ASIC FOI 243 - 2023

Overview

(a) The registered owner is either Acquest Property Pty Ltd as trustee for the Residential property Trust, or individual owners.

(b) Rental Management Australia Pty Ltd is appointed to provide management services for the residence.

(c) There is no minimum age required for residency, though all residents must be capable of independent living in the residence.

(d) Residents receive a 20 year lease, allowing exclusive occupancy which can be extended on the same terms and conditions. Residents are granted the right to use the common areas on a shared basis with other residents, where applicable. Each residence is provided with a designate carport or garage, and pets may be permitted. The land is owned by the Residential Property Trust or an individual owner.

(e) Residents can arrange optional services independently i.e. housecleaning, provision of meals etc.

(f) A prospective resident first enters into an "Offer to enter into a Sterling New Life Lease Agreement" (**Offer**) by which the prospective resident (referred to as 'The Tenant') offer to take a 20 years lease of residential premises on the terms of the:

   (i) residential tenancy agreement (**Tenancy**); and

   (ii) Payment Direction Deed (**Deed**).

(g) This is collectively known as the Sterling New Life Lease (**SNLL**). Part of the SNLL is making an investment in the Sterling Income Trust – Development Units (**Trust**).

(h) The investment amount must be sufficient to cover rental payments for the SNLL. If the investment does not cover the rent, rental arrears are carried forward and accrued to be recouped from future income distributions. The manager cannot request that the resident make an additional payment towards rent; rent payments can only be made from income received from the Sterling Income Trust.

Reservation

(i) A $1,000 refundable deposit is payable when a Reservation Form is signed.

(j) A reservation ensures that a residence will not be available for leasing to anyone else until after the Reservation Period, or until termination of the reservation by written notice from the applicant to the Lessor's agent.

(k) The deposit is held in trust until an "Offer to enter into a Sterling New Life Lease Agreement" (**Offer**) is entered into or the reservation period ends.

(l) If an offer is entered into, the deposit is applied to the $1000 deposit payable under the terms of the Offer.

(m) The deposit is refundable when a special condition of the Offer is not met. Special conditions are included in Part D of the Residential Tenancy Agreement, which sets out conditions for routine inspections, common areas and subdivisions.

Offer

(n) The 20 year tenancy period begins on the later of;

(i) The date stated in the Offer, or if no date is stated, 14 days after acceptance of the Offer; and

(ii) The date when the contract formed by acceptance of the Offer ceases to be subject to a condition of non-fulfilment which gives a party a right to terminate the contract.

(o) Clause 3.1: The contract can be conditional on the Tenant entry into a contract of sale for the Tenant's current property, and settlement being effected with a specified period.

(p) Clause 3.2: If Clause 3.1 applies, the Manager may give the Tenant notice (after 45 days of the Tenant signing the offer, or within 60 days before the estimated date for completion of construction of the Residential Premises if the Residential Premises is a new residence) that the Lessor intends to accept another offer to lease the Residential premises.

(q) If the Tenant does not give notice that the contract is no longer subject to a condition for the benefit of the Tenant within 2 business days of receiving the Manager's notice to lease to another resident, the contract will end, and the Tenant's deposit is refunded.

Conditions

(r) The owner pays for rates, land tax, property insurance, repairs and ongoing maintenance. Income distributions from the Sterling Income Trust are used to pay rent.

(s) The resident pays for contents insurance, workers compensation insurance (i.e. for tradespeople, domestic help), personal use of gas, electricity, phone, internet and other services provided to the residence, and any other costs not specifically for the owner.

(t) The SNLL Agreement can be terminated by the death of the resident/s or upon 180 days written notice by the resident.

(u) When notice of termination is received, the resident can apply to redeem the investment in the Sterling Income Trust (less any accrued rent), based on certain redemption conditions. Redemption is not contingent upon release of the resident's unit. The owner is entitled to receive any outstanding fees and charges due but not yet paid.

(v) If the residential premises to be leased are new, the contract may be terminated by either party by written notice to the other if the Lessor has not completed construction of the Residential Premises by the specified date. The contract may also be terminated if the Lessor has not completed construction of the Residential Premises substantially in accordance with the plans and specifications shown to the Tenant, by the specified date, by written notice by either party. If written notice is not given as required, the SNLL commences 7 days after the Lessor gives notice to the Tenant that the premises are available for occupation.

(w) The SNLL is entered into on terms previously provided to the Tenant, upon the Lessor signing it.

(x) If the premises are a new residence, the Tenant may request variations to finishes and fittings, subject to conditions set out in Clause 8.

(y) The Residential Tenancy Agreement is governed by the REIWA standard terms.

(z) Before the tenancy begins, the Lessor or Property Manager should inspect the residential premises and record the condition of premises in a Property Condition report. Two copies of the Report should be given to the Tenant within 7 days of moving into the premises, who should then inspect the premises and return one copy of the Report to the Lessor or Property Manager.

(aa) The Tenant must pay monthly in arrears by electronic transfer to the Lessor's nominated bank account an amount for shared utilities and telecommunication services.

Payment Direction Deed

(bb) The Deed is conditional upon the Tenant paying the Application Fee to the Sterling Corporate Services Pty Ltd (SCS) Nominated Bank Account, paying the Investment Amount less the Application Fee to the bank account nominated in the Product Disclosure Statement (PDS) and making an application pursuant to the PDS to invest the Investment Amount less the Application Fee in Units by the end of the Application Period.

(cc) Upon issue of the Tenant's units, SCS will retain the Application Fee.

(dd) All distributions from, and the proceeds of any redemption of the Tenant's Units (i.e. the units in the Sterling Fund) will be paid into the SCS Nominated Bank Account. The money in the SCS Nominated Bank Account is used:

(i) Firstly, to pay any rent due which has not been paid;

(ii) Secondly to reimburse SCS for any rent paid to the Lessor by SCS on behalf of the Tenant during the period prior to the first Distribution;

(iii) Thirdly to pay SCS the SNLL Administration Fee (which is 50% of any surplus distributions after payments);

(iv) Finally, the remaining money is reinvested on behalf of the Tenant the balance of any surplus remaining into the same units as the current Tenant's units.

(ee) Upon redemption of the Tenant's units, the money in the SCS Nominated Bank Account is used:

(i) Firstly, to pay any rent due which has not been paid;

(ii) Secondly, to pay any SCS the SNLL Administration Fee that is due which has not been paid;

(iii) Thirdly, to pay any money payable by the Tenant (i.e. for loss suffered by the Landlord arising from a failure of the Tenant to comply with its obligations under the SNLL).

(iv) Finally, the remaining money is paid to the Tenant.

(ff) The liability of the Tenant to pay rent under the SNLL is limited to the payments made pursuant to the distribution for the Tenant's Units or the redemption of the Tenant's

units. If there is a shortfall between the amount of distribution or the redemption payments and the amount of rent, the Tenant is NOT liable to pay the shortfall.

Product Disclosure Statement (**PDS**)

(gg) The PDS relates to the offer of Units in the Sterling Income Trust (SIT). Theta Asset Management is the responsible entity of the SIT, and is issuer of the Units forming part of the offer. Theta has appointed Sterling Corporate Services Pty Ltd to assist in preparing the PDS.

(hh) The SIT is an illiquid investment which is not listed on a securities exchange. There is no guaranteed redemption of units; however Unitholders may be able to redeem their units via a Conditional Redemption Offer (CRO). CRO's are available to Unitholders who have held their units for at least 12 months, and are offered quarterly. Units can be redeemed for cash, another class of unit, or both.

(ii) There is no guarantee that there will be sufficient funds to meet the redemption requests in full or in part.

(jj) The SIT receives income from distributions from the RMA Holding Trust, the First Mortgage Trust, the Property Development Trust and the Management Company Share Trust. The distributions are therefore reliant on the financial performance of each of the underlying trusts, which is not guaranteed.

(kk) The minimum investment in the fund is $2000, with additional increments of $500.

(ll) The SIT has 4 Investment Options (of which Income Units is the only type with a new offering):

(i) Income Units:

(A) Target distributions of 9.25% pa

(B) Distributions paid quarterly

(C) 100% tax deferred

(D) Current units on issue are 11,059,644

(E) Funds raised will be used to meet redemption requests of Income Unit holders and/or to acquire additional Rental Management Income Rights (rights to income over rental management agreements held by Rental Management Australia for residential and commercial property in Western Australia and Queensland)

(F) All fees payable under the rental management agreements are paid into the RMA Holding Trust, which then pays Rental Management Australia, retaining a 45% commission. Rental Management Australia must perform all the services required under the respective rental management agreements

(G) There is a risk that rental management agreements will be terminated by owners, and that Rental Management Australia or SFG is unable to perform services under the rental management agreements and the Business Development Agreement

(H) There are 1919 rental management agreements in Western Australia and Queensland managed by Rental Management Australia to which the RMA Holding Trust has income rights (as at 31 March 2015)

(ii) First Mortgage Units

(A) Target distributions of 7.9% pa

(B) Distributions paid quarterly

(C) Maximum loan to cost ration of 75%

(D) Provides property acquisition and construction funding to build residential homes for Sterling New Life

(E) All properties are sold to the Sterling Seniors Property Trust

(F) Funds raised will be used to advance loans to various Sterling Residential Development Trusts, acquiring and constructing properties for the SSPT. All loans are secured by a first mortgage

(iii) Development Units

(A) Target distributions of 20% pa

(B) Distributions paid quarterly

(C) Can finance up to 100% of cost

(D) Provides property acquisition and construction funding to build residential homes for Sterling New Life

(E) All properties are sold to the Sterling Seniors Property Trust

(F) Funds raised will be used to advance loans to various Sterling Residential Development Trusts, acquiring and constructing properties for the SSPT. All loans are secured by a first mortgage or a subordinated mortgage and/or a general security agreement.

(iv) Blended Units

(A) Comprises of 25% Income Units, 25% First Mortgage Units, 25% Development Units and 25% in the Management Company Share Trust (a trust that provides exposure to shares in Sterling First Limited)

(B) Target distributions of 9.3% pa (excluding any allowance for potential dividends on the Stirling First Limited shares)

(C) 25% tax deferred

(D) Funds raised will be utilised according to type of unit, as above.

(E) The SIT will not borrow funds, but the RMA Holding Trust may borrow from banks on commercial arm's length terms to assist in the acquisition of Rental Management Income Rights. It currently has a $2.5 million drawn down on a $2.75 million facility from Macquarie Bank.

(mm) Theta is under a duty to:

(i) Act in the best interests of Unitholders, giving priority to Unitholders interests in a conflict;

(ii) Ensuring that SIT property is clearly identified, separated from other property of Theta and is valued at regular intervals;

(iii) Ensuring payments out of SIT property are made in accordance with the Corporations Act;

(iv) Reporting to ASIC any significant breach of the Corporations Act in relation to the SIT which would have a materially adverse effect of the interests of Unitholders, and any significant breach of Theta's general obligations as an AFSL holder.

(nn) Sterling First Projects Pty Ltd (SFP) trading as Sterling New Life (SNL) has been appointed by SSPT to source all properties to be acquired secure builders, manage all construction and construction and manage the sale and leasing of all the properties of the SSPT. SNL has developed a model encompassing tenants securing life leases (99 years) on the dwellings owned by the SSPT in exchange for investment units in the SSPT.

(oo) If a potential candidate's property meets planning requirements (e.g. to construct a dual key dwelling or to make a granny flat), participants can sell their property to the SSPT and secure a life lease on their existing house, refurbished for the rest of their lives. The SSPT acquires the house, refurbishes the existing residence and constructs the granny flat, selling an additional life lease on the second dwelling.

(pp) The taxable income of the SIT must be distributed to Unitholders.

The Fund

(qq) The First Mortgage Trust only advances funds to sub trusts of the SSPT, and the funds can only be used to acquire and construct multi key residential housing for which the SSPT has entered into a purchase contract to buy following completion of construction. The maximum lending limit is 75% of the total cost of buying and constructing the dwelling. The balance of the fund may come from a combination of SSPT equity, property development trust funding and builder funding. The lending arrangements between the First Mortgage Trust and the SSPT sub trusts are governed by a Master Facility Agreement.

(rr) The Property Development Trust only advances funds to sub trusts of the SSPT, and the funds can only be used to acquire and construct multi key residential housing for which the SSPT has entered into a purchase contract to buy following completion of construction. The maximum lending limit is 100% of the total cost of buying and constructing the dwelling. Funding of the total cost of buying and constructing a dwelling can come from a combination of first mortgage trust funding, senior debt funding and builder funding, which will affect the level of security that the Property Development Trust has.

(ss) The Management Company Share Trust is a share ownership trust that can only acquire ordinary shares in SFL. There are guidelines which the Responsible Entity and the Investment Manager will use in determining the price to be paid to acquire shares in SFL, at their absolute discretion.

(tt) SFL is a public unlisted company with over 300 shareholders. It is the holding company for the group that provides all the management services to SIT and the SSPT. There is no guarantee that the SFL shares will increase in value.