



Affordable Housing Consulting

NRAS owner agreement

Schedule 1

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Our Name and Contact Details:	Name: Affordable Housing Consulting Pty Ltd (“we” or “us”) Address: Level 2, 300 Flinders Street, Adelaide, SA, 5000 Telephone: 8232 7623 Email: AHC.allocations@nras.com.au
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Contact Details:	Name: (“you” or “your”) Address: Telephone: Mobile: Email:
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Bank details: (To receive your payment)	Account Name: BSB No: Bank Account Number:
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Builder :	
Selling Agent :	
Property Location : (Your NRAS rental property)	
Estimate Date of Settlement :	
Dwelling Type :	House / Apartment / Townhouse
Number of Bedrooms :	
Estimate Date Certificate of Completion : (Activation date in the case of a transfer)	
Property Manager :	

1. What is this agreement about?

- 1.1. We have been approved by the Department of Families, Housing, Community Services and Indigenous Affairs (“the Department”) to receive rental incentives as part of the National Rental Affordability Scheme (NRAS).
- 1.2. We have given notification to the Australian Consumer and Competition Commission (ACCC) that our requirements to enable you to participate in the scheme are third line forcing, but public interest means that we and you can enter into this agreement.
- 1.3. To enable you to access the rental incentives as part of the NRAS, you agree to include your property set out in the schedule on the front page in our scheme, and agree to the conditions imposed on you by this agreement.
- 1.4. This agreement sets out the various rights and obligations that we have and that you have to enable participation in NRAS.

2. What is our scheme?

- 2.1. We have been allocated rental incentives as part of NRAS.
- 2.2. NRAS is a scheme of the Federal Government in conjunction with the South Australian Government which provides an annual rental incentive for each new rental property which is part of the scheme. The rental incentive commenced in 2008/2009 as \$8,000 and is indexed in May of each year to the rental component of the National consumer price index. All relevant rates including the NRAS incentive amount are published on the FaHCSIA website.
- 2.3. A rental incentive under NRAS is only payable if you rent your new rental property to an eligible tenant for no more than 80% of the market rent for your property. The NRAS Scheme sets out who is an eligible tenant and how you work out the market rent.
- 2.4. You must comply with the NRAS Scheme requirements to enable you to access a payment from the rental incentive which has been allocated to us.
- 2.5. You must pay to us under this agreement the various fees which we charge for the facilitation and administration of our scheme.
- 2.6. We receive the State Government contribution to the rental incentive to your property, and have authorised the payment to an independent trustee or to our trust account.
- 2.7. The independent trustee has agreed with us to pay from that rental incentive the amount due to you, and the amount due to us under the terms of this agreement.
- 2.8. You will receive the Federal Government portion of the rental incentive by way of a Tax Offset Certificate from the department (“Tax Offset Certificate”).
- 2.9. You must enter into a Property Tenancy Management Agreement with a property tenancy manager approved by us. You must pay fees to that manager from the rent that you receive.

- 2.10. Other than that, you receive the rent from the tenant, and are otherwise responsible for the relationship with your tenant.
- 2.11. You always own your rental property.
- 2.12. You are responsible for any loan used to buy your rental property, and you must pay all other expenses in relation to the rental property.

3. What is your cooling off period?

- 3.1. After you sign this agreement and any other agreements that we require to enable you to participate in our scheme, you have two clear business days after that in which to cancel this agreement and the other agreements.
- 3.2. You must cancel by giving us a written notice. You do not have to give us any reason why you wish to cancel.
- 3.3. If you cancel, and you have paid us any money, we must pay that back to you within two business days after the cancellation notice is received by us.
- 3.4. If you cancel under this clause, we and you have no further obligations to each other under this agreement or any of the other agreements that we and you have signed.
- 3.5. You also acknowledge that you have, before signing this agreement, either received independent legal and accounting advice on its contents and on our scheme, or been given the opportunity to do so.
- 3.6. You acknowledge that before signing this agreement you have been given a copy of, and had the opportunity to read, the disclosure statement attached to this agreement.

4. What are your rights and responsibilities?

Compliance with NRAS guidelines

- 4.1. You must always comply with the National Rental Affordability Scheme Act 2008, the National Rental Affordability Scheme Regulations 2008 and any guidelines issued by the department for the operation of the NRAS ("NRAS guidelines").

Owner of the property

- 4.2. You must be the owner of the property or recipient of the rent of the property identified in Schedule 1. If the construction of the dwelling does not proceed or you fail to purchase the dwelling, this agreement is void. You have no rights to the NRAS and no fees beyond what has already been paid are payable to us.

Rental property to be fit for human habitation

- 4.3. You must ensure that your rental property has been properly built in accordance with the Building Code of Australia, and is always fit for human habitation.
- 4.4. You must ensure that your rental property, and the management of it, complies with any landlord, tenancy, building, health and safety laws which apply in South Australia.

- 4.5. Before including your rental property in our scheme, you must ensure that it has been properly painted, has appropriate window treatments, flooring, appliances normally found in rental properties, and is properly secure.
- 4.6. You allow us to obtain a signed certificate from your builder of practical completion and occupancy for your rental property.

Tenancy agreement and compliance with residential tenancies law

- 4.7. You must ensure your tenant understands that they are a “NRAS tenant” and their rent and tenure will be governed by the NRAS Guidelines.
- 4.8. You must otherwise comply with The Residential Tenancies Act, The Landlord and Tenant Act, and any other legislation or common law which applies to the rental of your rental property.

Only rent to eligible tenant

- 4.9. You must only lease your rental property to an eligible tenant as defined in the NRAS guidelines.
- 4.10. If your tenant is no longer an eligible tenant under the NRAS guidelines, then you have 12 calendar months in which to obtain another tenant who is an eligible tenant. If you do not do so, then you must leave our scheme, and exit fees are payable as set out in this agreement.
- 4.11. If your tenant leaves your rental property, you have 13 weeks in which to obtain another eligible tenant without losing your right to receive a rental incentive for your rental property. If you obtain an eligible tenant after that period, then the rental incentive is adjusted on a pro rata basis for that year.

Calculating market rent

- 4.12. You must obtain an independent valuation of the market rent for your property, from a licensed valuer, prior to entering into the tenancy agreement, and at the end of the fourth year and the seventh year that your rental property is part of the NRAS. You must promptly provide a copy of that valuation to us, to your property and tenancy manager and to the department if required.

Renting at no more than 80% of market rent

- 4.13. You must rent your rental property to an eligible tenant for no more than 80% of the market rent of your rental property fixed by that valuer or as increased under this clause. You may increase the rent once a year in accordance with the NRAS guidelines, but it will never be more than the percentage change in the NRAS market index (as defined in the NRAS guidelines).

Preparation of compliance report

- 4.14. If required, you must, by 30 April in each year, assist with the preparation of compliance reporting under the NRAS guidelines.

Leaving our scheme

- 4.15. You may leave our scheme by giving us and your property and tenancy manager 90 days written notice that you wish to do so. If your tenant becomes ineligible and you do not

replace that tenant with an eligible tenant within 12 months of the tenant becoming ineligible, then you are deemed to have left the scheme at the end of that 12 month period.

- 4.16. In the case of mortgagee in possession you may leave our scheme by giving us and your property and tenancy manager 30 days written notice that you wish to do so.
- 4.17. If you leave our scheme, then you must pay us an exit fee set out in this agreement.
- 4.18. If you wish to leave our scheme, and the same time transfer your rights under this agreement and the NRAS scheme to a purchaser of your rental property, then you must:
 - 4.18.1. provide us with a copy of the proposed contract, which must have a condition precedent in it that it is subject to our consent to the transfer of your rights to the prospective purchaser;
 - 4.18.2. provide us with any other reasonable information that we might require in order to consider whether we should consent; and
 - 4.18.3. seek our consent at least 14 days before you propose to transfer your interest in the rental property.

5. What are our rights and responsibilities?

Initial participation with the NRAS

- 5.1. We must report to the department on the progress of the building of your rental property before allocation of the rental incentive to your property.
- 5.2. We must provide necessary training to your property and tenancy manager and any real estate agent on the NRAS, and the NRAS guidelines and on their obligations to ensure that we receive the rental incentive and that you receive your allocation from that rental incentive.
- 5.3. We must advise the department when a certificate of practical completion and occupancy has been issued by your builder in respect of your rental property.
- 5.4. We must advise the department that your rental property is available for rental and that a valuation of the market rent has been obtained, and that the rental has been set in accordance with the NRAS guidelines.
- 5.5. We must advise the department that your rental property has been rented to an eligible tenant in accordance with the NRAS guidelines.

Rent setting and revision

- 5.6. We must advise your property and tenancy manager of any changes in the income limits to determine what is an eligible tenant, the relevant data for the consumer price index increases to your rent and any changes to the amount of the national rental incentive, or the NRAS guidelines.
- 5.7. We must oversee the process of you and your property and tenancy manager setting the rent, and ensuring that it complies with the NRAS guidelines.

Annual NRAS compliance and reporting

- 5.8. We must keep all documents in relation to your participation in our scheme and the NRAS for at least 5 years from the date of this agreement. We must retain copies of any notification from the department of the payments to you of the National Rental Incentive or the Tax Offset Certificate. We must do this for 7 years from the date of the disclosure statement attached to this agreement.
- 5.9. Every year, we must check your compliance statement and ensure that all information is being completed and is supported by the documents required by the NRAS guidelines.
- 5.10. We must prepare, for our scheme, the annual statement of compliance with the NRAS, by 13 May in each year.
- 5.11. We must check the accuracy of the rental incentive received from the department for your rental property. If there is a discrepancy, we must use our best endeavours to resolve that discrepancy with the department.
- 5.12. We must facilitate any survey required by the department in respect of the operation of the NRAS.

National Rental Incentive payment

- 5.13. We must use our best endeavours to obtain payment from the South Australian Government of its proportion of the national rental incentive.
- 5.14. We must within 14 days of submitting the annual statement of compliance, advise the independent trustee on the allocation of the national rental incentive (if any) for your property in accordance with this agreement and of the NRAS guidelines.
- 5.15. We must immediately pay any money received by us as a rental incentive from either the Federal or State Governments, to the trust account of the independent trustee or to our trust account.
- 5.16. We must, within 14 days of submitting the annual statement of compliance, inform the department of any information it requires to enable the department to send the Tax Offset Certificate for the Federal Government portion of the national rental incentive.
- 5.17. We must use our best endeavours to ensure that the Federal and State Governments do not pay the rental incentive to us but pay to the independent trustee (if any).
- 5.18. We must advise you, within 14 days of submitting the annual statement of compliance and resolving any questions the department may have in relation to our submission:
 - 5.18.1. what is the amount of the national rental incentive that has been allocated to your rental property;
 - 5.18.2. how that has been calculated;
 - 5.18.3. the anticipated amount of the Tax Offset Certificate; and
 - 5.18.4. what you can expect to receive from the independent trustee or us after the deduction of all appropriate fees under this agreement.

- 5.19. We must use our best endeavours to ensure the independent trustee (if any) pays you your portion of the State Government contribution to the national rental incentive as soon as possible.

Assisting you with sale of your rental property with national rental incentive attached

- 5.20. If you wish to sell your rental property, and as part of that sale, wish to transfer the right to participate in our scheme, then we must use our best endeavours to provide prospective purchasers with information on how the NRAS scheme operates and how our scheme operates.
- 5.21. If you have complied with your obligation to seek our consent to the transfer of your rights under this agreement, then we must properly consider your request and not unreasonably or capriciously withhold our consent.

6. What fees are payable to us?

- 6.1. You must pay to us an establishment fee of \$2,200 inclusive of GST on the earlier of when you sign an unconditional building contract with your builder, or when that building contract becomes unconditional. If you already have a new completed rental property which complies with the NRAS guidelines, you must pay us our establishment fee when you sign this agreement. If you cool off, we must pay back that establishment fee within two business days of you cooling off.
- 6.2. You must pay to us a facilitation fee, which is payable from the national rental incentive every year, and which is 12.5% inclusive of GST of that incentive. We have instructed the independent trustee to deduct that from the State Government portion of the national rental incentive and pay that direct to us.
- 6.3. You must pay us an exit fee if you leave the scheme. The exit fee is the greater of 7.5% of the current national rental incentive multiplied by the number of years that your rental property should remain in the scheme, or \$2200 inclusive of GST. There is no exit fee payable by you once your rental property has been in the scheme for 9 years and 9 months.
- 6.4. You must pay the exit fee 30 days before you leave our scheme. If you do not, you authorise us to deduct that payment from any further national rental incentive due to you.

7. What are your entitlements to the national rental incentive?

- 7.1. We anticipate that in October of each year, the independent trustee will receive the State Government portion of the national rental incentive due to us in respect of your rental property for the previous NRAS year. The NRAS year commences on 1 May and ends on 30 April in each year.
- 7.2. We or the independent trustee then deducts our facilitation fee, and pays that to us.
- 7.3. We or the independent trustee is then authorised by us to pay to you the balance of the national rental incentive received for your rental property. This is a cash payment and is not a tax credit. If you have provided a bank account on the schedule on the front page

(or at a later date), we and the trustee are authorised to make a direct credit to that bank account in payment of the amount due to you.

- 7.4. We anticipate that in July of each year the department will send to you a Tax Offset Certificate for the Federal Government portion of the national rental incentive. If that certificate is given to us, we will send it to you as soon as possible.
- 7.5. You acknowledge that if your property is in our scheme for less than the NRAS year, the national rental incentive is calculated on a pro rata basis.
- 7.6. You acknowledge that if your rental property has been vacant for more than 13 weeks during an NRAS year (cumulatively) or more than 13 weeks at any time, the national rental incentive is reduced on a pro rata basis.
- 7.7. The Department may elect to reduce or not pay the national rental incentive if:
 - 7.7.1. You do not comply with the NRAS guidelines; or
 - 7.7.2. You leave the scheme without giving us sufficient notice under this agreement, and we are unable to find another rental property to substitute for your property.
- 7.8. In those circumstances, our facilitation fee is 12.5% inclusive of GST of what the national rental incentive should have been had you complied with your obligations under this agreement and the NRAS scheme.
- 7.9. If you leave our scheme during an NRAS year, you are still entitled to your payment on a pro rata basis for the time that your rental property was part of our scheme.

8. Can this agreement be terminated?

- 8.1. Yes. Either you or us can terminate this agreement if either you or us breach this agreement. However, before giving a notice of termination, you or us must give a written notice to the other specifying the reason why the agreement has been breached and giving the other person 14 days to rectify the breach. If the breach is rectified within that 14 day period, you or us are not entitled to terminate the agreement.

8.2. If the agreement is terminated because of your breach, your right to a payment under clause 7 remains, but we are entitled to direct the trustee to withhold paying that to you pending the resolution of any claim that we may have against you arising from your breach of this agreement. If you agree on the amount of that claim, or a court gives a judgement in our favour for our claim, you authorise us and the trustee to deduct the amount of that claim from any amount due to you by the trustee.

9. What are your indemnities to us?

9.1. You indemnify us against any claim which is made against us by either the Federal or State Governments or both as the result of your failure to comply with any or all of this agreement, your tenancy agreement with your tenant, your agreement with the property and tenancy manager, or the NRAS guidelines.

10. How do we or you give notice under this agreement?

10.1. Either you or us can give a written notice under this agreement if it is addressed to the postal address, facsimile number or e-mail address set out in the schedule on the front page of this agreement.

10.2. In all cases, the written notice is deemed to have been served on the recipient on the day following its sending.

.....
Affordable Housing Consulting Pty Ltd signs here

.....
You sign here

.....
Date

.....
Date



Disclosure statement

1. Affordable Housing Consulting Pty Ltd NRAS offer.

- 1.1. This document may be used when contemplating participating in AHC's NRAS for properties that have been purchased and not yet tenanted. It is not to be used when contemplating purchasing an investment property or if NRAS allocations have not yet been awarded to AHC.

2. Definitions

"Agreement" means the contract between the Owner and AHC to facilitate access to the NRI and to which this disclosure statement is attached.

"AHC" means Affordable Housing Consulting Pty Ltd.

"ATO" means the Australian Tax Office.

"NRAS" means the National Rental Affordability Scheme.

"NRI" means the national rental incentive payable under NRAS.

"Owner" means the investor who holds the title to the Property.

"Participant" means the Commonwealth NRAS Approved Participant.

"Property" means the Owner's property which is part of the scheme.

"Scheme" means the scheme set out in clause 2 of the Agreement.

"FaHCSIA" means the Department of Families, Housing, Community Services and Indigenous Affairs.

3. What is being offered?

- 3.1. Please refer to clause 2 of the Agreement attached to this disclosure statement which sets out what is AHC's Scheme.
- 3.2. Whilst participating in NRAS, the Owner must:
 - 3.2.1. Pay fees to AHC;
 - 3.2.2. Comply with the Commonwealth guidelines of NRAS, which are to:
 - a) rent the property to an eligible tenant;
 - b) charge rent at no more than 80% of market rent;
 - c) report on compliance to the above as at 30th April;
 - d) have the property and tenancy management performed by an approved property and tenancy manager;
 - e) meet all existing State and Commonwealth legislation in relation to residential property;
 - f) arrange for the assessment of market rent, in years 1, 4 and 7.
 - 3.2.3. In return, the Owner is entitled to the NRI paid in relation to their interest.

- 3.2.4. Payment of the Commonwealth Government portion of the NRI is by way of a Tax Offset Certificate issued by FaHCSIA in approximately July of each year.
- 3.2.5. Payment of the State Government portion of the NRI is by way of payment to a trustee or AHC's trust account, who will deduct AHC's fees and pay the balance to the Owner.
- 3.2.6. AHC or any independent trustee will keep for 7 years from the date of this disclosure statement any notification given by FaHCSIA to AHC of:
 - a) The annual payments made to or to be made by the Commonwealth to Owners; and
 - b) The Tax Offset Certificates provided by FaHCSIA to the Owner.

4. What key rights will owners have in relation to the use of their property by AHC?

- 4.1. Whilst participating in NRAS, the Owner:
 - 4.1.1. Is free to exit the Scheme prior to the ending of the NRAS offer (10 years). The Owner must provide 90 days notice and pay the exit fee.
 - 4.1.2. May lease the property to an ineligible tenant, but the Commonwealth may elect to cease paying the NRI for that property. In this event, the Owner has effectively withdrawn from participation in NRAS.
- 4.2. The Owner will not be able to re-join the Scheme once they have left the Scheme.
- 4.3. The Owner has significant day to day control of the property, as the Owner may:
 - 4.3.1. charge whatever rent the owner chooses as long as it is no greater than 80% of market rent. If it is greater than 80% of market rent, the Owner is deemed to have elected to withdraw from participation in the NRAS.
 - 4.3.2. choose their tenant, put in place any terms in the residential lease they see fit, inspect the property, perform maintenance and undertake any improvements as they see fit. The Owner must use AHC's standard tenancy agreement or a suitable tenancy agreement that has been previously approved by AHC.
 - 4.3.3. change their property and tenancy manager (however they must still be approved by AHC and the Commonwealth). AHC will aim to have at least four property and tenancy managers to choose from. As a practical measure, there will be a limit on the number of approved property and tenancy managers.

5. What sort of service is being operated under the scheme and how will it be operated?

- 5.1. The objective of the Scheme is to provide a mechanism which facilitates private residential property investors to gain access to NRAS funding. This funding is normally not available to private individuals.
- 5.2. AHC in collaboration with various property developers has been allocated NRIs relating to properties being built by the property developer, but which is contracted to be bought by the Owner. The property developer with its selling agents will sell NRAS eligible dwellings to Owners and will offer the option to participate in NRAS.

- 5.3. If the Owner wishes to participate, the Owner must choose an approved property and tenancy manager and pay an establishment fee to AHC prior to letting out the property. The Owner must comply with the Commonwealth guidelines of the NRAS.
- 5.4. At the end of each NRAS year the Owner will receive a Tax Offset Certificate relating to 75% of NRAS which will be sent by AHC to the Owner. The remaining 25% of the payment will be made by the State Government into an independent trust account or AHC's trust account. The independent trustee or AHC will distribute an amount equal to 12.5% of the NRI to AHC as a facilitation fee, and the balance of the State Government contribution to the Owner.

6. What are the key terms of the Agreement that Owners are to confer on AHC in relation to the operation of the Scheme?

- 6.1. The right to receive the NRI for the property and receive payment of entry fees, facilitation fees, and exit fees.
- 6.2. The Owner agrees to place the property in the Scheme and comply with the NRAS guidelines.

7. Does AHC own or have rights in relation to any property that may adversely affect:

- a) The operation of the Scheme by a new Operator if AHC were changed; or
- b) The rights of the Owner in relation to either their property or interest in the Scheme if AHC's rights to property cease to be available (for whatever reason) for their intended purpose as part of the overall property or part of the Scheme;

And if so, what are those rights?

- 7.1. AHC has been awarded the NRI by the Commonwealth. The Owner may change the property and tenancy manager or they may choose to cease participating in NRAS. The Owner may sell or retain their property, however they may only transfer the NRI to another party with the prior permission of AHC.
- 7.2. Where AHC is unable to perform its function as the 'Participant', other parties to the agreement may seek to work with Government to find a suitable replacement. However, successful participation within this Arrangement relies on having an approved 'participant'. If there is no approved participant, the Owner will effectively be unable to participate in the NRAS scheme. The Owner will not be able to receive its share of the NRI and all rights and obligations will cease.

8. What are the risks and returns of the investment?

- 8.1. How, in general terms, will the operation of the NRAS by AHC generate returns for Owners?
- 8.1.1. The property will be leased to eligible tenants and be managed the same way any residential tenancy manager would do so. As is general practice, rent is collected regularly and the property is maintained. The financial relationship is between the Owner, Tenant and Property and Tenancy Manager by way of agency agreement and residential lease. The Owner retains responsibility for Rates, Maintenance, Insurance and other property related expenses. The Owner retains the rent received from the tenant.
- 8.1.2. The portion of the NRI payable to the Owner is generated by meeting the NRAS guidelines and is payable after the following steps have been complied with:
- a) For each participating property, AHC submits the consolidated compliance reports to FaHCSIA for the NRAS year (May 1st – April 30th) by May 13th;
 - b) FaHCSIA will issue a Tax Offset Certificate to the Owner or the Participant who will issue it to the Owner;
 - c) The State Government pays the balance of NRI as a tax exempt payment to an independent trustee or AHC's account;
 - d) The trustee or AHC pays out the portion of the NRI due to the Owner in accordance to the guidelines established in the Agreement. Please refer to clause 6 and clause 7 of the agreement.
 - e) The trustee or AHC pays out the portion of the NRI due to AHC.

9. When and how are these returns to be calculated and made available to owners?

- 9.1. For each full year of the scheme the total NRI is \$8,000 which will be indexed to the rental component of CPI, with the base year starting in June 2009 (in 2012/2013 the NRI is \$9,981). The NRI is made up of two components. A Tax Offset Certificate (75% of the NRI) and a non-assessable, tax exempt state contribution payment (25% of the NRI).
- 9.2. Participation or compliance for less than a year will result in the payment being paid on a pro rata basis.
- 9.3. Up to 13 weeks of vacancy in a single year or running concurrently through two years is permitted in the NRAS, but vacancies or longer than this will result in a pro-rata reduction in payment.
- 9.4. Payment will be made to Owners as soon as it practically can, and it is anticipated that this will be some time in October of each year. A Tax Offset Certificate is sent by FaHCSIA in accordance with its guidelines.

9.5. Owners need to include in their considerations the fact that the NRI is payable in arrears. For example the state component of the NRI is payable approximately in October.

10. Are investors in the Scheme guaranteed or promised that they will receive a particular rate of return from the Scheme?

10.1. There is no guarantee or promise given than an Owner will receive a particular rate of return from the scheme.

10.2. NRAS is a Commonwealth Government funded scheme supported by legislation. If all of the conditions are met, the Owner is entitled to the NRI.

11. If so, what are the conditions for receiving the benefits of this guarantee or promise?

11.1. The Owner and AHC must meet the Commonwealth NRAS Guidelines, and

11.2. Necessary compliance reporting must be completed by AHC and the Owner.

12. What (if any) are the circumstances in which the person providing the guarantee or promise may not be able to honour it?

12.1. The Commonwealth withdraws its support for the NRAS Program;

12.2. The Commonwealth withdraws support for AHC as a Participant

12.3. The Commonwealth disputes the compliance of the Owner's property according to the NRAS Guidelines;

12.4. The Property is not available for rent within the timeframes prescribed by the scheme;

12.5. The Owner or its Property and Tenancy Manager does not ensure that the Property meets the NRAS Guidelines;

12.6. AHC is unable to perform its compliance reporting to FaHCSIA on time due to delays beyond its control;

12.7. AHC is unable to perform its duties and a suitable replacement operator cannot be found.

13. What is the financial position of the guarantor or promisor?

13.1. The Commonwealth Government and State Government are the source of the funds for the NRAS.

13.2. AHC's fees are directly tied to the Owner's compliance with the NRAS guidelines and it will use its best endeavours to ensure that each NRI is maximised and paid on time. Only when the NRI is paid, does AHC become entitled to its facilitation fee.

14. On what basis do owners receive returns once the guarantee or promise expires?

14.1. NRAS is a ten year commitment from the State Government and the Commonwealth Government and so payment can be expected for the full ten years. Once NRAS expires, the Owner may generate a return from the property in accordance with normal investment property risks.

15. If returns from the Scheme may vary from what is aimed for or expected, or are otherwise uncertain, what are the main factors which will affect the level or return?

15.1. If AHC or the Owner does not comply with the NRAS guidelines, the NRI may not be paid by the Commonwealth Government and the State Government. Therefore, returns vary in the following ways:

- 15.1.1. the Owner rents the property to an ineligible tenant;
- 15.1.2. the Owner sells or otherwise disposes of a property and does not substitute another equivalent property in its place;
- 15.1.3. an approved property is vacant for more than 13 weeks in an NRAS year (cumulatively) or more than 13 weeks at any time;
- 15.1.4. an approved property is not rented at least 20 per cent below current market rates for equivalent dwellings;
- 15.1.5. the Owner or Property Manager fails to report on the property's compliance;
- 15.1.6. AHC is unable to perform its duties.

16. Do Owners have potential liability to pay money in relation to the scheme in any circumstances? If so, what are these liabilities and what main factors will affect the amount of these liabilities?

16.1. The additional costs besides fees payable to AHC in relation to the Scheme and which are to be negotiated between the Owner and other third parties include the following:

- 16.1.1. Property rent valuation by an independent valuer at years 1, 4 and 7;
- 16.1.2. Additional property and tenancy fees that the Property and Tenancy Manager may charge to cover their costs in relation to additional compliance activity;
- 16.1.3. Owner's personal and professional advice in relation to participation;
- 16.1.4. The Owner must pay expenses to statutory authorities and other persons to own the property, such as insurance premiums, rates, taxes, emergency services levy and strata Corporation fees;
- 16.1.5. Maintenance, repairs and other costs normally incurred in operating rental property;
- 16.1.6. Repair of damage caused by tenants to the rental property.

17. Is there a suggested minimum period of time that an Owner's investment should remain in the Scheme? If so, why is that period suggested and what, if any, are the kinds of qualifications on the suggestion?

17.1. AHC suggests that Owners participate for the full period of NRAS which is ten years. Exiting prior to this will incur exit fees to cover the cost of AHC finding a replacement participant. By avoiding exit fees, returns for the Owner are optimised.

18. What are the main factors that will affect the value of any property that is offered for sale in conjunction with the offer of an Interest in the Scheme, at the time of sale, during the operation of the Scheme and on termination of the Scheme?

18.1. Transferring an interest in the scheme to the new owner of the same property is possible and requires the permission of AHC. AHC will not unreasonably withhold permission. Exit fees are still payable. However, if an Owner chooses to sell the Owner's property with the ability to participate in the Scheme, the underlying value of the property is not affected, and it is an issue for the market to determine whether participation in the Scheme adds or detracts from the value of the property.

19. What are the fees, charges, expenses and taxes associated with the Scheme?

19.1. Fees are:

19.1.1. Establishment fee of \$2,200 (inclusive of GST) payable prior to renting out the property, and

19.1.2. Facilitation fee of 12.5% inclusive of GST of the NRI for each year of participation.

20. What fees, charges, expenses or taxes, if any, are payable by an Owner in respect of withdrawal in the scheme?

20.1. Exit fees are the greater of:

20.1.1. 7.5% of the NRI x number of years remaining in the scheme, or

20.1.2. \$2,200 inclusive of GST.

20.2. However, no exit fees are payable once the rental property has been in the scheme for nine years and nine months.

21. What fees, charges, expenses or taxes are deducted from the assets or income of the Scheme or are otherwise paid by Owners?

21.1. Nil.

22. What are the general kinds of tax that are likely to be payable on an Owner's returns on investment in the Scheme?

- 22.1. The Tax Offset Certificate is not taxable in the hands of the Owner and the State Government contribution is not taxable income.
- 22.2. The Owner is strongly advised to obtain independent accounting or tax advice on the Owner's return on investment in the scheme.

23. Who is AHC and what are its credentials in operating such schemes?

- 23.1. AHC is an expert in NRAS and consults to several large organisations to assist with their NRAS applications. Paul Mitchell, the founder of AHC, has been (but is no longer) working in the field of affordable housing for several years within State Government with a particular focus on NRAS since the scheme was proposed by the Federal Government. Prior to working in State Government, Paul Mitchell has 14 years management and operational experience in the private sector. Staff of AHC have significant operational and systems experience to successfully manage the administration of this Scheme.

24. What are the credentials of any person engaged by AHC to provide services for the Scheme on AHC's behalf?

- 24.1. The following are appointed property and tenancy managers, operate over the entire Adelaide metropolitan area, have been trained by AHC and receive ongoing compliance support. There are additional approved property managers who service particular markets or specific geographical locations. The property managers and the areas they service may change from time to time, please contact AHC for current details.

Affordable Property Management Pty Ltd

RLA 228855
Level 2, 300 Flinders Street
Adelaide SA 5000
Tel: 08 8232 7623

AdProp Pty Ltd

RLA 199528
Suite 6/161 Ward Street
North Adelaide, SA, 5006
Tel: 08 8361 9555

Freemak Property Pty Ltd

RLA 233790
Level 5, Tower 2
121 King William Street
Adelaide, SA, 5000
Tel: 08 8423 4484

HLB Mann Judd

RLA 172095
169 Fullarton Road
Dulwich, SA 5065
Tel: 08 8133 5020

Refined Real Estate

RLA 217949
278 Anzac Highway
Plympton SA 5038
Tel: 08 8357 9001

25. When and how can an Owner withdraw from the Scheme?

25.1. Following the provision of 90 days written notice to the property and tenancy manager or AHC.

26. Can the interest in the Scheme be transferred and if so in what circumstances and what legal requirements apply?

26.1. Yes, if the Owner wishes to sell its property, and as part of that sale, wishes to transfer the Interest in the Scheme, then AHC must use its best endeavours to provide prospective purchasers with information on how the NRAS scheme operates and how the Scheme operates

26.2. If the Owner advises AHC that it wishes to sell its property without transferring the Interest in the Scheme, then AHC can immediately start looking for a substitute property to participate in the Scheme. If AHC finds a substitute property, and the Owner's intentions then change so that it then wishes to transfer the interest in the Scheme as part of the sale of the property, AHC can refuse consent. However, if neither AHC, nor the Owner find a substitute property, then the department may refuse the rental incentive for the current financial year, even if the Owner has been compliant up to that time.

26.3. If the Owner has complied with its obligation to seek AHC's consent to the transfer of its Interest under the Scheme, then AHC must properly consider its request and not unreasonably or capriciously withhold its consent.

27. What information can be obtained?

27.1. How can the entity signing the disclosure statement be contacted?

Affordable Housing Consulting Pty Ltd.
Level 2, 300 Flinders Street
Adelaide SA 5000
Tel: 08 8232 7623
Email: cameron.garry@nras.com.au

28. When and how is the Operator to report to an Owner in the Scheme on the operations of the Scheme (including the Scheme's performance)?

28.1. Owners will be advised by way of annual Statement prior to the payment of the NRI of the anticipated amount of the Tax Offset Certificate payment to be received by the Owner. At that time, the Owner will also be advised that AHC has complied with its obligations under the NRAS guidelines.

29. Should the owner seek further advice?

29.1. When contemplating participation in the NRAS Agreement and the Scheme a person should consider consulting any or all of the following:

- 29.1.1. An investment advisor who is either a financial services licensee or an authorised representative of a financial services licensee;
- 29.1.2. A taxation advisor;
- 29.1.3. A lawyer.

30. Does the Owner get a cooling off period?

30.1. Yes. The Owner gets two business days after signing of the agreement and receiving this disclosure statement to cancel the agreement and the Owner's entry into the scheme. The Owner does not have to give a reason. The Owner must give the notice of cooling off in writing.

Date of Disclosure Statement: 18th September 2013