend to related parties of the responsible entity or to the scheme’s investment manager.	This benchmark is met.	Gippsreal as a general policy does not lend or invest scheme funds with related parties. Accordingly this benchmark does not apply to Gippsreal. If this policy was to change, Gippsreal would address this benchmark and satisfy the requirement by specific disclosure to the investors in the particular sub-scheme.

<p>Benchmark 5: Valuation policy</p> <p>In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:</p> <ul style="list-style-type: none"> (a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located; (b) a valuer to be independent; (c) procedures to be followed for dealing with any conflict of interest; (d) the rotation and diversity of valuers; (e) in relation to security property for a loan, an independent valuation to be obtained: <ul style="list-style-type: none"> (i) before the issue of a loan and on renewal: <ul style="list-style-type: none"> (A) for development property, on both an 'as is' and 'as if complete' basis; and (B) for all other property, on an 'as is' basis; and (ii) within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant. 	<p>This benchmark is met.</p>	<p>Gippsreal's policy requires valuations to be no more than 3 months old at the date of the initial loan advance and must be updated every 42 months.</p> <p>Gippsreal undertakes regular reviews of existing valuations to determine whether there is a likelihood that there is a decrease in the value of the property which might necessitate an updated valuation.</p> <p>Gippsreal may in some circumstances accept a current Municipal Capital Improved Value for a security property provided the loan to value ratio does not exceed 50%. Save for this qualification, the benchmark is met.</p> <p>Further details of Gippsreal's valuation policy are set out in Gippsreal's Compliance Plan.</p>
<p>Benchmark 6: Lending principles -</p> <p>Loan-to-valuation ratios</p> <p>If the scheme directly holds mortgage assets:</p> <ul style="list-style-type: none"> (a) where the loan relates to property development - funds are provided to the borrower in stages based on independent evidence of the progress of the development; (b) where the loan relates to property development - the scheme does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and (c) in all other cases - the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided. 	<p>This benchmark is met.</p>	<p>Gippsreal does hold mortgage assets.</p> <p>Gippsreal's general policy is not to advance beyond 66.66% of the 'as is' value of the security property on all properties.</p> <p>This is lower than the ASIC benchmarks.</p>
<p>Benchmark 7: Distribution practices</p> <p>The responsible entity will not pay current distributions from scheme borrowings.</p>	<p>This benchmark is met.</p>	<p>As per Benchmark 2 Gippsreal has no external borrowings, and will not pay current distributions from scheme borrowings.</p>

Benchmark 8: Withdrawal arrangements		
Liquid schemes For liquid schemes: (a) the maximum period allowed for in the constitution for the payment of withdrawal requests is 90 days or less; (b) the responsible entity will pay withdrawal requests within the period allowed for in the constitution; and (c) the responsible entity only permits members to withdraw at any time on request if at least 80% (by value) of the scheme property is: (i) money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or (ii) assets that the responsible entity can reasonably expect to realise for market value within 10 business days.	Not applicable	Gippsreal investments are for a fixed term and accordingly Gippsreal is not a liquid scheme.
Non-liquid schemes For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.	Not applicable.	Gippsreal have disclosed that investors have no ability to withdraw from the scheme until their investment term has expired – see section 15.

9) Returns to Investors

The interest rate payable to investors may be fixed or variable.

In the case of a variable rate, Gippsreal may increase or decrease the rate of interest on giving notice to investors.

Interest rates may be varied at the absolute discretion of Gippsreal and are not tied to any particular formula or index. If interest rates are varied they are usually adjusted at a particular interest date.

The interest rate offered for investments will vary from time to time due to changes in market interest rates, general economic conditions and specific market demand.

Interest rates are generally in the range of 3 - 5% above the cash rate.

Based on the returns payable to investors in the immediately proceeding three years the indicative rates of interest payable to investors are between 4.25% and 6%. The actual rate of interest payable is set out in the Certificate of Investment issued once the funds are allocated to a particular sub-scheme.

The interest rate payable under the Scheme is only paid whilst it is in a sub-scheme. When investor funds are first received and until it is placed in sub-scheme, or alternatively when it is repaid by the borrowers and awaiting reinvestment, interest is paid at the bank “at call” deposit rate on Gippsreal’s bank account usually monthly.

The bank account might be an at call deposit facility, term deposit and/or cash management account.

Gippsreal may charge a management fee on these funds pending investment which shall not exceed 1.5%.

Once the funds are placed in a sub-scheme, as the loan is a loan to a particular borrower secured against a particular property provided the borrower meets their obligations under the loan then the interest will be paid at the designated rate set out in the Certificate of Investment as varied.

Obviously if the borrower defaults in paying their interest, interest may not be paid on the due date and Gippsreal would take action to recover the unpaid interest payments. Pending recovery there may be a delay in payment of interest.

If Gippsreal were unable to recover all overdue interest payments in full interest would not be paid at the designated rate and the recovered interest would be apportioned between the investors in the sub-scheme pro-rata to their investment sum in the sub-scheme.

Generally in the event of default, Gippsreal have a right to charge interest at a higher rate which if recovered would be apportioned between Gippsreal and the investor as determined by Gippsreal in its absolute discretion taking into account the delay, time, effort, resources, funding etc. made available by Gippsreal in pursuing the default.

10) Minimum Income Volatility

By reason of the nature of the investment which provides for a pre-determined rate of interest there is minimal income volatility expected save for variations due to changes in market interest rates and the borrower not paying interest when due.

11) Monthly Payment of Interest

Interest is calculated on the daily balances invested and is usually paid monthly in arrears by electronic transfer direct to an investors nominated bank account on or before the 27th day of the month whilst invested in a sub-scheme, or at the beginning of the month whilst funds are awaiting placement or re-investment in Gippsreal's bank account (for other interest payment options, refer to "Accumulation and Reinvestment of Interest").

12) How to Invest

Investing in the Scheme is only available via the Offer to Invest attached to this PDS.

The minimum investment sum is \$5,000.00

The completed Offer to Invest together with the payment method (a cheque or EFT) for the amount of the investment should be returned by post, email (info@gippsreal.net.au) or delivered to Gippsreal's office.

Due to external regulatory requirements Gippsreal like other financial institutions are obligated to undertake identification checks to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) details of which are set out in the Offer to Invest.

13) Certificate of Investment

Gippsreal will forward a Certificate of Investment to investors after placement of the investment sum(s) in a sub-scheme(s) providing specific information about a particular mortgage investment(s) in which the investor's funds are invested.

The Certificate of Investment confirms:-

1. the investment sum being advanced;
2. the interest rate payable and the dates of payment;
3. the investment commencement date, the investment term, and the investment maturity date;
4. the loan advance or to be advanced, the borrower details, the loan purpose, and the exit strategy;
5. the investment security property details and the valuation information;
6. the loan to valuation ratio (LVR); and
7. the insurance particulars for the security property (if applicable).

Investors may request a copy of Gippsreal's external due diligence documents including a full copy of the valuation report.

14) 14 Day Cooling Off Period

Investors have a fourteen day cooling off period to withdraw from the particular sub-scheme effective from the date of the Certificate of Investment. Investors do not become legally bound to that sub-scheme until the expiration of the 14 day cooling off period.

Investors may at any time up until the expiration of the fourteen day cooling off period give notice that they do not wish to proceed with the particular sub-scheme investment. In that instance the funds will as soon as reasonably possible be placed back in the interest bearing account pending placement into an alternative sub-scheme pursuant to the authority to invest.

15) Term of Investment

The term of investment in the Scheme is as set out in the Certificate of Investment and/or the Offer to Invest, and generally coincides with the term of the sub-scheme or the agreed investment term, whichever is the later.

Gippsreal is not a Bank and does not offer "at call" facilities.

A Gippsreal investment is a fixed term investment.

To appropriately manage its business Gippsreal relies on having its investors' funds for the investment term as authorised to meet commitments it makes to borrowers and satisfy varying maturity dates for other investors. Accordingly whilst loans might be repaid from time to time during the term of the investment because borrowers' loans have become due or Gippsreal have required early repayment, Gippsreal still rely upon the investors' commitment to invest for the fixed term to enable it to appropriately manage the investment portfolio.

Unless otherwise advised by the investor Gippsreal is able to treat investors' authority to invest as set out in the Offer to Invest as a continuing one.

The investors' authority to invest will continue to have full force and effect at the expiration of the term of the investment or upon part or full repayment of a loan during the term of the investment.

On expiration of the term of the investment the redemption of the investors' investment may be delayed until the borrower repays the loan, refinances the loan or sells the security property. Interest is charged to the time of repayment of the loan.

If at the expiration of the investment term the particular mortgage loan is in default there may be a delay in redeeming the investment whilst Gippsreal takes action to recover the outstanding principal, interest and costs. The length of the delay will depend on the then current real estate market conditions and general economic conditions which will determine how and when the security property can be realised.

16) Rollovers

On maturity of a sub-scheme investors may have the opportunity to either redeem the investment or to continue the investment under renewal terms at maturity.

If a particular sub-scheme matures or any part or the whole of the principal sum is repaid, Gippsreal may elect to re-invest the investors' funds in alternative mortgage loans in accordance with the investors' general authority to invest for the fixed investment term set out in the Offer to Invest.

Investors do not have a right to withdraw their funds from the Scheme until the expiration of the investment term.

Investors will be provided with a new Certificate of Investment detailing the new investment.

The 14 day cooling off period applies to that new sub-scheme but only so far as electing to remain as an investor in that loan and does not entitle investors to withdraw from the Scheme until the expiration of their investment term.

In the event of a borrower wishing to continue with a loan beyond the maturity date, subject to Gippsreal carrying out its investigation as to valuation (where necessary) and loan renewal investors are deemed to have authorised the continuing investment unless they nominate they do not wish their investment to extend beyond the current investment term. Investors will be provided with a new Certificate of Investment detailing the new term of the investment, interest rate to be paid and any other relevant changes to the investment and will have the benefit of the 14 day cooling off period.

17) Withdrawal from the Scheme

There is generally no right of early withdrawal prior to maturity of the investors' investment term or the particular sub-scheme, whichever is the later.

Should investors wish to withdraw their investment early they can submit a written request to Gippsreal. Subject to the terms of the Constitution consideration will be given to that request but approval will be at the absolute discretion of Gippsreal.

18) Accumulation and Reinvestment of Interest

Investors may elect to accumulate and reinvest the interest earned by ticking the appropriate investment option box in the Offer to Invest.

Pending reinvestment the cumulative investment will be held in the Gippsreal "at call" interest bearing bank account.

Gippsreal will account to the investors for all interest earned on that cumulative investment at monthly intervals at the then current "at call" interest bearing bank account rate payable to Gippsreal by its principal Bank.

When the cumulative investment accrues to the minimum \$1,000.00 sum and subject to the availability of a suitable investment, it will be invested in a new sub-scheme and a new Certificate of Investment will be issued.

Investors may cancel the cumulative investment authority on giving 14 days notice to Gippsreal and Gippsreal will pay to the investors within 14 days of the expiration of the notice the amount of the cumulative investment.

19) Additional Investments

Investors may elect to make additional investments by completing Section 1 and 6 in the Offer to Invest. In doing so there will be no need to complete the entire Offer to Invest when making additional investments, unless investor details have changed. A Certificate of Investment will issue for the additional investment.

20) Gippsreal's Place in the Commercial Lending Market

Gippsreal is a second tier lender lending to persons who might not otherwise qualify for loans from major banking sources for various reasons, namely:

- their employment status; often they are self-employed, small businesses or special purpose vehicles;
- the nature of the security property; it may not be an income generating property or involve some form of business related activity; and/or
- the inability of the borrower to demonstrate serviceability and/or repay the loan from other sources in accordance with rigid traditional banking credit requirements.

Gippsreal specifically address these issues in a number of ways for example, lending at lower loan to value ratios, requiring capitalised prepaid interest for the term of the loan, and investigating the borrowers proposal to repay the loan i.e. by way of refinance or sale of the property.

21) Loan Application and Assessment

Each application by a borrower for a loan is made in an appropriate form providing full details as required by Gippsreal.

Gippsreal has a policy of outsourcing most of its loan applications through independent third party mortgage brokers engaged by the borrowers.

This has the benefit of avoiding any conflicts of interest in acting for both the lender and borrower and enables Gippsreal to act diligently in pursuing defaulting borrowers without any compromise of the investors' interest.

The documentation of loan and loan approvals generally involves borrowers' guarantors' and covenantors' acknowledgements and execution of security documents including, but not limited to, a Loan Facility Deed, a Mortgage, Statutory Declarations, and General Security Charges as well as a requirement for independent certified legal advice. In all cases a registered first mortgage is obtained (save for direct mortgage investments).

Gippsreal carries out its own enquiries by way of investigation of the loan applicant and the security property which where relevant and necessary may include:

- credit checks of the borrowers and guarantors;
- Google searches;
- ASIC searches;
- Bankruptcy searches;
- Property title, rate & planning searches;
- Inspection of the property;
- Adequate insurance cover for the property as recommended by the valuer

To establish the borrower's creditworthiness Gippsreal may require among other things:

- details of personal assets and liabilities;
- details of income and expenses;

- cashflow projections;
- copies of recent tax returns, financial statements, business activity statements, rental statements, pay slips, loan statements, ATO portals and/or lease agreements;
- details of the intended use of the loan advance;
- accountants letter;
- evidence of the borrowers capacity to service the loan, which may involve pre-payment of interest

However as Gippsreal is a security based lender the value of the security property, as determined by an independent valuation, is one of the most critical loan assessment criterion.

Each loan is assessed in accordance with Gippsreal's policy on loan security and its acceptable loan to valuation ratio.

The loan will only proceed to settlement if all of Gippsreal's requirements are met to enable it to obtain appropriate registration of the mortgage in accordance with its lending criteria.

22) Property and Mortgage Insurance

In view of the relatively low loan to valuation ratio borrowers are not required to take out mortgage insurance.

Borrowers are required to provide confirmation of property insurance cover to the valuer's recommended minimum value for all improvements on the security property and maintain those insurances. Gippsreal requires confirmation that the property insurances are maintained throughout the loan term.

23) Risks of Investment

Gippsreal does not guarantee capital repayment of the investors' investment sum or interest payments by the borrower.

There is a risk that the particular borrower in the sub-scheme may default in payment of interest and the repayment of the principal when it is due for repayment.

In taking action to recover interest and/or principal, Gippsreal may only have recourse to the particular security property which is the subject of the loan and monies payable on other loans are not available to be applied against the defaulting loan. To that extent there is a risk that investors may lose some or all of their investment.

Certain factors such as climate, commodity prices, industry specific conditions, availability of credit, real estate market conditions, general economic conditions, changes to government policy, exchange rates, interest rates, legislative changes, documentation risk and other market factors can affect the capacity of the borrower to pay and Gippsreal to effectively realise the value of the underlying security in the event of a forced sale in a timely manner. These factors are generally beyond the control of Gippsreal.

Notwithstanding the Gippsreal valuation policy there is a risk that the valuer may not value the security property accurately or properly.

That risk would normally only become evident if the

borrower defaulted and the security property could not be sold for a price sufficient to repay all principal, interest and costs of default.

To mitigate this risk Gippsreal requires its panel valuers to:

1. provide confirmation of membership with the Australian Property Institute ('API');
2. be independent of Gippsreal, the vendor and the borrower;
3. confirm they have adequate professional indemnity insurance cover;
4. declare they have no conflicts of interest; and
5. value security properties in accordance with API guidelines.

In view of Gippsreal's maximum 66.66% loan to valuation policy there is also generally a considerable margin for error.

24) Minimisation of Risk and Investor Protection

Gippsreal adopts management policies, procedures and strategies which are designed to minimise risk of loss of capital or interest to investors. These may include:-

1. loan investigation and appraisal of borrower applications;
2. mortgage security based investments advanced against specific property;
3. independent valuation inquiries;
4. prudent loan to valuation ratios – maximum 66.66%;
5. property insurance protection over buildings and improvements of the security property;
6. fidelity and professional indemnity insurance;
7. constitution protecting investors' rights;
8. compliance monitoring in accordance with the registered compliance plan and in particular a risk management system;
9. independent (bi-annual) financial and (annual) compliance audits;
10. hands on daily management by responsible managers and experienced staff utilising the latest computer technology;
11. experienced legal service providers;
12. investigating borrower exit strategies;
13. pre-payment of interest.

25) Defaults Policy

If borrowers default in paying their principal and/or interest on the due dates Gippsreal has stringent default management procedures in place to have the default rectified and/or take action to call up the mortgage and if necessary to sell the security property to mitigate the risk of investors suffering a loss of principal and/or interest. Pending recovery action investors are not able to redeem their principal investment and no interest will normally be paid on their investment.

Gippsreal's policy is that where a material default occurs such that the investors' capital may be at risk, as part of its ongoing disclosure Gippsreal will inform investors of the default and what steps are being taken to rectify the default and/or recover the investors' investment.

In accordance with industry standards Gippsreal's policy is that where there is a default and action is taken to recover monies the proceeds of sale of the security property, after selling costs and statutory charges, are distributed in the following order of priority:

1. Borrower default fees and all management costs and fees due to Gippsreal, its solicitors, service providers and other related parties;
2. Reimbursement of expenses and payments made by Gippsreal and its related parties;
3. Principal recovered paid to investors;
4. Interest at the rate as determined by Gippsreal in its absolute discretion (not necessarily the rate set out in the Certificate of Investment as varied from time to time) paid to investors;
5. The higher rate of interest recovered (if any) apportioned between Gippsreal and investors as determined by Gippsreal in its absolute discretion taking into account the delay, time, effort, resources and funding etc. made available by Gippsreal in pursuing the default on behalf of investors.

At no time are investor funds placed in defaulting loans and unless special covenants or agreements exist investors are treated equally in terms of paying out defaulting loans.

26) Investors' Rights

Together with the Corporations Act, other relevant legislation and the general law, the Constitution governs the duties and obligations of Gippsreal and the rights of the investors.

The main provisions of the Constitution are referred to in this PDS. Additional information is contained in the Constitution and the Compliance Plan.

A copy of the Constitution and the Compliance Plan is available on request.

27) Regular Reporting and Disclosure

As a disclosing entity Gippsreal is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Scheme may be obtained from, or inspected at, an ASIC office or from Gippsreal.

Investors are entitled to obtain a copy of the following documents:-

1. The annual financial report most recently lodged with ASIC by the Scheme;
2. Any half-year financial report lodged with ASIC by the Scheme after the lodgement of that financial report;
3. Any continuous disclosure notices given by the Scheme after the lodgement of that annual report.

A copy of these documents will be made available free of charge.

The Offer to Invest provides that investors do not receive these documents unless they specifically request a copy.

An election to receive the report is provided for in the Offer to Invest.

Gippsreal will in addition by mail or via a nominated email address:-

- a. confirm the investment and any transactions on the investment;
- b. provide a monthly statement of the interest paid on all sub-scheme investments and a monthly statement of the interest paid on investment funds held in the Gippsreal "at call" interest bearing bank account;
- c. provide an annual statement at the end of the financial year confirming the annual interest received to assist the investor with their tax return and the previous year's Indirect Cost Ratio (see section 36.2);
- d. update investors on the status of the disclosure, benchmark disclosure and other ongoing disclosure;
- e. advise investors of any material change to the Scheme's performance against the disclosure benchmarks and the disclosure principal information;
- f. any other key information about the Scheme.

28) Taxation and Financial Advice

Gippsreal does not provide taxation and/or financial advice in relation to the investment. Before making a decision to invest in the Scheme, investors will need to consider with or without assistance of independent taxation and financial advice the taxation consequences of this investment and whether this investment is appropriate in light of their particular needs, objectives and financial circumstances.

29) Auditors

The financial auditor is Burke Bond Partners Audit Pty Ltd of 147 Salmon Street, Hastings. The compliance auditor is LD Audit Pty Ltd of Level 6, 250 Collins Street, Melbourne.

30) Notification of Use of Product Disclosure Statement to ASIC

The PDS is not required to be lodged with ASIC, however Gippsreal have notified ASIC that the PDS is in use.

31) Complaints Procedure

If you are happy or unhappy please tell us – we will always respond to you as soon as possible. Complaints should be directed to the Managing Director at Gippsreal's office as set out at the foot of this PDS document.

Gippsreal's complaints procedure is set out in the Compliance Plan and Constitution and a brochure is available from Gippsreal.

Gippsreal is a member of the Australian Financial Complaints Authority ('AFCA') an independent body established to hear unresolved complaints. AFCA can be contacted on: Phone: 1800 931 678, Email: info@afca.org.au, Post: GPO Box 3, Melbourne Victoria 3001.

32) Labour Standards - Environmental, Social and Ethical Considerations

In assessing loan applications by prospective borrowers Gippsreal does not generally take account of labour standards or environmental, social or ethical considerations.

Gippsreal has no pre-determined view about what it regards to be an appropriate standard and how those considerations should be taken into account save that they are relevant to the extent that they financially affect the quality of the underlying security property and the saleability of that property in the event of default e.g. a contaminated site.

Each loan application is considered on a case by case basis.

33) Privacy Policy

The information provided by investors in the Offer to Invest is retained by Gippsreal for the setting up and ongoing maintenance of the investment. Gippsreal has a privacy policy which sets out what type of information can be collected and used and disclosure of that person's information. A copy of Gippsreal's Privacy Statement is available on request

34) Anti-Money Laundering and Counter Terrorism Financing Legislation

As a result of the above legislation which came into affect on 12 December 2007 Gippsreal is obliged to collect certain identification information and report certain transactions to AUSTRAC, the Government body set up to administer the legislation. Full details of the requirements are available from Gippsreal if required.

35) Director's Consent

The directors of Gippsreal Limited as the Responsible Entity are Justin Anthony Caporale, Trevor John Rickard, Colin Andrew McKenzie-McHarg and Geoffrey Desmond Dean.

The issue of this Disclosure document has been approved by the directors whose names appear above.

36) Fees and Other Costs

Despite no fees being charged to you the investor Gippsreal is obliged to disclose its fees in the attached format overleaf.

SIGNED



Justin Anthony Caporale

Managing Director

GIPPSREAL MORTGAGE INVESTMENT SCHEME

**Generic Form
Product Disclosure Statement
25 June 2021**

36)

FEES AND OTHER COSTS

The tables, example and warning set out below are mandatory prescribed templates provided by the Corporations Act which Gippsreal is obliged to include in the PDS.

They are intended to show the fees and costs that may be deducted from your money, from the investment or from the fund assets as a whole.

As all costs, expenses and fees in the Gippsreal Scheme are generally paid by the borrower, to that extent they may not be directly relevant to your investment.

CONSUMER ADVISORY WARNING

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** MoneySmart website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Scheme assets as a whole.

Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Ongoing annual fees and costs		
<i>Management fees and costs</i> The fees and costs for managing your investment	1.89% (Indirect Costs)	Management fees & costs are paid by the borrower – see Additional Explanation of Fees and Costs
<i>Performance fees</i> Amounts deducted from your investment in relation to the performance of the product	Nil	Not applicable
<i>Transaction costs</i> The costs associated by the Scheme when buying or selling assets	Nil	Not applicable
Member activity related fees and costs (fees for services or when your money moves in or out of the Scheme)		
<i>Establishment fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Buy-sell spread</i> An amount deducted from your investment representing costs incurred in transactions by the Scheme	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable
<i>Switching fee</i> The fee for changing investment options	Nil	Not applicable

EXAMPLE OF ANNUAL FEES AND COSTS FOR MANAGED INVESTMENT PRODUCTS

This table gives an example of how the fees and costs for this product can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

See overleaf for **Additional Explanation of Fees and Costs**

EXAMPLE – First Mortgage Investment		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution fees	Nil	For every \$50,000 you put in, you will be charged \$0.00
PLUS Management fees and costs (represented by the Indirect Cost Ratio)	1.89% (Paid by the Borrower)	And for every \$50,000 you have in the Scheme the borrower will be charged \$945.00 each year
PLUS Performance fees	Nil	And , you will be charged \$0.00 in performance fees each year
PLUS Transaction costs	Nil	And , you will be charged \$0.00 in transaction costs
EQUALS Cost of the First Mortgage Investment		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged no fees but the borrower will pay a margin of between: \$945.00 and \$1,039.50

36)

ADDITIONAL EXPLANATION OF FEES AND COSTS

36.1) Management Costs

There are no upfront, entry, ongoing or exit fees payable by investors.

All management and administrative fees of the Scheme are paid by the borrower by way of fees or a margin payable over and above the interest rate paid to you the investor. None of the management fees are payable by you the investor.

The size of the interest rate margin will vary depending on the nature of the security property; the type of loan; the monitoring required to oversee the loan; the loan to value ratio etc. Gippsreal may pay trailing commissions, procurement fees and referral fees to third parties and service providers.

There are no additional fees, costs, expenses, charges payable by you the investor for the Scheme's administration and/or investment costs.

On no account shall any of these fees be deducted from your investment capital and are paid directly by the borrower out of the loan advance and/or out of the interest margin payable to Gippsreal.

You will be paid without deduction the interest rate set out in the Certificate of Investment provided the borrower is not in default under the loan.

36.2) Indirect Costs Ratio (ICR)

The ICR is the ratio of the Scheme's management costs that are not deducted directly from investor funds, to the Scheme's total average net assets. In effect the Scheme's management costs are the difference between the interest paid by borrowers and the interest paid to investors.

The anticipated ICR for the year commencing the 1st of July 2020 based on the management costs and the fund's total assets as at the 30th of June 2020 is 1.89%.

The ICR is subject to change from time to time and investors will be notified annually in writing of the new anticipated ICR at the beginning of each financial year (see section 27).

It will also be published on Gippsreal's website. Any changes to the ICR are not materially adverse to your investment.

36.3) Borrower Default Fees

In the event of the borrower defaulting in payment of principal and/or interest or any other obligations under the loan, Gippsreal, its related parties and/or service providers may charge borrowers default management fees, early discharge fees, liquidated damages, legal fees and disbursements and all internal administrative and management fees ("the default fees") consequent upon the default to cover the expenses and administrative costs of

enforcement and if required realization of the security property.

The default fees will be retained by Gippsreal, its related parties and/or its service providers and will be a first charge on any monies recovered by Gippsreal from the borrower in exercising its rights under the mortgage.

36.4) Borrower's Funds

As a result of specific risk management requirements imposed on borrowers pursuant to the mortgage which might give rise to timing differences in payment of monies due by borrowers pursuant to the terms of the mortgage and payment of interest to investors in accordance with the Certificate of Investment, funds are held by Gippsreal in permitted investments pending payment to investors or return to borrowers. The interest earnt on these funds is an entitlement of Gippsreal and Gippsreal are not obliged to account to the investors or the borrowers for any interest earnt on those funds.

36.5) Authorised Representatives and Referral Parties

Payments may be made to authorised representatives and other referring parties by way of referral fees representing up to 1% of the loan amount and trail commissions of up to 2% p.a. These fees are payable by Gippsreal out of its management fees and/or the loan advance and are not deducted from your funds or interest payable to you.

36.6) Service Providers

Gippsreal engages service providers such as valuers, auditors, quantity surveyors, related party and independent lawyers, financial service and custodial managers who are paid monies on arms length reasonable terms pursuant to outsourcing agreements with Gippsreal.

Gippsreal and/or its service providers may charge fees to the borrower for the establishment of the loan, legal fees, higher rates of interest, discharge fees, facility holding fees, consent fees, extension fees, inspection fees, disbursements for valuations and consultant's reports, administration costs, and management fees payable as a margin over and above the interest rate payable to investors. Again on no account are any of these fees payable out of your investment capital.

The Responsible Manager and Managing Director is a shareholder of the related party outsourced financial services and custodial manager, JDC Services Pty Ltd, which is paid certain fees set out in the preceding paragraph pursuant to a financial management agreement.



CERTIFICATE OF INVESTMENT

Investment Information

Investor Name	<<Investor Details>> Matter No: <<File No>>
Investment Amount	\$0,000,000.00
Interest Rate	x.xx% p.a. variable <<fixed to xx>>
Commencement Date	xx month 2021
Payment Dates	Monthly on or before the 27 day of the month. Interest is paid or reinvested as per the Offer to Invest
Investment Term	xx months, subject to early or late repayment, from xx month 2021 to xx month 20xx or investment term as set out in the Offer to Invest, whichever the later
Principal Repayment	The Borrower has the optional right to repay the principal in whole or in part in multiples of \$5,000.00 on any interest date

Loan Information

Borrower(s)	Mr/Mrs/Miss/Ms Given Name Family Name Mr/Mrs/Miss/Ms Given Name Family Name Company Name (A.C.N.) <<ATF and in its own right>>
Guarantor(s)	The Directors/Shareholders/Unit Holders of the Borrowers
Loan Amount	\$0,000,000.00
Loan Purpose	Purchase/Refinance/Equity Release/Development
Exit Strategy	Sale of Property/Refinance/Sale of other Assets

Security Information

Property Address	<<insert address of security>>		
Property Description	<<insert property description>>		
Property Type	Residential/Vacant Residential Land/Commercial/Industrial/Rural/Vacant Rural Land/Construction & Development		
Proposed Use	Owner Occupied/Leased/To be leased/Obtain plans and permits to construct X house-townhouse-townhouses-apartments/Obtain plans and permits to subdivide into X lots/Construct X/Subdivide into X lots/Land bank/Apply for rezoning to Residential/Farming/Grazing		
Security Details	\$0.00.00	By:	On: xx Month 2021
Valuation	A copy of the valuation report can be obtained upon request		
Loan to Value Ratio	xx.xx%		
Additional Security	Registered General Security Agreement from the Borrower & Company Guarantors over all their assets and undertakings		
Insurance Particulars	Name:	Sum Insured:	
	Policy No:		

This Certificate of Investment is part of a Product Disclosure Statement and must be read in conjunction with the Generic Form Product Disclosure Statement dated the 25th day of June 2021 and the Offer to Invest.

This Certificate of Investment confirms the issue of a mortgage investment in the Gippsreal Mortgage Investment Scheme to the investor and provides specific details of the investment.

Gippsreal Limited

SIGNED



Justin Anthony Caporale

Managing Director

Dated <>day<> <>month<> 2021

Cooling Off Period

You as the investor have a 14 day cooling off period from the date of this Certificate during which you may notify Gippsreal Limited that you do not wish to proceed with this particular mortgage loan and wish to invest in an alternative loan.

You must give notice in writing to Gippsreal Limited of the request to transfer from the particular mortgage loan should you wish to take advantage of the cooling-off period. In that instance your funds will be placed in an interest bearing account pending placement in an alternative mortgage investment.

If no notice of request to substitute is received, you are deemed to have approved of the mortgage loan and the mortgage investment will continue on the terms set out in this Certificate of Investment and the Generic Form Product Disclosure Statement.

Until the expiration of the 14 day cooling off period you are not legally bound to proceed with the particular mortgage loan.

03 5662 2529 ◦ 41 McCartin Street (PO Box 575), Leongatha, VIC 3953

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