



Family First in Hospitality
ABN: 70 002 615 974
222 Carthage Street
Tamworth NSW 2340
Phone: 02-6766-5331
Fax: 02-6766-1000
Mobile: 0428-668-357
Email: russ@familyfirst.net.au
Web: www.familyfirst.net.au

Re: Explanation on services offered to purchase an Investment Motel

There is no easy approach in purchasing an investment motel, however, I can simplify the process by making you aware of any financial abnormalities motel when comparing it with my extensive financial benchmark averages of similar motels.

Information is supplied allowing you to assess and form an objective opinion on the financial structure of the motel business. If specialised advice is required, I refer you to people who are qualified in the field.

In the early stages, I can work closely with your Accountant supplying further financial information if required.

In essence, the motel has to have an excellent location and be easy to run. This ensures that the Lessees will be able to control the business and maintain profits.

I can offer a management service that is a backstop for the Lessee in running the motel business and that they operate within the lease.

The assistance in the purchase of an Investment Motel comes in two levels allowing you to choose which level suits you. Once chosen I assist you in analysing the motel comparing the figures with benchmarks from over 15 years of trading comparisons of motels sold in NSW.

Once you have chosen the motel, purchasing and negotiation assistance is again your choice.

Services:

- 1. Financial Analysis:** Detailed financial reports using benchmark comparison data
- 2. Purchase and Negotiation:-** Complete assistance under a Business Agency Agreement

Cost Base for Service:

1. The Financial Analysis: \$1650.00 including GST (Note includes free attendance to seminars)

I have prepared an instruction sheets giving you explanations on the types of businesses together with an "Inspection Template" on what to look for during an inspection.

It is customary for you carry out the initial inspection to ascertain if you like the general aspects of the motel and surrounding area. If the motel passes a preliminary analysis of the financials verifying that the turnover and net profit are in line with the asking price, a full financial due diligence is necessary if you intend to proceed further.

The following are included in the Financial Analysis"

- The Financial Analysis includes up to 20 pages of pertinent information about the financial structure of the motel allowing you and your Accountant to assess positives and negatives of the financial business within the motel.
Up to three financial due diligences for separate properties are included in the cost.
- Prepare a full analysis of the motel including your actual net financial position after allowing for repayment of principle and income tax.
- A finance application is prepared including a projected 1st year trading Profit & Loss Account together with a 5 year projected cash flow on the motel including a financial risk assessment and break-even confirmation. (Note: This report will include an indicative interest rate and loan conditions set by the financier based on the assessed risk of the motel and your aptitude.)
- Provide a "Sales Control Sheet" which details every facet of the sale process over a 12-week period.

The "Financial Analysis" is deemed a **financial agreement** and **not a business agency agreement.**

2. The Purchasing Phase: As per attached Agency Agreement

Once the motel has been selected and the financial due diligence has been accepted by you and your Financial Advisor.

Negotiation and purchase of a motel business is a complex process, which varies with each situation. I set out below what I consider the main aspects of the motel purchasing process.

- a) Ascertain if a contract is available and if not when it will be supplied, including copy of lease if a leasehold property.
- b) Accompany you to carry out a physical inspection and prepare a written schedule itemising the condition, structure, plant fittings and fixtures, room furniture and bathroom layout of the motel.
- c) Ascertain a value of the motel and plan a negotiation strategy subject to receiving contract for sale.
- d) Establish how far the vendor will negotiate within our price assessment or wait for contacts. (Note: It is important to have a contract before you submit an offer because without a contract you cannot enter into a binding agreement. I have found in many cases while you wait for a contract you lose the sale due to another party offering more following our efforts in negotiating an acceptable price.
- e) The motel business is your leasehold therefore it is imperative that if a lease is in existence it be interpreted making sure there are no ambiguous clauses that could be read against you. There are many other factors, which are covered in the original financial due diligence report carried out in 1. Financial Analysis.
- f) In anticipation of receiving contracts, prepare an inventory of fixtures and fittings to be annexed to the contract.
- g) Once contracts have been received and the price confirmed, I provide a "Sales Control Sheet" which shows every facet of the sale process over a 12-week period. I retain a copy so I can work with you through the process.
- h) Complete a finance application and prepare a projected 1st year trading Profit & Loss Account together with a projected 5-year cash flow on the motel including a financial risk assessment and break-even confirmation. On completion of sale, all duties will be carried out as per "Sales Control Sheet" mainly being.
 - a. Inventory check
 - b. All other financial adjustments.
 - c. Liaise with the Solicitors and financial institutions to complete settlement.

There are a lot more duties to carry out. This is an assessed overview so when a situation arises I either handle it on your behalf or seek instruction, subject to our form of agreement.

- i) I assist you in understanding the importance of Occupational Health & Safety systems.

I trust my presentation assists you in seeing the benefits offered in the process of selecting and purchasing a suitable investment motel.

You are assured of my total commitment in assisting you in this process.

A fee applies to this service in the form of an Agency Agreement whereby you engage me to **act as your agent** to purchase the motel of your choice.

It is a total service where I form a close association with you to obtain a motel at the best price.

Deducted from this fee is the Financial Due Diligence fee of \$1650.00 including GST.

Seminars at Port Macquarie:

Seminars are conducted every two months in the conference rooms at Quality Inn & Suites Port Macquarie where a hands on approach is offered in the purchase and running of a motel.

This gives you an excellent opportunity to meet potential Lessees who attend the seminars seeking Leasehold motel businesses.

Please download a brochure for the seminar from the web site www.familyfirst.net.au or telephone Megan on 02-6583-3266 for a brochure to be mailed to you.

Kind Regards,

Russ Dodson

RD: 4/7/05

AGENCY AGREEMENT

BETWEEN:.....known as the **PRINCIPAL** ABN:.....GST Registered Y/N

ADDRESS:.....TOWN:.....NSW:.....POST CODE:.....

AND: Dodson Developments Pty Limited Trading as Family First in Hospitality of 222 Carthage Street Tamworth NSW 2340 ABN: 70 002 615 974 Registered for GST Phone Number 02-6766-5331 Fax: 02-6766-1000 Mobile 0428-668-357 known as the **PURCHASING AGENT** and stated as **AGENT** in this agreement

FOR INFORMATION OR PURCHASE OF: a motel **BUSINESS**, being either leasehold, freehold, investment freehold or any combination of the above:

The PRINCIPAL is seeking a BUSINESS in the general price range of \$..... to \$..... and warrants that they have the authority to enter into this agreement.

1. The agreement is for a period of three months from/...../..... expiring on/...../..... whereby the AGENT agrees to assist the PRINCIPAL in the search for a BUSINESS using the AGENT'S experience and diligence to assess the businesses nominated. The agreement may be terminated by either party giving written notice but without prejudice to either party's rights accrued obligations incurred prior to the effective termination.
2. Unless otherwise instructed, the AGENT may allow other Agents to act in conjunction. (Only one commission is payable)
3. The AGENT'S fee is calculated on the GST exclusive purchase price of the transaction excluding stock at valuation. For Freehold & Investment motels the AGENT'S fee is one point seven five percent (1.75%) excluding GST **or** one point nine two five percent (1.925%) including GST **or** for Leasehold Motel Businesses two point five percent (2.5%) excluding GST **or** two point seven five percent (2.75%) including GST (A minimum fee of \$11,000.00 including GST will apply)
4. In accordance with Section 47 Disclosure of the Property, Stock & Business Agents Act 2002 The following fees received due to referral of services by the AGENT will be deducted from the AGENT'S total selling fee on completion or reimbursed to the PRINCIPAL when received by the AGENT: Finance trail commissions of between 0.00% and 0.25% per month on outstanding balance of loan are excluded from the commission reimbursements.
 - a) Financial Due Diligence Fee and any immediate seminar fees paid.
 - b) Initial Finance Broker's introduction fee in the application of finance for the PRINCIPAL.
 - c) Initial commission received by the introduction of insurance on the BUSINESS.

Example: (Freehold Purchase)			
Fee on a Purchase price of \$1,000,000.00			
Fee: 1.75% of Purchase Price			\$17,500.00
Less:	Name of Person:	Nature of Relationship	Amount of Consideration
	Russ Dodson	Consultant	Fee excluding GST \$ 1,500.00
	Russ Dodson	Finance Broker	On \$600k mortgage say, \$ 2,400.00
	Oxley Insurance Brokers	Insurance Broker	50% of Gross Commission \$ 450.00
			\$ 4,350.00
	Assessed Net Fee excluding GST	<i>(Note the fee below is not deducted from commission)</i>	\$ 13,150.00
	Russ Dodson	Finance Broker	0.00% to 0.25% trail per month of outstanding loan balance

5. If the PRINCIPAL enters into a purchase within the nominated agency period stipulated in clause 2 hereof the AGENT extends his obligations and service for a further period mutually agreed upon by both parties.
6. The AGENT will attend and do all things necessary to facilitate a purchase.
7. Any expenses incurred by the AGENT are the responsibility of the AGENT being part of the negotiated fee and cannot be claimed against the PRINCIPAL unless previously agreed upon.

THESE FEES HAVE BEEN NEGOTIATED BETWEEN THE PARTIES TO THE AGREEMENT

8. Deposit monies paid by the PRINCIPAL shall be held by the Listing Agent or if there is no Listing Agent held by the Vendor's Solicitor or Real Estate Agent in a trust account named as stakeholder pending completion.

Dated thisday of.....2005

.....

Dodson Developments Pty Limited
Trading as: Family First in Hospitality
Corporation Lic.No. 1139294

.....
The PRINCIPAL(S)

.....
PURCHASING AGENT, R.B.Dodson Licence No. 158443

Annexures attached to the agreement: "Annexure A" – Explanation on services performedInitial
Please initial acknowledgement of receipt of Annexures "Annexure B" – Privacy PolicyInitial
 "Annexure C" - Section 47 DisclosureInitial
Copy of Agreement is retained by PrincipalInitial

RD-13/4/05 - FH

Assuring peace of mind in the acquisition & ownership of motels

**PROPERTY, STOCK AND BUSINESS AGENTS ACT 2002
SECTION 47 DISCLOSURE**

To:

Of:

Purchase Of:

We set out below:

- The nature of our relationship with each person named below to whom we have referred you for professional services associated with the sale.
- The amount or value of monetary or other consideration, which we derive or expect to derive from each person.

Name of Person	Nature of Relationship	Amount or value of consideration
1. Russ Dodson	Finance, Business relationship	See Explanation on Page 2.
2. Andrew Richmond	Insurance, Business relationship	See Explanation on Page 2.
3. Antonio Franko	Consultancy, Business relationship	See Explanation on Page 2.
4. At the discretion of Agent	Casual Business relationship	See Explanation on Page 2.
5.		
6.		

We further set out below, as far as we know, the amount, value or nature of any benefit any person has received, receives, or expects to receive in connection with the sale/purchase, or for promoting the sale/purchase, or for providing a service in connection with the sale/purchase, of the business and/or land.

Name of Person	Capacity	Amount, value of any benefit
1.		
2.		
3.		
4.		
5.		
6.		

Family First in Hospitality

..... Russell Bruce Dodson License No. 158443
(Signature of seller's agent) (Print name of seller's agent)

Dated:

IMPORTANT NOTICE TO THE PURCHASER:
This form must be given to you before you enter into a contract for sale of the above property.
If it is given to you afterwards you should not sign below.

We acknowledge receiving this disclosure form before entering into a contract for sale of the above property.

Signature of each purchaser

.....

Dated...../...../.....

PROPERTY, STOCK AND BUSINESS AGENTS ACT 2002

SECTION 47 DISCLOSURE

Explanation of Commission received by the Agent for Financial Services, Trade and Legal referrals, if any:

Mortgage Referrals No. 1:

No. 1 - Mortgage Referrals:

Russell B. Dodson (Licensed Business Agent) License Number 158443 of Family First in Hospitality is also Commercial Finance Consultant hereinafter called the Agent, who sources finance through Australian Finance Group (NSW) Pty Ltd (AFG) ABN 61 068 078 115 a registered loan aggregator, National Australia Bank 1/400 White Street Tamworth NSW 2340 and Oxley Finance Brokers Pty Limited of 145 Horton Street Port Macquarie NSW 2444 at different times.

The referral commission the Agent may receive is not ascertainable at the date of this disclosure. The referral commission paid to the Commercial Finance Consultant by AFG is for the introduction and processing the loan details on behalf of the prospective buyer.

The up-front commission, the Commercial Finance Consultant may receive from the Aggregator, will generally be between 0.25% to 0.85% of the amount advanced. The trailing commission the Commercial Finance Consultant may receive will generally be between 0.00% and 0.025% per month of the outstanding balance of the loan obtained. The commission to be paid within this range will depend on the identity of the lender, type of loan obtained, the performance of the Commercial Finance Consultant in generating referrals and the amount actually borrowed by the buyer.

No. 2 - Insurance Referrals:

Oxley Insurance Brokers, 1/145 Horton Street, Port Macquarie NSW 2444 Phone 02-6588-7600

The Agent has entered into a referral arrangement with the above Insurance Provider As part of a referral arrangement between the Provider, the Provider provides insurance services to the Agent.

The commission the Agent may receive is not ascertainable at the date of this disclosure but generally will be in the range of 0%-40% of the commissions received by the Provider. The actual commission to the Agent may depend on the identity of the Insurer, the type of insurance product, the performance of the Agent in generating referrals and the level of premiums under the relevant insurance policy.

No. 3 - Consultancy Referrals:

The Agent has entered into a referral arrangement with Entrepreneur Business Centre Perth W.A. (EBC) who may provide benchmark and associated information direct to the applicant. A division of CCH Small Business Phone 1300-300-586.

The commission the Agent may receive is not ascertainable at the date of this disclosure but generally will be in the range of 10%-20% on the amount paid for the publication.

No 4 - Referrals at the discretion of the Agent:

Legal, Accountancy, and Trade Services such as Pest Reports referrals may be offered to the prospective Purchasers allowing them to select experienced and knowledgeable personnel to assist them in the purchase process. There is normally no monetary gain to the Agent for these referrals.

No 5

No 6

Benefits to Other Persons

No. 1:

No. 2:

No. 3:

No. 4:

No. 5:

No. 6:

Confidentiality Agreement

**BETWEEN the owner of the motel 2. (called the Vendor) of One Part:
AND the Prospect (called the Interested Party) of the Second Part:**

The Business being a Motel:

In consideration of the VENDOR disclosing, making available or providing the identity of the BUSINESS, the Business Profile, or Information Memorandum, together with any other information relating thereto, (including all financial information, marketing information, technical information and any other information or documents in whatever form relating to the BUSINESS and provided by or on behalf of the Vendor to or on behalf of the INTERESTED PARTY, whether orally or in writing, is referred to as "**Confidential Information**".

It is HEREBY AGREED with Family First in Hospitality of Tamworth being the PURCHASER'S AGENT.

1.1 to use the confidential information only for the purpose of evaluating the proposed purchase of the mentioned BUSINESS, indicated in this agreement.

1.2 to inform everybody to whom we disclose the confidential information, that it is confidential information and to obtain his/her/its agreement to keep it confidential on the same terms as this agreement.

1.3 to use such confidential information exclusively for the permitted purpose and not use the confidential information for any purpose other than the permitted purpose.

1.4 to refrain at all times whether in N.S.W. or elsewhere from disclosing or imparting to any other person or allowing or suffering any person to disclose or impart any of the Confidential Information to other persons.

1.5 to refrain from allowing or suffering any person to inspect, view, take extracts or copy any part of the Confidential Information, excepting our professional advisers.

1.6 to return all such Confidential Information to the VENDOR or PURCHASER'S AGENT within seven days, if requested, or immediately should we decide not to purchase the BUSINESS.

1.7 refrain from contacting or dealing directly with the VENDOR or visiting the premises without the express consent of the PURCHASER'S AGENT.

1.8 that unless we actually purchase the BUSINESS, we agree not to make use of any of the confidential information obtained from the VENDOR or PURCHASER'S AGENT in our present or future business ventures.

ACKNOWLEDGEMENTS

The INTERESTED PARTY hereby acknowledges that:

2.1 the PURCHASER'S AGENT has pointed out that the Confidential Information provided to us has been provided by the VENDOR, or the VENDOR'S representatives or advisers or compiled by the PURCHASER'S AGENT from material obtained from the VENDOR or the VENDOR'S representatives or advisers, and should be checked independently for accuracy and truth.

The PURCHASER'S AGENT informed us that it is not possible for the PURCHASER'S AGENT to check the validity of such information and invited us to make our own inquiries in relation to the financial and other data concerning the above business.

The PURCHASER'S AGENT also warned us that any indication of past performance was in no way a warranty or representation that a new owner would be able to achieve such results in the future and advised us to seek independent advice as appropriate before proceeding with any purchase.

2.2 the VENDOR will suffer loss and damage from any breach by us of any of the duties under this agreement.

2.3 the PURCHASER'S AGENT has been solely instrumental in our being introduced to the BUSINESS.

2.4 the terms and conditions of this agreement shall continue after the BUSINESS is sold.

2.5 This Agreement is governed by and will be construed in accordance with the laws applicable in New South Wales, and is subject to the non-exclusive jurisdiction of the Supreme Court of New South Wales.

Signed By:

.....
VENDOR

.....
INTERESTED PARTY/PARTIES

.....
WITNESS

.....
WITNESS

Dated: Thursday, 23 February 2006

RD: 16/6/05



FAMILY First in Hospitality

ABN: 70 002 615 974

222 Carthage Street

Tamworth NSW 2340

Phone: 02-6766-5331

Fax: 02-6766-1000

Mobile: 0428-668-357

Email: russ@familyfirst.net.au

Web: www.familyfirst.net.au

Privacy Act 1988:

In our agency business we use personal information collected from owners/principals and prospective owners/principals to perform obligations in assessing the business or property under our agreement with those parties.

We also use personal information collected from purchasers and prospective purchasers to inform them of properties for sale. We may use the information for direct marketing purposes and to seek potential clients through the promotional activities of our agency business.

We may disclose information to other parties including potential purchasers or vendors, or to media organisations, on the internet, or to clients both existing and potential, as well as to parties engaged to evaluate the property, for example pest and building inspections, etc., and to owners' corporations, government and statutory bodies, financial institutions, valuers and to third parties as required by law.

In providing us your personal information we will ask that all parties agree to this declaration of use of information supplied unless we are advised to the contrary.