Beachside Holiday Apartments
48 Pacific Drive
Port Macquarie, NSW 2444.

DISCLOSURE STATEMENT

1. WHAT IS THIS DISCLOSURE STATEMENT ABOUT?

This is a disclosure statement issued by Hunziker Properties Pty Ltd, the Building Manager (Caretaker) of Beachside Apartments. It is a statement by the Building Manager 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.

You need to be aware that when buying an Apartment at Beachside, you are not buying a normal Rental Property which you can do as you wish. Rather, you are buying into a "Managed Investment" which is secured by title over a particular Apartment. The Capital value of your Apartment has historically not appreciated in line with normal Residential Apartments.

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.

Beachside management rights (Letting Pool) has been designed to pay for the majority of Common Property expenses as well as the Letting Pool expenses. If you wish to withdraw your apartment from the letting pool, than you will need to discuss your desire with the Body Corporate and Strata Manager. The Owners Corporation have determined that all services supplied to any apartment being withdrawn from the Letting Pool are to be separately metered. By withdrawing from the Letting Pool the other Common Property expenses (currently paid by the Letting Pool) will need to be paid regularly by you to the letting pool.

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 ASIC Instrument 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 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, 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 *Building Manager* (formally caretaker) to maintain the common property on its behalf. The *Building Manager* is paid a remuneration by the Owners Corporation to do this work. Where it is necessary, the *Building Manager* may engage skilled tradespersons to do parts of the work specified in the contract. If this happens, then the cost of the tradesperson must be paid by the Owners Corporation (through the Letting Pool). The agreement between the Owners Corporation and the *Building Manager* is called the "***building management contract***".

d) The "on-site manager" has as part of the Managers Apartment the reception office 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) The Owners Corporation initially appointed the on-site manager under the *letting contract* and *building management contract*. With approval of the Owners Corporation, the management rights owner may sell their interest in the Management Rights to another party at any time. This sale also includes the Managers Apartment.

f) The "***management rights***" are the *caretaking* and *letting contracts*, together. Throughout this disclosure statement we will refer to the operator of the management rights as the "on-site manager".

As the operator of the management rights, owners of strata units 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?
The Body Corporate in setting up the Beachside Scheme have determined that the owner (or your nominated guest) can use your strata unit 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 per calendar year stays totalling two weeks, each stay incurs a cleaning surcharge (currently $50 ea) the first two are free. Note: If you are purchasing the unit as a Self Managed Superannuation Fund, you may find you are not able to utilise the use of the Apartment. You will need to discuss this with your Accountant of Financial Advisor.

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 *building management contract*, *letting contract* and *appointment to act as letting agent*. The key features of them are detailed below:-

i. You are not required to make any payment on signing or terminating an appointment to let. However, you will need to continue to meet Common Property Expenses.
ii. 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.
iii. 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, provided they fully understand the implications.
g. Accept the right of owners to withdraw from their appointment to let on 90 days notice.

iv. If a majority of scheme members advise the operator in writing that they wish to terminate the operator's engagement, the operator must within 6 months transfer the management rights to a person:
a. Who is chosen by the operator; and
b. Has not been involved in the operation of the scheme; and
c. Is not controlled by a person that has been involved in the operation of the scheme.

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 onsite 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 of the management rights contracts is terminated, 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 or expired.

3. ALTERNATE USES OF YOUR STRATA UNIT

The Beachside Apartment Complex DA1999-693 was submitted for a "*Holiday Unit Building*" for use as a "*Holiday Unit*". The use of your strata unit for Stort Term letting (max 3 months) in accordance with this document is therefore an approved use as specified in the DA. The Beachside Pooled Letting Scheme commenced operation and has no specified end date.

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. The method of calculating returns is explained below and only applies to you if you appoint the on-site manager and participate in the Letting Pool.

Your returns will be calculated from the following steps:-

1) Adding rents collected from the use of all units in the schemes rental pool.
2) Deducting Authorised expenses like:
    a. Building Manager Renumeration.
    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. Common Property Maintenance and Costs.
    f. 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 pool 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 an investment 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 authorise the Letting Pool to 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.
Major Repairs of 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 to the Strata Manager. 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 may be available.

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 Natalie Hunziker with Assistant Director Damien Hunziker.

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

i) The Property Management (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.

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 (NSW). The management rights operator and staff also hold the required Real Estate Licences.

The Management Rights operator is registered for GST and has been since 2 Dec 2013.

Owners Corporation levies are collected and administered by Strata Professionals Pty Ltd, Port Macquarie 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 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. Contracts entered into by the Owners Corporation are binding on the new unit owner.

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: Natalie Hunziker
The Beachside Apartments
48 Pacific Drive
Port Macquarie NSW 2444
Phone: 02 6583 9544
Email: info@beachsideholidays.com
Website: 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

Summary Schedule	**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	$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**

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Reconciliation Summary Month 201x

Account Details
Beachside Holiday Apartments **Trust Account**
BSB Number: 014-210
Account Number:

Account Balance Summary and Reconciliation for the month of: Month201x

Balance at ANZ 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 Details
Beachside Holiday Apartments **Refurbishment Account**
BSB Number: 014-210
Account Number:

Account Balance Summary and Reconciliation for the month of: Month201x

Balance at ANZ 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

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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 20xx				
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 20xx	$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: