

♣ CLUB OF DIAMONDS ♦

 **Original Buyer Group**

Submission 4

Membership Levels ♣ of Diamonds

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♦ of Diamonds

14TH. September 2012

Research Director

Transport, Housing and Local Government Committee

Parliament House

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Dear Director,

Attached is my personal submission in plain English outlining our experience in Purchasing a Freehold in an Aveo FKP managed retirement Village 5 years & 4 months ago.

We moved into the Village to concentrate on assisting our Prominent Family Businesses & Family Affairs, and considering that some time in the future we would be in full retirement mode.

Due to my interest in Intellectual Property (IP) & the structuring that's required to surround the IP, I have had to study the IFRS & the Australian Accounting Board of Standards, changes that have taken place in the system since the introduction of the Australian Financial Accounting system.

As my Wife, June & I purchased our freehold property from ARH a fully owned division of FKP (Aveo), 5 years ago under the conditions the we lease it back to the operator, then lease it back from them, for the purpose of securing FKP's exit fees, I have found serious flaws in the system that complies with the current RVA rules, which I have read many times.

The purpose of this cover letter is to let you know that, you are dealing with a person who is a veteran of business, has served as a Diplomat on an Australian Foreign trade council, who has won IP cases against Siemens & Con Zinc Rio Tinto, and was the Lynch pin in bringing a rightful judgment into a Royal Commission.

May this small contribution, assist the project team, in the manner bring the RVA to a more realistic workable document of rules to suit the new era of the retirement business.

Yours faithfully,


Edward John Withers JP(Cdec)
Director

 **Original Manufacturing Unit Trust**

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14/09/2012

SUBMISSION TO THE RESEARCH DIRECTOR

Transport, Housing and Local Government Committee

RESIDENT LOANS (a legally allowed term) recorded in Retirement Village Scheme operators in their balance sheets is a misrepresentation for what are exit Fees.

Example:

When I challenged the Scheme Operator ARH/FKP on the value shown in their Balance sheets as Resident Loans, which on a rough average was approx. \$176,000-00 per retirement living unit, the amount looked very overpriced for Freehold Villa's in this complex, as the maximum exit fee would average around only \$50,000-00.

Five years ago **FKP shares 5 years ago were \$7-15.**

When I challenged ARH/FKP on this matter of the Resident Loans, Lend Lease examined the FKP books and found the Resident Loans were overvalued, so FKP reversed its Resident Loans by a downgrade of \$55 million in its final Balance sheet for the year ending. ARH/FKP.

As declared in the PID ARH/FKP have in a block deal borrowed money on this Village & other Villages on inflated Resident loan Values, and the rightful individual Freehold owner, **requires ARH/FKP to disclose what their borrowing on the entire complex is, as ARH/FKP only own the Freehold on the Community Centre Building and two managers living units.**

ARH/FKP can only collect the exit fees (Called Resident Loans) when the occupier dies or vacates the Village, which is a time as long as a piece of string, and not a scheduled collectable loan or interest bearing instrument.

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FKP shares current trading price is **\$0-26 (cents)** which indicates that the amount borrowed by ARH/FKP on this and other Villages is not realistic and a forced disclosure to owners of each Freehold Villa, should be made so they know to what extent the entire Village is mortgaged for. Although this should not affect their individual Freehold unless the operator ARH goes into liquidation..... Then what happens?

DISCLOSURE of borrowed amount by the Scheme Operator should be disclosed to the buyer of a Freehold Villa and the terminology “Resident Loans” for balance sheet purposed should be scrapped, as its misleading to investors

Retirement Village Operator’s Qualifications Management Skills:

During the past 5 years we have seen a home grown bunch of Managers from Fraudsters to Alcoholics who try to enforce rules, with intimidation and threats.

The current Manager of this Village is self learned but quite professional, for a Community Title complex Manager, and the title of Retirement Village is misleading, when the Management do not directly supply the needs of the elderly, so many residents feel they have been duped, after buying a Villa and living in the situation.

During the past 5 years. Using the equation that FKP share price was \$7-15 and their level of management on a scale of 100 was 71.5 at that time, the Company’s current rate on the scale is about 4.... **At this level no business can be allowed to continue as a Corporate Manager of a Retirement Village, and a forced dismantling of the Retirement Village scheme should occur.**

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Body Corporate Members Qualifications

All candidates should be able to **circulate their credentials** to the individual Villa owners, prior to standing for election to the Body Corporate of Residents Committee, the restriction by Body Corporate & Scheme Operators, not to allow internal Village letterbox drops, for this purpose is not democratic, and allows Clicks of people to control both Body Corporate & Resident Committee.

In this case in our Villa, we have seen an illegal stil operating with a Manager drinking the illegal grog, and the sales of the grog taking place. We have seen elderly Ladies being intimidated & violence with abuse being covered up by a click of Body Corporate/ Resident Committee people.

Candidates standing for election to a Body Corporate, should be allowed to circulate their qualifications to the voters, well before any election.

LIVE IN CARER

The occupant & owner of a Freehold Villa under a scheme, should have the right to have a full time live in Carer, without the need for them to be shown on the Title deed of the property, under a Carer contract arrangement.

Being forced to leave your own Freehold property in a scheme, for full time care, is in humane, when a Family member or live in Carer is available to do the job.

This is opposed to the financial interests of a scheme operator, who's interest is to profit recover by selling the Villa to gain their exit fee (Resident Loan)

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There are many others points that are well set in the Retirement Village Project Team, Fair Trading Policy document.

However in this communication to summary is:

1.

RESIDENT LOANS terminology needs to be abolished because the Villa owner has never agreed in the PID to make a loan to the scheme operator.

Investors in the Scheme Operator are not aware that what is shown in the Balance sheet as Resident Loans are really an EXIT FEE, due only when the Villa is vacated & successfully sold and settled by an incoming Buyer.

2.

Disclosure by Scheme Operator, of their borrowings on an overall complex, in which each Villa is individually owned with Freehold Title by the retiree occupiers.

3.

A Scheme managed Village which is called a Retirement Village, should have Qualified Managers that are trained by Institutions specifically for the job, or the scheme should not be allowed to operate as a Retirement Village and should revert to Community Title Management.

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4.

Candidates for election to BODY CORPORATE should be able to internally circulate via the internal letterboxes, their business experience and qualifications to the voters (Villa owners) in the Community, to enable a free and fair electoral process, Scheme Managers & Body Corporate Members should not restrict this democratic right, so as to have a Scheme operator controlling votes of Body Corporate Members.

5.

Live in Carers should be allowed in all individually owned Freehold Properties, under a standard (RVA instigated) carer contract scheme, of which requires no right of objection by the Scheme Operator, who is motivated by profit (exit fees).

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This submission is made by:

Edward John Withers JP(Cdec) Director of CLUB OF DIAMONDS Pty.Ltd. A/T
and for Mrs. June Dorothea Withers PHF

Freehold owners under Retirement Village scheme known as AVEO Amity
Gardens

Address:

[REDACTED]

Tel:

[REDACTED]

Mob:

[REDACTED]

Email:

[REDACTED]

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