

4 September 2013

Dear Note Holder

**Gippsland Secured Investments Limited (Receivers and Managers Appointed)
ACN 004 860 057 (“GSI”)**

Information Circular to Note Holders

Adam Nikitins and Simon Cathro, Partners of Ernst & Young, have been appointed joint and several Receivers and Managers of GSI on 3 September 2013.

The Trust Company (Nominees) Limited is the Trustee for the note holders of GSI and holds a secured charge over all of the assets and undertaking of GSI. The Trustee appointed the Receivers and Managers following orders made by the Federal Court of Australia on 2 September 2013.

The Receivers and Managers will work diligently to act in the best interests of note holders and will pursue all avenues available to maximise returns, including assessing any proposal identified by GSI’s Directors prior to the Receivers’ appointment.

Background

GSI owes approximately \$143 million to note holders as investors. GSI has a loan book of \$117 million to borrowers that primarily used the funds to finance real estate. GSI mostly holds first ranking real property mortgages to secure its advances. GSI also holds some other assets, including real property, on its balance sheet.

Current status of investments

Payments of interest and principal under GSI notes were suspended by GSI’s Directors from 9am on 19 July 2013. This was following a detailed review of GSI by the Trustee in which a potential net tangible asset deficiency was identified following the re-valuation of a number of loans advanced by GSI. Following the voluntary suspension, the Federal Court made orders on 25 July 2013 imposing a freeze on payments to note holders. After a hearing where the Trustee sought orders that its security be declared immediately enforceable, the Federal Court made those orders on 2 September 2013. On 3 September 2013, the Trustee proceeded to appoint the Receivers and Managers to GSI.

Following the appointment of the Receivers and Managers, note holders will remain unable to redeem principal or interest of ‘at call’ or ‘term’ investments until distributions are made by the Receivers and Managers.

The Receivers and Managers are currently calculating the value of note holders’ investments up to the date of the Receivers’ appointment and details will be provided to note holders as soon as possible.

Return to note holders

The Trustee and the Receivers acknowledge the uncertainty that note holders may be experiencing since the voluntary suspension on 19 July 2013, in particular in relation to the delays in the access of note holders to their funds deposited with GSI.

The timing and the amount of any distribution to note holders is uncertain and will depend on future developments in the receivership. At this early stage, from the review of GSI's affairs to date, the Receivers and Managers anticipate the return to note holders will be meaningful and on current estimates expect it to exceed 80 cents in the dollar.

Hardship situations

The Receivers and Managers have established a process to deal with hardship claims by note holders. Details in relation to hardship claims are contained in a separate circular from the Receivers or can be obtained from the GSI hotline identified below.

Further information

The Trustee and the Receivers and Managers are currently arranging information sessions for note holders in a number of locations in Gippsland. These information sessions are expected to be held within the next 6 weeks, and the locations and dates will be communicated to note holders as soon as possible.

The Receivers and Managers have established an information hotline with the assistance of Link Market Services. The GSI hotline is now handling note holder enquiries, mailing correspondence and other logistical matters on behalf of the Receivers. The hotline number is **1300 551 378**.

The Receivers and Managers have prepared responses to 'Frequently Asked Questions' for note holders, which is attached to this circular.

If you have any further queries or questions, please use one of the following:

- Visit the GSI website: www.GSI.com.au
(the Receivers are keeping this website updated with copies of all circulars to note holders, media releases and other information)
- Call the GSI hotline: **1300 551 378**
- Email: GSI@linkmarketservices.com.au
- Write to: The Receivers and Managers
Gippsland Secured Investments
C/- EY
GPO Box 67
Melbourne VIC 3001