

GPS INVESTMENT FUND LIMITED

ACN 145 378 383 AFS Licence 383080



INFORMATION MEMORANDUM MORTGAGE INVESTMENT 16 October 2014

BORROWER: Velocity Property Hawthorne Pty Ltd
LOAN AMOUNT: \$3,866,800
LOAN TERM: 15 MONTHS FROM 14TH AUGUST 2014
LVR: 57.38% AS IS
65.24% ON COMPLETION
RETURN: 9.25% PA PAYABLE MONTHLY IN ARREARS



Artists impressions and photographs are indicative only.

ADDRESS OF PROPERTY:
462 Hawthorne Road
BULIMBA QLD 4171

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Fund Manager:	GPS Managed Investments Pty Ltd (ACN 145 378 383)		
Borrower:	Velocity Property Hawthorne Pty Ltd (ACN 600 336 507)		
Guarantor:	Brendon Craig Ansell		
Mortgagor(s):	Velocity Property Hawthorne Pty Ltd (ACN 600 336 507)		
Purpose:	Approval is sought to provide a 15 month, \$3,866,800 development facility to assist with the acquisition of land at 462 Hawthorne Road, Bulimba and the construction of what will ultimately be eight (8) DA approved residential units and two (2) commercial units thereon.		
Security Property:	The property situated at 462 Hawthorne Road, Bulimba, QLD, 4171 and described as Lots 73 and 74 on RP 12562 being title ref. 11652139.		
Security Held:	<ol style="list-style-type: none"> 1. First Registered Mortgage over property situated at Lots 73 and 74 on RP 12562 being title ref. 11652139. 2. First Ranking General Security Agreement over all present and after acquired assets and undertakings of the borrowing entity in relation to project documentation, contracts of sale, consultant agreements and any other such documents required by the Lender. 3. Joint & Several Guarantee and Indemnity from Brendon Craig Ansell. 4. Deed of Priority and Subordination between the Lender, Borrower and Second Mortgagee. 		
Additional Title Related Borrowings:	The Borrower has secured a second mortgage of \$800,000 to assist with this development. This will be provided by a joint venture company owned by Brendon Ansell and private investors.		
Loan Amounts:	Total Loan Amount:		\$3,866,800
	This Advance:		\$2,000,000
	Previous Advance/s:		Nil
	Subsequent amounts to be raised:		\$1,866,800
	<p>NOTE: the total loan amount of \$3,866,800 is inclusive of \$242,000 to assist with interest payments throughout the term and an interest contingency amount of \$30,000. Also included is a construction contingency amount of \$106,000. LVR's quoted in this Memorandum are calculated exclusive of GST although net sale proceeds received by GPS are generally inclusive of GST at GPS's sole discretion.</p>		
Loan to Valuation Ratio:	On completion Value:	\$5,927,273	LVR: 65.24% *
	On completion Forced Sale Value:	\$5,335,800	LVR: 72.47% *
	* Excluding GST		
Valuation by:	Independent valuation by GPS Panel Valuer on 16 July 2014. Further to the above valuation, we have received written advice from the Valuer dated 31 July 2014 confirming the land value prior to DA.		
Term of Facility:	15 months from settlement.		
Borrower Interest Rate:	Lower Interest Rate (Fixed)		10.50% pa
	Higher Interest Rate (Fixed)		15.50% pa
Investment Rate:	Lower Interest Rate (Fixed)		9.25% pa
	Higher Interest Rate (Fixed)		10.75% pa
Interest Payment Frequency:	Monthly in arrears direct to the Investor's bank account.		
Settlement Date:	14 August 2014.		

THE BORROWER

Client History / Background

The Company's sole director is Mr Brendon Ansell who is well known to GPS management via prior and existing GPS funded projects. The Velocity Group ("VG") has completed a number of similar styled and sized projects over the past 4 years around the Brisbane suburbs and specialises in small to medium sized developments generally within a 10 km radius of the Brisbane CBD.

Brendon Ansell owns and operates VG which is comprised of two businesses, Velocity Finance ("VF") (a finance brokage, providing typical finance brokage services) and Velocity Property (a property development company).

From numerous meetings with Mr Ansell GPS Managing Director, Richard Woodhead, can confirm that he displays a thorough understanding of this project and the development risks that are associated with it.

Borrower’s & Guarantor’s Creditworthiness

Searches have been conducted on both the Borrower and Guarantor and have been found to be satisfactory.

THE PROPERTY

Project summary

The project location is approx. 8km from the Brisbane CBD with Hawthorne Road leading on to the popular Oxford Street café precinct and shopping facilities. Bus and ferry transport to the CBD are within a short walk as are schools (public and private), parks, recreational facilities etc. The site adjoins a retail fuel outlet and we are advised that soil tests confirm no leaching or contamination. Copies of satisfactory soil tests have been provided.

To be constructed on the site will be a modern, single block of residential home units and two commercial offices over three levels with lift access, plus ground floor car park with direct access from Hawthorne Road. Each unit will have floor areas ranging from 100.5m² to 109.1m² (inclusive of balconies) and contain three bedrooms, all with built in robes and en suite to master bedroom, separate bathroom, combined lounge/dining room, kitchen and laundry facilities, with generous balconies, some of which will offer city skyline views. High ceilings will be a feature of all top floor units.

The commercial offices will be located on the ground level, with one fronting Hawthorne Road and the second fronting the car park. Floor areas will be 50.0m² and 60.7m², respectively, with fit out to a typical commercial standard.

Construction will be of reinforced concrete slab, footings and floors, external rendered block walls and block internal walls with plasterboard finish, powder coated aluminium framed windows and doors and colour bond roof. Internal finishes will be to a high standard with quality carpets to living areas, stone bench tops and stainless steel appliances, tiled wet areas, ducted air conditioning and attractive light fittings. Design is simple yet functional and well suited to its location and grounds will be attractively landscaped with low maintenance shrubbery.

The Borrower has lodged an application for Development Approval in accordance with current zoning and designated site usage. Information provided to date supports the likelihood of the issue of a satisfactory DA although this is unlikely to be available prior to land settlement.

The builder is likely to be Franciswhite Constructions Pty Ltd who is well and favourably known to both GPS and various clients for whom they are engaged.

It is a Special Condition of this loan that a) Development Approval must be provided prior to the first construction advance; and b) that existing improvements are not to be demolished without the written consent of GPS.

Valuation

The property was valued by GPS Panel Valuer on 16 July 2014 as follows:		
Security	Fair Market	Forced Sale
As Is – Vacant land	\$1,300,000	N/A
As Is – Vacant land with DA	\$1,400,000	\$1,302,000
As Is - Complete	\$5,927,273	\$5,335,800

LVR Calculations		
Security	Fair Market	Forced Sale
As Is – Vacant land	57.38%	N/A
As Is – Vacant land with DA	53.29%	57.30%
As Is Complete	65.24%	72.47%

Basis of Valuation

In assessing the value of the property the GPS Panel Valuer used two methods in determining the vacant possession value of the security property:-

1. Direct Comparison; and
2. Residual Cash Flow Approach – Support for As Is Valuation.

FINANCING STRUCTURE

The loan is secured by a registered first mortgage over the project site.

No funds will be available to other parties, including the Borrower, or second mortgagee until such time as this loan is repaid in full.

SERVICEABILITY

The total loan amount is inclusive of \$242,000 to assist with interest payments throughout the loan term and an interest contingency amount of \$30,000. Interest will be deducted from each advance provided to the Borrower on a progressive basis. The amount of \$242,000 is an estimate of the overall interest costs based on the proposed project program.

Should the estimated interest costs of \$242,000, and interest contingency of \$30,000, prove to be insufficient then the Borrower will be required to meet further costs from their own financial resources. If the Borrower is unable to meet some or all further interest costs from their own financial resources, interest payments to Investors will reduce or cease accordingly.

Due to privacy considerations, full details of the financial position of Borrowers and Guarantors cannot be given in this publicly available SPDS. If required, further details can be made available by contacting GPS on 1800 999 109. However, GPS has made enquiries with the Borrowers ("Applicant") and has received satisfactory information from the Applicant in accordance with *GPS Loan Application Assessment Guidelines*. GPS has documented the overall financial position of the Applicant and the Applicant's credit worthiness and ability to service all financial obligations under this loan including the suitability of the security property and the Valuation. These enquiries have added comfort to GPS as to the ability of GPS to recover against the Applicant in the event of a default.

EXIT STRATEGY

No funds will be available to other parties, including the Borrower or second mortgagee, until such time as this loan is repaid in full.

It is a Special Condition of this loan that the Borrower achieves three arms-length sales within 1 month of practical completion. The sales contracts must meet the requirements of an acceptable Pre-Sale Contract unless GPS otherwise agrees.

First way out is via sell down of the developed stock. This analysis indicates sale of seven (7) units or (70%) of the completed stock is required to be sold to fully repay the proposed facility limit.

Second way out is via sell down of developed stock including recovery costs. This illustrates completed stock can be discounted by 29% or 17%, respectively, based on Market and Forced Sale values.

Third way out is via reliance on the Borrower and or the Guarantors meeting any sales shortfalls to repay the debt. Though this is considered unlikely, the Guarantor possesses sufficient assets which can be realised upon in case of need, projected cash flow from other projects, and business income.

SPECIAL CONDITIONS

It is a Special Condition of this loan that the Borrower achieves three arms-length sales within 1 month of practical completion. The sales contracts must meet the requirements of an acceptable Pre-Sale Contract unless GPS otherwise agrees.

It is a further Special Condition of this loan that the Borrower achieve practical completion within nine (9) months of the first construction advance.

An additional Special Condition to this loan is that a) Development Approval must be provided prior to the first construction advance and b) that existing improvements are not to be demolished without the written consent of GPS.

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