

Information for strata managers when their client is making funding decisions

At the discussion stage

Information for owners

We can provide the following information for your strata schemes:

1. Funding Plan – a short explanation of our funding with indications of repayments for various amounts and terms
2. Scenario Planner – a spreadsheet which allows you and owners to determine the indicative monthly repayments for various amounts and terms
3. One Page Guides:
 - a. Sinking/Maintenance Fund Plans
 - b. Sinking/Maintenance Funds
 - c. Comparison of Funding Costs
 - d. Making Capital Works Decisions
4. FAQs
5. White Paper – assessing the financial and economic issues of funding for strata corporations
6. Facility Agreement – the loan contract between Lannock and the corporation – this includes the resolutions which must be included in the notice of meeting

Strata Managers should take appropriate care when giving information to a strata corporation.

We recommend strata managers make the following information regarding funding to the members of the strata corporation:

1. That there are three options for raising moneys to be credited to the sinking fund – regular levies, one-off levies or borrow (or a mix of the three)
2. The law does not require owners to make a regular levy to a sinking fund – each corporation can assess its own situation and make its own decision as to the best source (or mix of sources) to raise funds to the sinking fund (this should be done annually as part of the budgeting process)
3. The decision about what works to do is separate from the decision about how best to fund those works
4. Make the works decision based on ROI – return on investment
5. Each strata scheme should be sure to assess the advantages and disadvantages of each of the three funding options as they apply in their particular situation before making a decision about funding

Notice of Meeting

1. Although there is a number of circumstances where a committee or the strata manager can enter the corporation into a loan agreement, we are usually more conservative and require the owners to make a decision in a general meeting
2. Lannock will provide the resolutions that need to be decided – we'll send a Word document that you can cut and paste into the Notice of Meeting. There are three areas of the resolutions that require attention and discussion by the committee:
 - a. What is the desired maximum amount that they wish to have available?



- b. Who is authorised to execute the Facility Agreement?
 - c. Who is authorised to sign a Drawdown Instruction?
3. We also provide the Facility Agreement (ie, the loan contract) which must be tabled at the meeting
4. Some executive committees may wish you to send in hard or soft copy format a copy of the Funding Plan or the Facility Agreement – that’s up to them – we only require that the resolutions are as provided by us and that the Facility Agreement be tabled at the meeting

At a General Meeting

The Lannock Facility Agreement needs to **be tabled at the meeting**.

We make every effort to attend executive or general meetings if at all possible. Please get in touch with us if the owners would appreciate our presence.

The decision of loan term and whether the loan should be fixed or variable is up to the owners or the committee if they have been given authority. The general meeting is a good time to discuss the options.

Executing the Facility Agreement

The first page of the Facility Agreement has **information on how to complete it**. Simply put, at this point we need:

1. Common Seal affixed to page 8 in the presence of two authorised people
2. Schedule 1 to be signed by the same two people
3. Direct Debit Authority (Schedule 2) to be completed and signed by the bank account signatory

We don’t need a Drawdown Instruction at this stage, but you might like to send the first one if funds are required in the near future.

Please make a copy of the Agreement for the corporation’s records and send the original executed Facility Agreement to:

Lannock Capital Pty Ltd
Level 6, 140 William Street
East Sydney NSW 2011

We are happy to receive emailed and faxed copies, but **MUST** have the original hard copy before funds can be drawn.

Credit Assessment

We usually do our assessment after we receive the executed Facility Agreement. Please let us know if you wish to have a “committed credit decision” prior to the meeting.

We usually need:

1. A ‘purchase certificate’ of the strata corporation
2. Financial statements for the past 2 years
3. A recent statement of levies in arrears



4. Budget for the current year
5. A copy of the strata roll
6. A copy of a recent bank account statement
7. A copy of the insurance certificate
8. A copy of the Certificate of Title
9. A copy of the agenda of the general meeting
10. A copy of the minutes confirming resolutions
11. A copy of the executed Facility Agreement – please note that this document is the strata corporation’s offer to borrow funds from us

We can receive this information by email, fax or in the mail. It usually takes us about 24 hours to provide the answer. When we do, the contract between the corporation and Lannock becomes binding.

Drawing down the funds

1. Each “drawing” or Advance under the facility is like a separate loan. The corporation can draw down as many times as it wishes during the “Availability Period”
2. We need a separate Drawdown Instruction (Schedule 3 of the Facility Agreement) for each Advance
3. Each Advance can be for a different amount, either fixed or variable interest rate, with or without an initial period of interest only and for a different term
4. We need to have the original Drawdown Instruction by close of business on the Friday of the week before the funds are advanced
5. Please note the Drawdown Instruction includes copies of invoices which cover the amount of the drawing. We will lend so the corporation has funds to pay an invoice or to reimburse it for invoices already paid
6. Depending on the situation, we usually place “cleared funds” in the corporation’s account on a Thursday – sometimes this changes, for example, if there are holidays in that week or if you have a special reason to need to funds on a different day

What happens after this?

1. We’ll contact you to confirm that the funds have been placed in the corporation’s account
2. You’ll also receive a “Welcome Letter” that sets out the details of each Advance
3. You’ll get a quarterly statement of interest and principal that can be used in preparing the financial accounts