

SECTION 1.0: WHAT IS THIS DISCLOSURE STATEMENT ABOUT

This is a disclosure statement issued by Lloyd Bannister Pty Limited ACN 096 337 692 as Trustee for Quayside Unit Trust, the developer of “Quayside Serviced Apartments” (“Quayside Serviced Apartments”). It is a statement by the developer of important information investors in Quayside Serviced Apartments 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 the developer of Quayside Serviced Apartments has put in place a system of “management rights” (explained below) which enable owners of units in Quayside Serviced Apartments to earn income from their unit by letting it to guests of the resorts through an on-site Letting Agent. A feature of the management rights system is that you may elect to have an external agent manage your unit. If you decide to do this, then you will need to make your own arrangements about rent collection, fees and charges etceteras. This disclosure statement only contains information applicable to those owners of units who elect to make their unit available to the on-site Letting Agent.

Management rights are a “managed investment” within the terms of the Corporations Law. Normally, the sale of a managed investment must be made by a prospectus, which is registered by the Australian Securities and Investments Commission (ASIC). In the case of Quayside Serviced Apartments the developer has elected to comply with the Exemption for Management Rights Schemes provisions of the Corporations Law and no prospectus is required. However, the terms of the exemption stipulate this disclosure statement must be given to purchasers of all units prior to them entering into a contract of sale.

1.1 What are management rights?

Management rights are the business of on-site caretaking and letting of units in a strata titled unit building. When developers build units or townhouses it makes sense for them to provide for the long-term caretaking of the common property, and for there to be an on-site letting service for owners who might want to let their property to other people. In the case of Quayside Serviced Apartments, the management rights system will allow the common property to be looked after effectively and for Quayside Serviced Apartments to be promoted and run in a coordinated manner.

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 a unit. For example, the hallways, access ways and swimming pools are typically designated as common property.
- (b) Common property is owned by the Owners Corporation. The Owners Corporation is the name given to the collective group of all owners of units. Each owner’s share of the common property is determined by the interest unit entitlement attributed to each unit. Your unit entitlement is disclosed in the contract of sale. It is fixed and cannot be changed.
- (c) The Owners Corporation is entitled to appoint a caretaker to maintain the common property on its behalf. The caretaker is paid a salary by the Owners Corporation to do this work. Where it is necessary, the caretaker 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 caretaker is called the “Caretaking Agreement”.

- (d) The Owners Corporation also has the right to allow an “on-site manager” or “on-site Letting Agent” to use the manager’s unit 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 or onsite Letting Agent is called the “Letting Agreement”.
- (e) At Quayside Serviced Apartments the developer has the right to sell the Caretaking & Letting Rights to an appropriate party.
- (f) At Quayside Serviced Apartments the right to use the office to conduct the caretaking business is attached to the title of Lot which will be the manager’s unit. Therefore, in order to be the on-site caretaker, the on-site caretaker must also purchase Lot . The letting business will also be conducted from Lot
- (g) The “letting rights” is the letting agreement together with the use of the reception. Throughout this Disclosure Document we will refer to the owner of the letting rights as the “on-site Letting Agent”.

As the owner of the letting rights, owners of units may appoint the on-site Letting Agent as their agent to let their unit to guest of Quayside Serviced Apartments. This is done by both the on-site Letting Agent and the owner entering into an agreement called an “Appointment to Let”. Important terms of the appointment to let are discussed in this disclosure statement.

SECTION 2.0: KEY FEATURES OF THE MANAGEMENT SYSTEM

Quayside Serviced Apartments will consist of forty-two (42) strata titled units which will consist of studio, one bedroom and two bedroom units and five (5) commercial properties.

By signing an appointment to let you appoint the on-site Letting Agent as your exclusive agent to manage your unit on your behalf. This section of the disclosure statement sets out your key rights under the management rights system.

2,1 What rights do I have to use my unit?

You can use your unit at any time subject to any prior bookings that might apply to your unit. You should give the on-site Letting Agent as much notice as possible to avoid the possibility of your unit being unavailable. If your unit is unavailable, then the on-site Letting Agent will attempt to re-arrange the bookings to suit you, but obviously no guarantees can be given in this regard.

If you use your unit, then you, and you only, will not pay for the use of your unit, but you will not receive any income for that period and you must still pay the normal cleaning fees and other charges associated with staying at Quayside Serviced Apartments.

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

The agreements which make up the management rights are the Caretaking Agreement, Letting Agreement and Appointment to Let. The key features of the Letting Agreement and the Appointment to Let are detailed below:

- (a) You are free to terminate the appointment to let on 30 days notice. If you do this, then you will be able to appoint an off-site Letting Agent to let your unit. There are many off-site Letting Agents in the Port Macquarie area with experience in letting this type of accommodation, so there is a good chance your unit will still be used.
- (b) You are not required to make any payment on signing or terminating an appointment to let.
- (c) There is no requirement for owners of a unit to sign an appointment to let. You may terminate the appointment on 30 days notice at any time for any reason whatsoever and the onsite Letting Agent must accept your termination.
- (d) Some important obligations placed on the on-site Letting Agent include the following:
 - (i) Run the letting service competently;
 - (ii) Maintain and staff an office/reception area within the scheme during such hours as are reasonably necessary to properly provide the letting service;
 - (iii) Supervise the standards and conduct of tenants;
 - (iv) Make efforts to ensure the best possible return to letting owners.
 - (v) Not to discriminate between letting owners;
 - (vi) Accept the right of owners to use other letting services or let their lots themselves;
 - (vii) Accept the right of owners to withdraw from their appointment to let on 90 days notice.
- (e) A majority of owners who have an appointment to let can advise the Letting Agent in writing that they wish to remove the on-site Letting Agent and appoint someone else. If this happens, then the following things must occur:
 - (i) The Letting Agent must, within nine (9) months, transfer the letting rights to a person that is chosen by the Letting Agent that has not been involved in the operation (including promotion) of the letting business and is not controlled by the Letting Agent;
 - (ii) If the Letting Agent fails to complete the transfer within the nine month period, the Letting Agent must transfer the letting rights to a replacement operator named in a written notice given by the majority of the owners who have an appointment to let at a price as specified in the notice, This price must be one of the following:-

* The average of two valuations of the Management Rights by independent qualified valuers nominated by the Australian Property institute (or another relevant independent professional body approved by ASIC), or

* The highest genuine bid for the Management Rights (excluding a bid by the Letting Agent or its associates) at an auction of which at least 60 days notice has been given, or

* The highest genuine amount tendered (excluding any tender by Letting Agent or its associates) for the Management Rights following reasonable efforts to market the property for at least 60 days.

- (iii) If the Letting Agent receives such a notice from the majority of owners with appointments to let, the Letting Agent must advise all Owners Corporation members of the name of the person to whom the transfer is to be made and, unless the Owners Corporation has consented to the transfer, the Letting Agent does not have to transfer the Management Rights to the person named in the notice if a majority of the Owners Corporation members state in writing to the Letting Agent that the person should not be engaged by the Owners Corporation to perform the caretaking/letting functions.
- (iv) In determining if there is a majority of owners with appointments to let or a majority of Owners Corporation members, the Letting Agent and its associates and any person nominated as a replacement operator and associates of that person must not be counted. For members of the letting pool, a majority is based on their entitlement to vote at Owners Corporation meetings. The same applies for Owners Corporation members.
- (v) If an owner arranges a valuation or auction of the Management Rights before or after the expiration of the nine month period, that member is entitled to be reimbursed out of the price payable by any person nominated by the owners as transferee of the Management Rights when the price is paid to the letting agent.
- (vi) The Letting Agent must give reasonable assistance to enable the transferee to operate the resort including making available information concerning any prospective bookings.
- (vii) The letting rights property (which includes the manager's unit) will form part of the rights being transferred.

2.3 What happens if the on-site Letting Agent sells or is removed?

There are two things which reduce the risk of a change in the on-site Letting Agent detrimentally affecting the performance of Quayside Serviced Apartments:

- (a) Because letting rights are like any business, the on-site Letting Agent is entitled to sell the letting 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 Letting Agent is not capable of running Quayside Serviced Apartments.
- (b) If the on-site Letting Agent is forced to terminate the Letting Agreement and sell the letting rights property pursuant to section 2.2, then Quayside Serviced Apartments is structured in such a way that the new on-site Letting Agent will be given control of all the property it

needs to run Quayside Serviced Apartments efficiently and effectively.

SECTION 3.0: WHAT RETURNS CAN I EXPECT?

Your returns will be generated by you making your unit available to the on-site Letting Agent for letting to paying guests of Quayside Serviced Apartments. Alternatively, you may choose to let your unit yourself, or use an off-site agent. The method of calculating returns explained below only applies to you if you appoint the on-site Letting Agent.

3.1 Calculating your returns

Your returns will be calculated by following these steps:

- (a) Adding rents collected from the use of your unit;
- (b) Deducting any authorised expenses like -
 - (i) Commissions calculated at an agreed percentage of rent collected;
 - (ii) Advertising levies calculated up to 3% of rent collected;
 - (iii) Service costs;
 - (iv) All other expenses incurred with your authority.

Money received from guests of Quayside Serviced Apartments in your unit will be deposited by the on-site Letting Agent into a trust account. The on-site Letting Agent is entitled to deduct all authorised fees and charges from the trust account.

The on-site Letting Agent will report to you at the end of each month. The report will detail all occupancy income received less expenditure paid out.

Your returns may be influenced by expenses such as Council rates, Owners Corporation levies and land tax that may be assessed by the Land Tax Office in New South Wales, or any income tax assessed on income earned (rent).

3.2 Repairs and maintenance

The on-site Letting Agent is also entitled to deduct any expenses it incurs in the form of repairs and maintenance to your unit. The on-site Letting Agent is entitled to spend up to \$500.00 (but more if it is an emergency) without your prior authority. If more than \$500.00 needs to be spent (unless it is an emergency) you must give your authority before the money is spent. You must also reimburse the on-site Letting Agent for any money spent by it for repairs and maintenance when called to do so.

Repairs, refurbishment and replacement with respect to common property will be carried out and supervised by the on-site caretaker at the expense of the Owners Corporation to which individual owners will contribute via their Owners Corporation levies.

3.3 What returns can I expect?

The developer is not guaranteeing your return.

Returns are also subject to the performance of the on-site Letting Agent.

Additionally, the tourism and travel market conditions in Australia will have a bearing on returns.

The success of the resort will be affected by general economic factors. Should the economy experience a downturn then this is likely to have an affect on the disposable income and number of prospective guests of the resort. The governments policies in relation to taxes, exchange rates and other issues may also impact upon the returns. Nevertheless it is not expected the resort is going to be affected to any greater extent that any other properties in the hospitality accommodation market.

SECTION 4.0: HOW WILL THE DEVELOPER SELECT AN OPERATOR OR AN ON-SITE LETTING AGENT TO OPERATE THE RESORT?

- 4.1 The developer does not anticipate that any of the units in the complex will be purchased by end users i.e. people who will decide to live in the complex as their principal place of residence. The developer considers that investors who buy into the complex will holiday let their units although some may elect to permanently let their units.
- 4.2 The developer will retain the Management Rights or seek an experienced operator with a proven ability to operate a resort such as Quayside Serviced Apartments. The developer will also look for an operator who has expertise in marketing resorts so as to achieve the highest possible occupancy rate for investors in the resort. If the developer is unable to find a buyer with such a proven track record then the developer will seek a buyer who the developer considers to have the skill and resources to effectively run the complex and achieve the best possible rental return for investors in the complex.
- 4.3 Notwithstanding the above, the developer will retain the right to retain the

Management Rights to the said complex.

SECTION 5.0: SELLING YOUR UNIT

You are free to sell your unit at any time.

You should inform the on-site Letting Agent if you no longer intend to own your unit and give the on-site Letting Agent 30 days' notice to terminate your appointment to let agreement.

If you are selling your unit you must give a prospective purchaser a copy of the current disclosure statement on request. In accordance with the terms of the Letting Agreement and the appointment to act, you are entitled to ask the Letting Agent to provide a current disclosure statement to a prospective purchaser on request.

SECTION 6.0: GENERAL INFORMATION

(a) **How can the developer be contacted?**

The developer can be contacted at C/- PO Box 1181 Port Macquarie 2444. Ph: (02) 6583 5823.

(b) **Is there any particular information available to a prospective or existing member if they ask the on-site Letting Agent or developer?**

Plans and specifications can be obtained.
Contracts of sale will contain all pertinent information with respect to making a decision to purchase a unit.

SECTION 7.0: GETTING MORE ADVICE

A person should before making a decision to become a member of the scheme or signing any contract to buy a strata unit (on the basis that they will become a member), consider whether to consult:

- (a) An investment advisor who is either a securities licensee or an authorised representative of the securities licensee.
- (b) A taxation advisor.
- (c) 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 at Quayside Serviced Apartments. In particular, you should consider taxation issues. For example, participating in Quayside Serviced Apartments may have certain depreciation features and may have tax advantages if your unit is being used to earn income and you borrow money to finance your acquisition. However, those tax advantages will depend on your own tax position.

Execution

SIGNED by **Lloyd Bannister Pty Limited**
ACN 096 337 692 as Trustee for Quayside
Unit Trust:

By its authorised Director:

Signature

Date of signing

SIGNED by the Purchaser:

Signature

Date of signing