



Annexure “A”

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

The Motel Analysis program is an overview in making you aware of any financial abnormalities in a selected motel when compared with similar motels. The report relies on benchmark of averages over a 15-year period and shows comparisons with Benchmarks supplied by CCH & EBC.

Information is collected from the Motel's Profit & Loss accounts supplied by the Owner of the motel and entered into a special analysis software program. You have the option for Family First to enter the information (see below) or do it yourself. Once the information is inserted, you add your financial status and view the results. The program assesses the motel on Industry Benchmarks and assesses your financial eligibility using typical Bank finance ratios for the type of motel business and accounting entity stated.

If you want to carry out the analysis yourself, you may purchase the program for \$165.00 Inc GST which is provided in a CDROM. Family First will provide initial assistance in the use and understanding of the program.

Our service is available at three levels allowing you to choose a level that suits you.

Services:

1. Financial Analysis:- Including CDROM
2. Additional Assistance:- Attend a Physical Inspection of the Motel
3. Negotiation and Purchase:- Complete assistance under a **Business Agency Agreement**

1. The Financial Analysis: \$1650.00 including GST (Note: Includes free attendance to next seminar)

Included in the CDROM are instruction sheets giving you explanations on the types of businesses together with an "Inspection Template" on what to look for during an inspection.

This service is provided over a three-month period where information is provided allowing you to understand the financial viability of the motel business you select. If necessary, up to four "Snap" Financial Analyses are included during this period allowing you easily compare key aspects of each motel.

You attend the physical inspection ascertaining if you like the general aspects of the motel and surrounding area. If the motel passes a preliminary analysis of the financials and your finances appear to be within the Bank guidelines. At this time you must decide if you want to commence negotiations to purchase on your own or with assistance.

The following services are included in the 1. The Financial Analysis

- a) The Financial Analysis involves a detailed breakdown of the motel operation (excluding Restaurants and Convention Centres) allowing you and your Accountant to assess positives and negatives of the financial business within the motel.
- b) We prepare a report of the motel including your actual net financial position after allowing for repayment of principle and income tax.
- c) A template finance application is prepared including a projected 1st year trading Profit & Loss Account together with a 3 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.)
- d) Provide a "Sales Control Sheet" which details a count down of the sale process over a 12-week period.
- e) Provide a chart of accounts for a typical motel for Quicken (Home & Business 2005/06) which is easy to master and is formatted to prepare quarterly BAS reports. We are currently looking at MYOB.
- f) Supply basic Occupational Health & Safety programs from templates supplied in Microsoft Word programs.
- g) Supply data on proven effective cleaning systems and chemicals with information allowing you to comply with current Workcover and Dangerous Goods legislation.

The "Financial Analysis" is deemed a **Service Agreement** and **not a Business Agency Agreement**.

2. Additional Assistance: Additional \$1650.00 inc. GST – for motels within 300km traveling distance

This service includes one physical site inspection and assistance showing what to look for, such as WorkCover Issues, Insurance Risk Overview and other little things that are most often overlooked. Of course the most obvious are also addressed being condition of the building, beds, cleanliness issues and much more. This assistance is not a building report or valuation it is an awareness exercise. When an area is suspicious a professional must be summoned. A written report is produced of the inspection.

3. Negotiation and Purchasing: As per attached Agency Agreement – Annexure “A”

Once the motel has been selected and you, your Accountant or Financial Advisor, have accepted the Financial Analysis. Negotiation for purchase of a motel business/freehold begins.

Set out below are 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) We 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) If the motel business is leasehold it is imperative that the lease be interpreted ensuring there are no ambiguous clauses.
- f) In anticipation of receiving contracts, prepare an inventory of plant fixtures and fittings to be annexed to the contract.
- g) Once contracts have been received and the price confirmed, a “Sales Control Sheet” is provided which shows the sale process over a 12-week period.
- h) Complete a finance application and prepare a projected 1st year trading Profit & Loss Account together with a projected 3-year cash flow on the motel including a financial risk assessment and break-even confirmation. (Note: This report will dictate the interest rate and loan conditions set by the financier based on the assessed risk (cash flow) of the motel and your aptitude and previous experience.)
- i) On completion of sale, all duties will be carried out as per our “Sales Control Sheet” mainly being.
 - a. Stock Take
 - b. Inventory check
 - c. Adjust cash floats and deposits from forward bookings
 - d. All other financial adjustments.
 - e. Liaise with the Solicitors and financial institutions to complete settlement.
- j) Once completion of the sale has taken place you may require guidance in understanding the front and back office systems. Included in the fee, I have prepared computer hardware packages and a back office accounting structure with a chart of accounts within Quicken (Home & Business 2005/06). It is formatted to prepare monthly, quarterly BAS reports.
- k) Assist you in setting up Occupational Health & Safety systems from templates supplied in Microsoft Word and Excel programs.
- l) Assist you in setting up a cleaning program selecting proven safe effective cleaning chemicals, which should comply with current WorkCover and Dangerous Goods legislation.

A fee applies to this service made in the form of an Agency Agreement whereby you engage Russ Dodson to **act as your agent** in the purchase of a motel. (Please refer to Agency Agreement for fee structure)

Deducted from this fee is the initial Financial Analysis fee of \$1650.00 including GST, seminar fees, financial brokerage fees and any other fees obtained during the purchasing process.

Excluded:

Due to the complexity in the operation of Restaurants and Conference Facilities, we cannot analyse those areas in detail within the above brief. If the motel you are seeking includes a restaurant and you have no experience in this area, we suggest that a preliminary discussion take place. Comprehensive details of restaurant benchmarks are included in our reports but not the detailed analysis which is recommended.

Seminars at Port Macquarie:

Quarterly seminars are conducted in the conference rooms at Quality Inn & Suites Port Macquarie where extensive information is given in the analysis, purchase and initial basics of operating a motel.

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.

1. 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.
2. 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.
3. Unless otherwise instructed, the AGENT may allow other Agents to act in conjunction. (Only one commission is payable)
4. 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)
5. 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: (Leasehold Purchase)			
Fee on a Purchase price of \$400,000.00			
Fee: 2.5% of Purchase Price			
			\$10,000.00
Less:	Name of Person:	Nature of Relationship	Amount of Consideration
	Russ Dodson	Consultant	Fee excluding GST \$ 1,500.00
	Russ Dodson	Finance Broker	On mortgage of say \$200k \$ 800.00
	Andrew Richmond	Insurance Broker	50% of Gross Commission \$ 350.00
			<u>\$ 2,650.00</u>
	Assessed Net Fee excluding GST	(Note the fee below is not deducted from commission)	\$ 7,350.00
	Russ Dodson	Finance Broker	0.00% to 0.25% trail per month of outstanding loan balance

6. 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 usually extended a further six weeks after completion of sale.
7. The AGENT will attend and do all things necessary to facilitate a purchase.
8. 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

9. 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 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
<i>Please initial acknowledgement of receipt of Annexures</i>	“Annexure B” – Privacy PolicyInitial
	“Annexure C” - Section 47 DisclosureInitial
	Copy of agreement retained by PrincipalInitial

RD-1/9/04-LH

Assuring peace of mind in the acquisition & ownership of motels



FAMILY First in Hospitality

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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.

Acknowledged as Annexure B to the attached Agency Agreement

**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 inquires 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