



Form A

Caution Statement

Bodies corporate are authorised to use this form provided it bears our Logo and copyright endorsement as they appear on the form.

To:

The Intending Transferee of Management Rights

Purpose of this Statement

This statement has been prepared to assist the body corporate involved in your management rights acquisition to inform you about the process involved to achieve an extension of the term of those management rights.

Right to an Extension

As a caretaker holding management rights you will have no right to have them extended beyond their existing term (including options). Also, it is not “normal practice” for extensions to be granted by bodies corporate. You have a right to request an extension and bodies corporate have a right to grant or refuse any such request. There is also a detailed process that needs to be followed before such a request is successful and such process is often controversial and divisive.

Therefore, you should ensure that you do not acquire your management rights in the expectation that an extension will be granted, particularly where the attractiveness of your investment is dependent upon such an extension. If any representation has been made to you as to the likely availability of an extension, you should seek the advice of your solicitor about that representation.

Benefit of an Extension

An extension of the term of management rights generally results in an increase in value of the management rights, thus providing a benefit for the caretaker.

Arguably, there is no tangible benefit to a body corporate in an extension of the management rights. It is sometimes said that the extension ensures that a caretaker has a longer-term focus on or devotion to the care of the building and its residents and this has a benefit to owners. However, there is evidence to suggest that ownership of management rights changes frequently and particularly after an extension. Any long-term focus or devotion can therefore be eroded by such a transfer.

These and other arguments are likely to be raised in opposition to requests for an extension of management rights.

The Process

The process for extension of management rights requires:

- Approval of the extension by ordinary resolution of a general meeting of the body corporate.
- Voting on the motion by secret ballot.
- No proxy votes to be exercised in respect of the motion.
- Certain explanatory material to be circulated with the notice of the meeting at which the motion is proposed.

Clearly, in light of the above information and the actual process for extension, you should not assume that the body corporate will grant a request for extension of your management rights.