



22 April 2015

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Contact [REDACTED]
Phone [REDACTED]
Facsimile [REDACTED]
Email: [REDACTED]

Dear [REDACTED]

Application For Development Finance

Borrower: [REDACTED]
[REDACTED]

I refer to your recent loan submission and am pleased to advise that Australian Unity are prepared to make the undermentioned loan available on the indicative terms and conditions detailed within the attached Indicative Terms Sheet. This offer is conditional.

This Offer will remain open for a period of five (5) days from the date of this letter at which time Australian Unity may withdraw the offer without further notice.

If the indicative terms and conditions are acceptable, I would ask you to please have the attached document signed and returned together with a cheque payable to Australian Unity Select Mortgage Income Fund on account of the Commitment Fee.

Yours faithfully,

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Indicative Terms Sheet

20 April 2015

Lender and Responsible Entity

[REDACTED]

Borrower

[REDACTED]

Facility Amount

\$1,486,100

Purpose of Loan

Assist in purchasing the Security Property	\$377,698
Loan Establishment Costs	\$26,250
Interest Capitalisation Reserve during construction	\$75,000
Construction Costs	\$861,082
Contingency	\$100,000
Settlement Costs	<u>\$46,070</u>
Total Available to be Advanced	\$1,486,100

Loan to Value Ratios

To a maximum 60.00% against the undeveloped security value prior to commencement of the development in accordance with Council approvals.

To a maximum 80.00% against the total development costs, excluding GST and exclusive of developer profit.

To a maximum 70.00% when fully drawn against the "on completion" valuation of the security, exclusive of GST.

The percentages referred to will be based upon valuations and cost estimates obtained by Australian Unity and will be subject to review throughout the loan term.

If at any time the amount owing in connection with the loan (including interest or charges) exceeds the Percentage(s) referred to above, the borrower must immediately, if required by [REDACTED]

(a) provide additional security in form and substance satisfactory to [REDACTED]

(b) repay the whole or any part of the money owing in connection with the facility as may be specified by Australian Unity; or

(c) comply with any direction of Australian Unity in accordance with this provision but will be at liberty to choose whether to provide additional security or repay all or part of the amount outstanding.

Term

The maximum term of the facility will be 12 months from the date of the first advance.

Guarantors

The facility shall be jointly and severally guaranteed by:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Security

A first registered mortgage over:

Security Property

[REDACTED]

[REDACTED]

Title

Details to be Confirmed

The Title to the property shall first be submitted to and approved by solicitors acting on behalf of Australian Unity.

The rates, taxes and other outgoings shall be paid to the last due date and evidence of this produced.

The Borrower shall obtain and produce to solicitors acting for Australian Unity all such permits or consents as may be required by any Government, Municipal or other Public Authority or by any act, regulation or order.

If applicable, an assignment of the rental shall be given by the Mortgagor in favour of the Custodian and will be exercisable in the event of default.

Australian Unity may, in order to assist it in ascertaining the value of the security property, obtain such valuation or valuations of the security property as and when it sees fit. All costs associated with obtaining any such valuation or any other costs, charge or expense incurred by Australian Unity in connection with the exercise of its rights under this provision, will be payable on demand by the Borrower. However, if Australian Unity obtains a valuation of the security property within 12 months of a previous valuation obtained under this provision, Australian Unity will bear the costs of such valuation.

A fixed charge specific to the security property will be granted by the Registered Proprietor unless deemed inappropriate by the solicitors acting on behalf of Australian Unity.

A signed General Service Agreement and Security Interest lodged over Maven Development Pty Limited (ACN 602 828 651) ATF Maven Developments Trust (ABN 18 756 744 976) in respect of "all present and after acquired property" in the Personal Property Securities Register.

Australian Unity reserves the right to vary the security property in accordance with recommendations made by solicitors acting for Australian Unity however any alteration will be subject to the prior consent of all parties to this facility and prior to any part of the advance being made.

Regulatory Requirements

Australian Unity is required to comply with Anti-Money Laundering and Counter-Terrorist Financing Act 2006 (AML-CTF). Australian Unity is required to collect information from and verify the identification of the Borrower, Mortgagor and Guarantors. The Borrower, Mortgagor and Guarantors are required to provide the relevant certified identification documents directly to Australian Unity or via the Introducing Originator. The Borrower, Mortgagor and Guarantors are required to ensure the accuracy of the certified identification documents provided.

Indicative Interest Rate

As at today's date, the lower or acceptable interest rate is 7.25% p.a. The higher or default interest rate, if interest is not paid when due, is 11.25% p.a.

Management Fee

In addition to interest you shall pay to us a monthly management and administration fee of 2.00% p.a., calculated on the amount of the loan outstanding from month to month and payable monthly on the 14th of each month.

Payments

Interest and the Management Fee will be capitalised during the construction phase, however, at other times payments will be due monthly in arrears on the 14th of the month, by direct debit.

The Borrower will be required to execute a Bank Authority (Direct Debit) to allow Australian Unity to debit a nominated bank account on the 14th day of each month for all charges, fees and interest accrued that is due and payable.

Should Australian Unity consider that construction has ceased or has been suspended, then Australian Unity reserves the right to suspend the capitalisation of interest and management fees.

Introducing Broker

This loan was introduced to the [REDACTED] (Introducer). The Lender may pay fees, commissions or other benefits to the Introducer in relation to this transaction. The Lender or the Introducer may also pay fees or benefits to other third parties. If you sign this acceptance then you consent to those payments.

Any such fees are payable by Australian Unity and do not effect any fee or charge payable by the Borrower in accordance with any arrangements entered into with the Introducer.

Fees Costs and Expenses

A non refundable Application Fee of 1.75% of the Loan Amount is payable upon acceptance of a formal Letter of Offer, if issued by the Lender.

A Commitment Fee of \$6,000 shall be payable upon acceptance of this Indicative Letter of Offer. Once paid, the Commitment Fee shall be deducted from the amount of the Application Fee payable.

Should the Borrower subsequently fail to accept a formal Letter of Offer issued in broad accordance with the terms of this Indicative Letter of Offer, the Commitment Fee shall not be refunded. In the event that the Lender, through no cause of the Borrower, is unable to make available a Loan Facility that broadly accords with the terms of this Indicative Letter of Offer, the Commitment Fee shall be refunded.

Valuation

A valuation provided by an independent Valuer appointed by the Lender will be required and availability of the Loan Facility is subject to us being satisfied with the valuation we receive. The estimated cost of the report is not known to us at the time of preparing this Indicative Letter of Offer, however, when known, will be advised to you for your payment.

Quantity Surveyor

In addition to the valuation of the Security "as is" and "on completion", we must be satisfied with the Quantity Survey report of the building cost. The Quantity Surveyor shall inspect the Security prior to each advance and certify to us the value of work completed and the cost to complete the buildings. We shall at all times retain undrawn the cost to complete the project. The estimated fee of the Quantity Surveyor for the report and for each inspection shall be advised to you prior to the loan being advanced.

Conditions Precedent

The following items are to be supplied or attended to:

Copies of the profit and loss statements and balance sheet for the Borrower, Mortgagor and all non-individual Guarantors included in this facility for the financial accounting period ending in 2014, 2013 and 2012. The statements supplied for the most recent period are to be signed by an authorised officer of the entity or the accountants acting for the entity. All statements submitted are to be acceptable to Australian Unity.

Copies of the taxation returns for all individual Guarantors included in this facility for the period ending 30 June 2014, 2013 and 2012. The returns supplied for the most recent period are to be signed and are to be acceptable to Australian Unity.

Signed personal statements of Asset and Liability by all non-corporate parties to this facility, which are to be satisfactory to Australian Unity.

All parties to this transaction (Borrowers and Guarantors) are to provide Australian Unity with accountant certification and ATO Tax Portal Statement confirming that there are no unpaid taxation liabilities or GST payment arrangements with the ATO.

The Borrower is to provide Australian Unity with a signed Direct Debit. This Direct Debit will be set up on the Borrower's account and will collect interest on the loan until the loan is repaid in full.

Approval is subject to credit reference searches being conducted on all parties to the loan which are to be satisfactory in all respects to Australian Unity.

This Loan is a Construction Loan Facility and will be subject to the following ;

Approval of the loan is subject to the following conditions being fulfilled to our satisfaction ;

Development

- 1 Building Contract – The form and substance of the proposed building/development contract, in this regard must be ;
 - a) An original signed copy referred to us
 - b) For a fixed lump sum
 - c) Must contain terms that permit the Borrower to withhold;
 - i) Payment for off-site materials
 - ii) Payment for materials on site but remaining unfixed
 - d) Carried out by a licensed builder/contractor

- e) List of specifications and inclusions
 - f) In accordance with the Lender's agreed cash flow and to the satisfaction of our assessors
- 2 A Tripartite Agreement is to be entered into between the Borrower, the Builder and the Custodian, Perpetual Nominees Limited in respect to the Project
 - 3 A Deed extending the copyright in the approved plans to Australian Unity to be given from the Architects who prepared the Town Planning Permits to Australian Unity.
 - 4 Pre-Sales – A minimum of 2 Unconditional Pre-Sale Contracts with a combined gross value of not less than \$1,450,000 are to be held prior to the first construction advance with evidence of the deposits held in the Trust Account of either the vendor's solicitor or the vendor's real estate agent.
 - 5 Your solicitor is to provide the following information to our satisfaction ;
 - 1) Certified copies of all Pre Sale Contracts relating to the development of the Security Property with confirmation that each Contract meets the following criteria;
 - a) The Contract of Sale
 - i) Are unconditional (except for completion of the Development)
 - ii) Do not permit the purchasers to rescind the purchases in the event that the Mortgagor becomes insolvent
 - iii) Specifies a settlement or completion date for the sale which is not later than six months after the latest estimated date of practical completion advised to Australian Unity by its Quantity Surveyor or the Plan registration date (whichever is the later)
 - iv) Provides that the purchase price for that individual lot is not less than 95% of the valuation received by Australian Unity on that property
 - b) The purchasers have either paid a non-refundable deposit of 10% of the purchase price into a Solicitor's Trust Account or other Trust Account acceptable to Australian Unity
 - c) The sales are on arm's length terms
 - d) The purchasers are not a related entity of the Mortgagor or any Guarantor
 - e) If the purchaser is a Corporation, the obligations of the purchasers are guaranteed by all Directors of the Corporation
 - f) There are no side agreements entered into between the Mortgagor and any purchaser
 - g) No more than 10% of the aggregate purchase price for all properties in the development are sold to non-Australian residents, unless otherwise consented to in writing by Australian Unity
 - 6 A copy of the valid planning permit along with A3 sized endorsed (stamped) planning drawings
 - 7 Section 173 Agreements and other authority approvals if required under the Planning Permit
 - 8 Environmental Audit Statement or Certificate if required under the Planning Permit
 - 9 Development Permits for carrying out building works at each stage.
 - 10 A Certificate of Currency that provides for public liability insurance noting interest of the Custodian, Perpetual Nominees Limited, as first Mortgagee. Insurance cover must be obtained for an amount of not less than \$10,000,000
 - 11 A current Contract Works Insurance Policy for the total construction cost noting the interest of the Custodian, Perpetual Nominees Limited, as first Mortgagee.
 - 12 A copy of the Builder's Home Owners Warranty Insurance
 - 13 On and from completion of any Development, Fire and All Risks Insurance for the replacement value of the Development is required.
 - 14 For any construction/development loans you will need to supply a table detailing all fees and charges associated with your development along with a basic cash flow analysis. You must include costs such as stamp duty, construction, contingency, professional fees, interest, marketing, sales commissions, GST costs, etc.

- 15 We require a list of consultants including a copy of their current Professional Indemnity Insurance, contacts, company, address, phone and email
- 16 We require to scale architectural, civil, structural, electrical hydraulic, mechanical, fire, landscape, etc. working drawings.
- 17 At all times advances to the Builder will be made on a strict "cost to complete" basis as certified by the Quantity Surveyor. Any drawing of funds designated as contingency amounts will be made at the Lender's discretion. Variations and cost overruns are to be funded by the Mortgagor.

Loan Advances

Costs relating to the security property and the proposed development have been determined in the amounts detailed in the Funding Table below but subject to review in accordance with valuation and quantity surveyor reports. The amounts determined will be paid in accordance with the Funding Table below ;

Funding Table			
Item	Loan	Equity	Total
Land	\$377,698	\$472,302	\$850,000
Land Acquisition Costs	\$46,070	\$0	\$46,070
Finance Costs	\$26,250	\$0	\$26,250
Construction Costs Excl GST	\$861,082	\$0	\$861,082
Contingency	\$100,000	\$0	\$100,000
Professional/Consultant Fees	\$0	\$24,267	\$24,267
Finance Interest	\$75,000	\$0	\$75,000
Legal Fees	\$0	\$9,000	\$9,000
Holding Costs	\$0	\$2,000	\$2,000
Council Contributions	\$0	17,000	\$17,000
Marketing Costs	\$0	\$7,300	\$7,300
Total	\$1,486,100	\$531,869	\$2,017,969

Subject to adjustment on receipt of the valuation and the Quantity Surveyor's assessment of costs and also limited by the Loan to Value ratios detailed herein, the maximum amount available to be drawn under the facility will be \$1,486,100.

Any amount to be paid or received relating to Goods and Services Tax (GST) is for the account of the Borrower.

The amounts detailed under each Item in the Funding Table for the Borrower Contribution are to be paid in priority to any loan funds under each Item being advanced.

The amounts available from the Loan Funds detailed in the Funding Table will be based on the following terms ;

A \$75,000 interest capitalisation reserve to be established and will be subject to the following terms ;

- i. No interest will be capitalised until the proposed development of the security property has commenced and the first progress draw authorised by Australian Unity. Interest charges made prior to meeting this condition will be payable in accordance with the mortgage terms

The Construction time frame and expenditure are to be in general accordance with estimates provided to Australian Unity by the Borrower and confirmed as reasonable by the Quantity Surveyor acting on behalf of Australian Unity. Any delays in construction will require additional funds to be provided to ensure sufficient interest provision is retained at all times throughout the construction period.

A contingency reserve of \$100,000 is to be established and shall be available only on the prior approval by Australian Unity.

Once the development is completed and a certificate of occupancy issued, any amount remaining in the above reserves may be offset against future interest accrual at the sole discretion of Australian Unity.

Australian Unity will utilise the services of a Quantity Surveyor to assess the development and complete inspections throughout the construction phase of the proposed development. Progress advances will be based on the assessment of the Quantity Surveyor appointed by Australian Unity. Any costs associated with the initial assessment and subsequent inspections will be at the expense of the Borrower and will be payable within fourteen days of the date of invoice issued to the Borrower.

Funds will be made available on a cost to complete basis ensuring sufficient undrawn loan funds are retained by Australian Unity at all times to complete the development in terms of the estimated costs as determined by Australian Unity.

Conditions Subsequent

Australian Unity must be given adequate notice of any project control meetings or other meetings which may have a material effect on the development and may attend such meetings.

Any variations to the building design or specifications that give rise to a variation in the contract price are to be advised to Australian Unity prior to being approved by the Borrower or implemented.

Copies of all certificates issued by any relevant authority relating to the approved completion and lawful occupation of the proposed development must be obtained in a timely manner and submitted to Australian Unity as soon as they are available.

A survey certificate must be produced to Australian Unity on completion of the laying of slab and/or foundations and be satisfactory to Australian Unity. The location of the slab and/or foundations are to be in accordance with the approved plans and specifications and are to ensure the building to be erected will show no encroachments or overhang on the adjoining land.

On completion of the development, Australian Unity will require an inspection of the security property and a revised estimate of the security valuation reflecting the then prevailing market conditions after taking into consideration the standard of workmanship and quality of inclusions incorporated in the development. Any costs associated with the valuation will be for the account of the Borrower.

In the event the loan is the subject of default in terms of the mortgage documentation resulting in the Custodian taking possession of the security prior to the issue of a Certificate of Occupation over the whole of the security, a management fee of \$150,000 plus GST will be charged to the loan account and payable at the time the default is rectified.

Principal reductions occasioned by the sale of the security property, or part thereof, will be permitted subject to the amount of the reduction being 95% of the greater of the sale price or valuation (both exclusive of GST). Following partial repayment and discharge of any security, the remaining loan to value ratio is not to exceed the percentages detailed under the heading "Loan To Value Ratios"

No final building/development advance will be made prior to the Lender receiving the following ;

- a) Confirmation that all work has been completed to the satisfaction of the Quantity Surveyor
- b) The appropriate certificate of classification, certificate of completion or certificate of currency (as the case may require) in relation to the development works
- c) Confirmation that all outstanding conditions relating to this development have been satisfied
- d) Confirmation of the registration of new certificates of title for each of the lots in the (proposed) survey plan
- e) Fire and All Risk Insurance for the replacement value of the Development noting the Custodian, Perpetual Nominees Limited, as first Mortgagee.

Early Repayment

Early repayment of the loan, whether partial or full, will incur an additional charge of three months interest calculated at the facility rate on the amount of principal repaid.

Notwithstanding the previous condition, the Borrower shall have the right to make principal repayments occasioned by the sale of individual securities without incurring additional interest charges applicable to early repayment of the loan. Any repayment of principal in connection with the sale of the security is to be supported by the supply of a stamped contract of sale relative to the security to be discharged plus a detailed list of all income and deductions applicable to the sale proceeds.

To Progress to a Formal Letter of Offer

Please complete the attached application form, privacy declaration and acceptance form and return with your cheque payable to Australian Unity Mortgage Investments Limited.

The solicitors who will be acting on our behalf in this matter are:

Name:

Address:

Contact:

Phone No:

This Offer will remain open for a period of five (5) days from the date of this letter at which time Australian Unity may withdraw the offer without further notice.