



DISCLOSURE STATEMENT

1. WHAT IS THIS DISCLOSURE STATEMENT ABOUT?

This is a disclosure statement issued by Hunziker Properties Pty Ltd, the Caretaker of Beachside Holiday Apartments. It is a statement by the Caretaker of important information investors in the strata scheme ought to know in order to make an informed decision as to whether or not they ought to invest.

This disclosure statement is needed because developers of this strata scheme have put in place a system of “management rights” (explained below) with all the apartments in a common “letting pool” which enables owners of apartments to earn income from their apartment by letting it to guests of the scheme through the on-site manager.

A feature of the management rights system is that you may elect to have an external agent manage the letting of your strata apartment. If you decide to do this, than you will need to make your own arrangements about rent collecting, fees and charges as well as payment of your apartments proportion of common property caretaking and maintenance and proportionate share of complex operational costs like electricity and garbage services. This disclosure statement only contains information applicable to “pooled” letting service being undertaken by the on-site manager.

Management rights are a “managed investment” within the term of the Corporations Law. Normally, the sale of a managed investment must be made by prospectus, which is registered by the Australian Securities and Investment Commission (ASIC). In the case of this scheme ASIC Class Order 07/189 pursuant to PF187 applies and relief is available as of right and no prospectus is required. However, the terms of the relief granted by ASIC require that this disclosure statement must be given to purchasers of all strata units prior to them entering into a contract of sale. There are also other conditions which must be fulfilled.

What are management rights?

The Industry started in the 1970s on the Gold Coast in complexes where there were few or no resident owners. This resulted in the Body Corporate of the complex appointing someone to live on site to manage or caretaker the complex. This practice extended to allow the on-site Manager to let units for owners who wished to rent them out. Since then this industry has expanded to become an integral part of Australia’s tourism development and has become a multi-billion dollar industry in Queensland alone.

When a developer builds units or town houses of a reasonable size, it makes sense for the developer to provide for the long term caretaking of the common property (like the

gardens and the pool) and for there to be an on-site letting service for owners who might want to let their property. These arrangements are called Management Rights.

The management rights system works this way:-

- a) In any strata title building there are parts of the property which are referred to as “common property”. These are parts of the property which do not form part of the strata unit. Eg. The hallways, stairs, access pathways, swimming pools, rooftop deck and gardens are typically designated as common property.
- b) Common property is owned as “Tenants in Common” by the Collective Group of Owners of all the strata units. The “Owners Corporation” is the name given to this collective group. Each owner’s indivisible proportional share of the common property is determined by the unit entitlement attributed to each strata unit. This entitlement is set when the Strata was established and cannot be changed. It is disclosed in the contract of sale.
- c) The Owners Corporation is entitled to appoint a *property manager* (formally caretaker) to maintain the common property on its behalf. The *property manager* is paid a salary (reviewed annually) by the Owners Corporation to do this work. Where it is necessary, the *property manager* may engage a skilled tradesperson to do the work. If this happens, then the cost of the tradesperson must be paid by the Owners Corporation. The agreement between the Owners Corporation and the *property manager* is called the “**caretaking contract**”.
- d) The Owners Corporation also has the right to allow an “on-site manager” to use the reception and basement storeroom to conduct a letting business from the premises. There is no fee payable by either party to the other for this right. The agreement between the Owners Corporation and the on-site manager is called the “**letting contract**”.
- e) At the commencement of the scheme, the Owners Corporation appointed the on-site manager under the *letting contract* and *caretaking contract*. The rights to use the reception and basement store is assigned in these contracts.
- f) The “**management rights**” are the *caretaking* and *letting contracts*, together with *an apartment* within the scheme. Throughout this disclosure statement we will refer to the owner of the management rights as the “on-site manager”.

As the owner of the management rights, owners of strata units may appoint the on-site manager as their agent to let their apartment to guests of the scheme. This is done by both the on-site manager and the owner of each apartment entering into an agreement called an “**appointment to act as letting agent**”. A copy of the appointment to let is attached to the contract of sale and the important terms are discussed in this disclosure statement.

2. KEY FEATURES OF THE MANAGEMENT SYSTEM?

The Beachside Scheme consists of 30 strata titled units which are made up of one, two and three bedroom strata apartments.

By signing an “*appointment to act as letting agent*” you have appointed the on-site manager as your exclusive agent to manage your strata unit on your behalf. This section of the disclosure statement sets out your key rights under the management rights system.

a) What rights do I have to use my strata unit?

You (or your nominated guest) can use your strata unit free for two weeks per annum outside of peak times (Public/School Holidays and Local Special Events). You should give the on-site manager as much notice as possible to avoid the possibility of your unit being unavailable. Optionally, you may request the on-site manager re-arrange the bookings to suit you or offer you the use of another available apartment for the time you request. You are permitted up to two separate stays per calendar year free (totalling two weeks), additional breaks incur a cleaning surcharge (currently \$50 ea).

b) What are the key terms of the agreements that make up the management rights?

The agreements that make up the management rights are the *caretaking contract*, *letting contract* and *appointment to act as letting agent*. The key features of them are detailed below:-

- i. You are free to terminate the appointment to let on giving 90 days notice. If you do this, then you will be able to appoint an off-site letting agent to let your strata unit. You must allow prior advance bookings to proceed if the on-site manager is unable to re-allocate them to another room.
- ii. You are not required to make any payment on signing or terminating an appointment to let.
- iii. There is no requirement for owners of a strata unit to sign an appointment to let, however you will not be able to participate in the letting pool until you do so.
- iv. Some important obligations placed on the on-site manager include the following:-
 - a. Run the letting service competently.
 - b. Maintain and Staff an Office/Reception area within the scheme during such hours as are reasonably necessary to properly provide the letting service.
 - c. Supervise the standards and conduct of tenants.
 - d. Make efforts to ensure the best possible return to letting owners.
 - e. Not discriminate between letting owners.
 - f. Accept the right of owners to use other letting services or let their lots themselves.
 - g. Accept the right of owners to withdraw from their appointment to let on 90 days notice.

- v. If Owners are dissatisfied with the performance of the on-site manager, a majority of owners who have an appointment to let can vote at a duly called meeting of the Owners Corporation to remove the on-site manager. If this happens, then ASIC document PF187 outlines the steps to be taken, but in summary are:-
 - a. An independent valuer will be appointed to value the management rights. The valuer will be instructed to make the valuation on the basis a willing vendor and willing purchaser exist.
 - b. If a purchaser can be found who is willing to buy the management rights from the on-site manager, then the manager **must** sell.
 - c. The on-site manager can continue to run the scheme until a purchaser can be found who is willing to pay the price determined by the independent valuer.
 - vi. If ASIC or other authority, withdraw the requirement for a forced sale of the management rights and the managers unit in the future, then the relevant clauses will no longer form part of the agreement between the parties.
- c) What happens if the on-site manager is removed?
There are two things which reduce the risk of a change in the on-site manager detrimentally affecting the performance of the scheme:-
- i. Because management rights are like a business, the on-site manager is entitled to sell the management rights at any time subject to obtaining the approval of the Owners Corporation. The Owners Corporation is entitled to reject the proposed sale in circumstances where it reasonably believes the new on-site manager is not capable of running the scheme.
 - ii. If the on-site manager is forced to sell the management rights, then the scheme is structured in a way so that the new on-site manager will be given control (letting service) of all the property it needs to run the scheme efficiently and effectively. This is an important safeguard for owners. It is important because the old on-site manager should not be in a position where it controls property which inhibits the operation of the scheme after its agreement with the Owners Corporation have been terminated.

3. ALTERNATE USES OF YOUR STRATA UNIT

The Beachside Apartment Complex was approved under DA 683/99 and determined on 23 August 1999 for use as a "*Residential Tourist Building*". The use of your strata unit in accordance with this document is therefore an approved use as specified in the DA. The Beachside Pooled Letting Scheme commenced operation in June of 2002 and has no specified end date.

Whilst owners are currently not permitted to permanently reside in their apartment, this could eventuate in the future with a majority of owners approving the submission of a modifying DA to Port Macquarie Hastings Council to permit the change of use of the

complex. Such submission would also require the modification of a number of services which are currently bulk metered/serviced for the site.

4. WHAT RETURNS CAN I EXPECT?

Your returns will be generated by making your strata unit available to the on-site manager for letting to paying guests of the scheme. Alternately, you may choose to let your strata unit yourself, or use an off-site letting agent. The method of calculating returns is explained below and only applies to you if you appoint the on-site manager.

Your returns will be calculated from the following steps:-

- 1) Adding rents collected from the use of all units in the Managers rental pool.
- 2) Deducting Authorised expenses like:
 - a. On-site manager commission calculated at 12.5 percent of rent collected.
 - b. Items of Expense as set out in schedule 3 of the Appointment to Act as letting Agent document;
 - c. Monies paid to travel organisations for the introduction of tenants to your unit ;
 - d. Credit Card and Bank Fees in receiving payments for renting of units;
 - e. All other expenses incurred with your authority.

Money received from guests for deposits on booking for future stay in your strata unit will be deposited by the on-site manager into a statutory trust account.

On Guest arrival the balance of the letting fee is payable and similarly deposited into the trust account.

Income from all units let by the on-site manager will be pooled. The on-site manager is entitled to deduct all authorised fees and expenses from the pooled trust account. At the end of each month, the balance of income (less any deposits held for advance bookings) will be distributed to all owners in the Managers rental pool. This distribution will be proportional in accordance with the strata unit entitlement.

The on-site manager will report to you at the end of each month (see example attached). The report will give occupancy rates, rentals collected and summary of all expenses paid, including remuneration of the on-site manager.

Your net returns will also be influenced by expenses you will need to meet. eg Council Land and Water Rates, Body Corporate Strata Levies and any land tax that may be assessed by the Office of State Revenue in New South Wales. You also need to take into account any financing costs for your purchases of a strata unit and the impact of all these on your income tax.

4.2 Legislative changes

Changes to Commonwealth, State or Local Government laws may impact on the revenues, costs, risks and taxation of the strata unit. The Caretaker cannot predict with any certainty possible changes of legislation and the impact of those changes.

4.3 Repairs, Maintenance and Replacements

The on-site manager is also entitled to undertake repairs, maintenance and replacement up to \$500 to your strata unit without your authority. These ongoing maintenance costs are pooled and deducted from the monthly income as an expense. If more than \$500 needs to be spent, you must give your authority before the money is spent (if it is an emergency you will be advised after the event). You must reimburse the on-site manager for any money spent by it for repairs and maintenance when called to do so.

The Owners Corporation have authorised the establishment a Refurbishment (FFE Fund) Fund which is managed by the on-site manager. The Owners Corporation approve annually the works programme and establish the deduction from the monthly income to be put towards these activities. The current year rate is 2.5% and is being used to replace Bedroom Sheer Curtains & Augment the Hot Water Supply. Major Repairs, refurbishment and replacement with respect to common property will be carried out and supervised by the on-site manager at the expense of the Owners Corporation to which individual owners will contribute via their Owners Corporation levies. These levies are reviewed annually and approved at the Strata Owners AGM.

4.4 What returns can I expect?

The on-site manager cannot guarantee your return. Your return will be calculated as set out above and will be dependent upon a number of variables as explained below. Historical Earnings reports for each apartment are available on request.

4.5 What are the risk factors?

Returns are subject to the performance of the on-site letting agent.

Additionally, tourism and travel market conditions in Australia and overseas will have bearing on returns. There can be no guarantee on demand for Strata Holiday Apartments of this type or the attraction of Port Macquarie as a future destination for travellers.

The ongoing success of the scheme will be affected by general economic factors. When the economy experiences a downturn, then this is likely to have an effect on the disposable income and number of prospective guests of the scheme. The Government policies in relation to taxes, exchange rates, and other issues can also impact upon returns. It is not expected that this scheme is going to be affected to any greater extent than any other properties in the hospitality accommodation market.

There is a number of competing holiday rental schemes in Port Macquarie and this scheme has positioned itself well amongst its competitors.

Given that the area has traditionally been a leisure destination attracting visitors within the peak periods of school and public holidays, returns will fluctuate depending on the season.

Returns will also be affected by the weather and the number of alternative holiday destinations.

With the improvements to the Pacific Highway, there is increasingly numbers of guests staying as an overnight stop between Brisbane and Sydney.

5. ABOUT THE ON-SITE MANAGER

The on-site manager is Hunziker Properties Pty Ltd. The Managing Director is Allister Hunziker with Assistant Director being Natalie Hunziker.

The on-site manager is aware of its obligations under:-

- i) The caretaking and letting agreements with the Owners Corporation.
- ii) The Corporations Law; and
- iii) Class Order 07/189 by the Australian Securities and Investment Commission pursuant to pro forma PF 187.

The management rights operator holds and distributes rental receipts on behalf of the Owners Corporation from an independently audited trust account for the scheme in accordance with the Property, Stock and Business Agents Act 1941 (currently under revision). The management rights operator and staff also hold the required Real Estate Licences.

Owners Corporation levies are collected and administered by Strata Professionals Pty Ltd, Suite 25, First Floor Colonial Arcade, 25-27 Hay Street, Port Macquarie (02 6584 9266) on behalf of the Owners Corporation and expended on insurance and common property expenditure in accordance with the long term maintenance plan. This is in accordance with the Strata Schemes Management Act 2015 (NSW).

6. SELLING YOUR STRATA UNIT

You are free to sell your strata unit at any time. However, you should inform the on-site manager when listing your unit for sale. You may then withdraw your unit from the letting pool (90 days notice) however it is of no advantage to do so.

You must give a prospective purchaser a copy of this disclosure statement on request. In accordance with the terms of the letting contract, and the appointment to act as a letting agent, you are entitled to ask the on-site manager to provide a current statement to a prospective purchaser on request.

By virtue of the Strata Scheme Management Act 2015 (NSW) an investor cannot withdraw from the Owners Corporation whilst it owns a strata unit in the community title scheme.

An investor can sell or transfer their strata unit any time without interference by the management rights operator. However, the investor must not offer to sell their interest in the scheme or invite a person to buy their interest unless:

- i) The investor has a disclosure statement issued by the management rights operator.
- ii) The seller reasonably believes the disclosure statement is current.
- iii) The seller has no reason to believe that it does not comply ASIC requirements; and
- iv) The offer or invitation is accompanied by a copy of the disclosure statement free of charge to a person who asks for it.

7. CONTACT INFORMATION

The on-site letting agent can be contacted by:

Manager: Allister Hunziker
Beachside Holiday Apartments
48 Pacific Drive
Port Macquarie NSW 2444
Phone: 02 6583 9544
Fax: 02 6583 8703
Email: info@beachsideholidays.com
Website: <http://www.beachsideholidays.com>

8. GETTING MORE ADVICE

It is recommended that a person consult the following before making a decision to become a member of this scheme or signing any contract to buy a strata unit:-

- i) An investment advisor who is either a securities licensee or an authorised representative of the securities licensee.
- ii) A Taxation Advisor
- iii) A Lawyer.

DISCLAIMER:

This Disclosure Statement should be read in its entirety. It is recommended you obtain independent advice from your accountant, solicitor or qualified advisor in relation to becoming a member of the management rights scheme. In particular, you should consider taxation issues.

Statement For: **Apartment Owner**
Month 201x

<u>Summary Schedule</u>	Letting Pool Total Amounts	Apartment y Share
Occupancy:	60.29%	100.00%
INCOME		
Guest Payments	\$81027.59	\$2372.05
Advance Deposits	\$21067.80	\$616.75
Total Income	\$102130.29	\$2989.80
EXPENSES		
Accounting Fees (Annual Audit)	\$0.00	\$0.00
Advertising	\$1787.28	\$52.32
Austar/Foxtel	\$932.25	\$27.29
Bank Charges	\$405.65	\$11.88
Booking Commission	\$468.92	\$13.73
Broadband Wireless	\$355.14	\$10.40
Cancellation Refunds	\$644.00	18.85
Caretaking	\$3622.96	\$106.06
Contract Cleaning	\$7811.65	\$228.68
Depreciation (Dishwashers)	\$0.00	\$0.00
Electricity	\$6127.82	\$179.39
Garden Supplies	\$77.81	2.28
Internet	\$170.00	\$4.98
Letting Agents Commission	\$13934.06	\$407.91
Linen Hire	\$1875.00	\$54.89
Office Equipment	\$1150.00	\$33.67
Pool Supplies	\$267.94	\$7.84
Postage & Stationery	\$0.00	0.00
Repairs & Maintenance	\$4708.83	\$137.85
Replacements	\$617.71	\$18.08
Strata Fees	\$0.00	\$0.00
Sundries, Miscellaneous	\$110.00	\$3.22
Supplies	\$172.39	\$5.05
Telephone	\$300.13	\$8.79
Waste Removal	\$444.14	\$13.00
Rounding	\$0.00	\$0.00
Sub-total Expenses	\$45983.68	\$1346.14
Refurbishment Sinking Fund	\$1961.79	\$57.43
Total Expenses	\$47945.47	\$1403.57
Net Income	\$54184.82	\$1586.23

Beachside Holiday Apartments

48 Pacific Drive

Port Macquarie NSW. 2444.

ABN: 43 229 641 039

Reconciliation Summary**Month 201x****Account Details**Beachside Holiday Apartments **Trust Account**

BSB Number: 014-210

Account Number: 3890-10089

Account Balance Summary and Reconciliation for the month of: Month201x

Balance at NAB Bank A/c at Month End	\$112,209.36	What the Bank says is in the Trust Fund
Less: outstanding Cheques	0.00	Creditors paid: Payment not processed by Bank as yet.
Sub Total	\$112,209.36	
Plus: Outstanding Deposits	\$0.00	Cash banked but not processed by bank, usually cash received on the last day of the month and processed on the first day of the next month by the bank.
MYOB Bank Ledger Balance	\$112,209.36	What the Trust Fund bank balance should be if the above had been processed.
Less: Owners Distribution for Month	\$54184.82	Total amount to be distributed to owners
Less: Damage/Booking Bonds Held	\$2,000.00	Funds held in Trust, not for distribution.
Less: Deposits Held for Future Stays	\$755.00	Funds held in Trust, Future Bookings waiting guest to stay.
Less: Expenses to be paid	\$55,269.54	Creditors Balance: costs incurred but payment yet to be made. Usually in day 1-3 of the new month.
	\$Nil	

Account DetailsBeachside Holiday Apartments **Refurbishment****Account**

BSB Number: 014-210

Account Number:

Account Balance Summary and Reconciliation for the month of: Month201x

Balance at NAB Bank A/c at Month End	\$17,524.17	What the Bank says is in the Trust Fund
Less: outstanding Cheques	0.00	Creditors paid: Payment not processed by Bank as yet.
Sub Total	\$17,524.17	
Plus: Outstanding Deposits	+ 0	
MYOB Bank Ledger Balance	\$17,524.17	What the Trust Fund bank balance should be if the above had been processed.

Beachside Refurbishment Trust

48 Pacific Drive Port Macquarie NSW 2444

Income & Expenditure [Budget Analysis]

July 201x through Month 201x

	Selected Period	Budgeted	\$ Difference	% Difference
Income				
1 - Provision Opening Balance	\$14,188.94	\$14,188.94	\$0.00	0.00%
2 - Current Year Provision 2.5	\$11,012.13	\$24,262.50	(\$13,250.37)	-54.60%
5 - Sale of old Furniture	\$360.00	\$0.00	\$360.00	NA
Total Income	\$25,561.07	\$38,451.44	(\$12,890.37)	-33.50%
Expenses				
Projects for 2012-13				
12 - Kitchen Floor	\$8,036.90	\$16,675.00	(\$8,638.10)	-51.80%
13 - Bedheads Queen&XXL	\$0.00	\$14,000.00	(\$14,000.00)	-100.00%
14 - Bedside Tables	\$0.00	\$7,680.00	(\$7,680.00)	-100.00%
Total Projects for 2012-13	\$8,036.90	\$38,355.00	(\$30,318.10)	-79.00%
Total Expenses	\$8,036.90	\$38,355.00	(\$30,318.10)	-79.00%
Net Profit/(Loss)	\$17,524.17	\$96.44	\$17,427.73	18071.10%

Note: