



## COMMONLY USED TERMINOLOGY

<b>Terminology</b>	<b>Explanation</b>
3, 2 Rule	Percentage of the MR (Management Rights) business sale price which maybe charged by the BC (Body Corporate) in the event of a sale within the first 2 years of ownership. 3% in year 1 and 2% in year 2.
Accommodation Module	The module to which the majority of new schemes are utilising. For lenders the primary feature is the agreement term benefits of 25 years inclusive of options.
Accountant's Verification	Process undertaken by purchaser's accountant to ensure the accuracy of financial statements on which net profit for sale purposes is calculated. Also a critical document required by the banks for lending assessment.
Audits	Each year the OFT (Office of Fair Trading) requires 3 audits to be conducted by the on site managers accountants. One of these audits must be submitted to the OFT annually. Resident Letting Licence renewals are subject to the OFT receiving a satisfactory audit in the 8 to 12 months after the licence was granted and annually within that time frame thereafter.
BCCMA	Body Corporate and Community Management Act legislation administering strata schemes including management and letting agreements.

Body Corporate (BC)	The legal term which refers to the consolidated entity which includes all the lot owners of the scheme
Body Corporate Committee	Group of elected lot owners which has the power to vote on specific matters and decision matters concerned with the day to day running of the scheme. Does not have the power to vary agreements but can approve assignments.
Body Corporate Manager	A business set up to provide BC management services to multiple individual body corporates. Will attend to such matters as organising AGMs, providing BCCMA opinion to committee and administering the collection of levies and payment of creditors.
Body Corporate Salary	The sum paid to the resident manager by the BC under terms of the caretaking agreement. Salary is to cover duties required to be undertaken by the resident manager under the caretaking agreement.
Clawback / Retention	Refers to the contractual mechanism by which an intending purchaser of an "off the plan" MR can ensure that the number of units projected to be in the letting pool at settlement is achieved.
Common Property	Property within a strata scheme which vests with the BC rather than with any individual lot owner
Deed of Assignment	Document entered into between an outgoing manager, the incoming manager and the BC allowing for the transfer and assignment of the management and letting agreements. Requires the approval of the BC committee.
Deed of Authorisation	Document used to adopt and/or amend the Letting Agreements in certain circumstances.
Deed of Engagement	Document used to adopt and/or amend the Management Agreements in certain circumstances.

Deed of Variation	Document entered into between the BC and the resident manager varying the terms and conditions of the management and/or letting agreements.
Due Diligence	Process undertaken by the purchasers solicitor to ensure all documentation is in order in respect to the agreements, previous assignments and compliance with appropriate legislation.
Exclusive Use	An area of common property the use of which attaches exclusively on one particular lot.
Leaseback	An arrangement whereby a resident managers leases units in a scheme direct from the owners on the basis that the units are then on let for a higher return than paid to the owner under the leaseback arrangement.
Letting Agreement	An agreement between the BC and the on site manager whereby the BC agrees to allow the manager to provide exclusive letting services to the lot owners within the scheme.
Letting Appointment	Written agreement under POA Form 6 by which the owner of a lot appoints a licensed party to act on their behalf and account for funds via a trust account.
Letting Pool	The combined number of units within the scheme who have entered into a letting appointment with the on site manager.
Levies	Amounts payable by lot owners in a scheme to ensure the coverage of costs associated with the day to day running of the scheme. Standard levies cover sinking fund contributions, body corporate management fees and the on site managers salary. Special levies can be required from time to time to meet any major expenses for refurbishments, upgrades etc.

Lot Owners Deed	Document entered into between the BC and the onsite manager where the owner of the manager's lot is not the same party as the owner of the MR business
Management Agreement	As agreement between the BC and the on site manager whereby the manager agrees to perform certain duties for an agreed remuneration.
Occupation Authority	Document entered into by the BC allowing use of common property that is not classified as exclusive use.
Off the Plan	Refers to a management rights business being purchased prior to the construction and/or completion of the subject development.
OFT	Office of Fair Trading which administers compliance with the POA Act including licensing and trust accounting.
On Title	Term used to differentiate areas which could be either common area, exclusive use or actually owned as freehold. Key example is the manager's office space.
POA	Property Occupation Act. Legislation administering real estate / property management licensing and trust accounting.
Rental Guarantee	An agreement whereby a developer undertakes to pay a set amount to a lot owner within the scheme. Usually applied to make the purchase of units in a scheme more desirable to investors.
Resident Manager	The manager contracted by the BC to manage the site and provide letting services to the lot owners.
Residential Letting Licence	A licensed agent under the POA for the purposes of acting as a letting agent for a specific building or group of buildings.
Sinking Fund	The accumulated funds collected from sinking fund levies go towards the upkeep and maintenance of the

	<p>site. BCs are required to put in place maintenance plans and budgets on a regular basis.</p>
Standard Module	<p>The module to which all schemes defaulted when the act came into force in 1997. For the lenders the primary feature is the agreement has a limited term of 10 years inclusive of options.</p>
Strata Scheme	<p>Multi titled residential development comprising individually owned lots, exclusive use entitlements and common property.</p>
Trust Account	<p>The OFT approved account into which the proceeds of all letting must be banked by the on site manager. Owners are paid from this account on a monthly basis net of letting commissions and any other deductions such as cleaning, linen hire and charge back to owners.</p>
Wholesaling	<p>Refers to commercial arrangements via such organisations as Sunlover Holidays whereby holidays are sold by the wholesaler who in turn takes a percentage of tariffs.</p>