**STATEMENT OF WITNESS**

s 22 [redacted] **states:**

1. My full name is s 22 [redacted]. I am employed with the Property Industries Branch of the Department of Commerce (**"Department"**), situated at 140 William Street, Perth WA 6000.

2. I am designated by the Commissioner for Consumer Protection (**"Commissioner"**) as an s 22 [redacted] of the Department, pursuant to section 64(a) of the Fair Trading Act 2010 (**"FTA"**), to conduct enquiries and investigations on behalf of the Commissioner under this Act and any other Act regulated by the Commissioner.

**EXHIBIT JFD01**

3. Annexed hereto and marked JFD01 is a true copy of that designation.

4. On 23 March 2017, I attended a seminar at Osborne Park Library and Community Centre ('the Centre") which was run by Sterling New Life.

5. It was held in a room within the Centre which had approximately 30-40 chairs set out. All of the chairs



Witness s 22 [redacted]

were used by attendees.

6. As I walked into the room I was given a folder titled “Your new lease on life starts with Sterling New Life” which contained documents inside.

**EXHIBIT JFD02**

7. Annexed hereto and marked JFD02 is a true copy of that folder.

**EXHIBIT JFD03**

8. Annexed hereto and marked JFD03 is a true copy of a two page article titled “The Sterling New Life Concept for seniors”.

**EXHIBIT JFD04**

9. Annexed hereto and marked JFD04 is a true copy of a five page document titled “Frequently Asked Questions”.

**EXHIBIT JFD05**

10. Annexed hereto and marked JFD05 is a true copy of a three page document titled “Some Key Points You Need to Know”.

11. I sat down in a chair. My colleague, s 22 [redacted], sat down next to me and gave me another brochure.

**EXHIBIT JFD06**

12. Annexed hereto and marked JFD06 is a true copy of a four page document titled “The SMART way to retire”.



Witness s 22 [redacted]

13. The seminar started with a s 47F introducing s 47F and introducing the s 47F

14. s 47F then ran the seminar by showing power point slides and voicing the points as well as expanding on them.

15. On one of the slides that contained information about the companies behind Sterling New Life, it stated "assets of $5 billion". s 47F expanded on this and said words to the effect that this included the value of the rent roll managed by Rental Management Australia.

16. On another slide, there were a number of statements, including "It is not a retirement village", "Purchase price is approximately 60% cost of buying", "No ongoing housing ownership costs" and "No exit fees".

17. s 47F then talked about four properties, which s 47F displayed photographs of on the power point slide, and discussed the cost of a lease through Sterling New Life compared to an approximate amount



Witness s 22

of buying a similar property. These properties included s 47F

18. s 47F said words to the effect that money would be invested on my behalf and the returns would be paid on a monthly basis. s 47F also made comparisons between having a mortgage of $50,000 and having a Sterling New Life lease that generates income. This was supported by a comparison table displayed on the power point presentation.

19. s 47F said that the Sterling New Life lease would be 40 years and clarified that it starts as a 5 year lease with 7 options to renew for 5 years each time.

20. s 47F said that the purchase price is invested and the income from that investment pays the rent and admin fees.

21. s 47F said that 6 months' notice must be given to move out and that there would be a designated property manager through Sterling New life.



Witness s 22

22. s 47F said that all maintenance would be covered under the lease and paid for by the lessor.

23. s 47F said they charge the owners a fee and said that the invested management fund is a unit trust fund.

24. s 47F said that you pay on the day the lease commences and in 20 years you would have broken even.

25. s 47F also said that they can guarantee to cover any shortfall so the tenant would never have to contribute more than the initial payment.

26. s 47F said that you are guaranteed to get more money back than what you put in and that you get regular statements to show what the investment is sitting at.

27. s 47F then invited everyone to hang around and chat to the Sterling New Life staff members if they had any specific questions.

28. s 47F and I went to s 47F to ask more questions.

29. s 47F said that it was very complex



Witness s 22

behind the scenes but basically they had come up with a way to move into a house, generate income based on the initial payment and then get your money back when you move out.

30. s 47F said that their management of over 2,000 properties creates an income that is paid to the Sterling Income Trust. From there, they pay Rental Management Australia to manage all the properties. s 47F also said it returns a dividend of 9.25%.

31. s 47F then said that often people ask what happens if they go bust and s 47F said that if they lost all 2,000 managements overnight then they would be in trouble but there wasn't much of a chance of that happening.

32. s 47F said one in six of the life lease properties are ones that they own themselves.

33. s 47F also said that when someone makes the initial payment, then some of that money might be used to buy more property to add to the rent roll and is essentially being invested back in to the system.

34. s 47F said they therefore have no debt



Witness s 22

and $3 million worth of freehold property as well as a reserve fund.

35. s 47F said they have enough money being held in the reserve fund to pay everyone's life lease payments for at least 18 months if they were getting no returns.

36. s 47F also said that they have a rent roll which is a very strong business and not one that can be superseded by technology.

37. s 47F said they are also about to float on the stock market and will have to go through all the company audits.

38. s 47F said that last year they made $1.2 million profit and as of January they increased that yearly profit to $6 million.

39. s 47F said that people often ask how they make their money. s 47F said they charge an 8% application fee that comes out of the amount of the initial investment. It takes about 3 years to recover that application fee for the tenant and after that it continues to grow as an investment. So if someone moved out after 6 months they may not get the full amount of



Witness s 22

investment back because of the application fee that is taken out. s 47F compared it to having to pay stamp duty when purchasing a house.

40. s 47F said that the actual contract is very thick and what s 47F would like to do is come out for a coffee to go through it in detail and then leave it for us to think about and get legal advice on it.

41. s 47F said that as this is a managed investment fund ASIC make them put in all the disclaimers in the world and it says you may or may not get your money back.

42. s 47F said that the lease comes under the Residential Tenancies Act but they cross out all the things they don't do like quarterly inspections.

43. s 47F also said that the owner of the property cannot sell it unless the new owner agrees to take on the life lease and that the company has first rights to buy it and will base the purchase price on the valuation of the property. s 47F re-iterated that you cannot be removed from the property but you can move out at any time as long as you give six months' notice.



Witness s 22

44. I declare that this statement is true to the best of my knowledge and belief and that I have made this statement knowing that if it is tendered in evidence I will be guilty of a crime if I have wilfully included in this statement anything which I know to be false or that I do not believe is true.

| | |
|---|---|
| WITNESS NAME: | NAME: s 22 [redacted] |
| WITNESS SIGNATURE: | SIGNATURE: |
| DATE AND TIME: | DATE AND TIME: |



Witness s 22 [redacted]

**STATEMENT of** s 22 [redacted]

s 22 [redacted] **states:**

1. My full name is s 22 [redacted] I am employed by the Property Industries Investigations Branch of the Consumer Protection Division, Department of Commerce ("the Department").

2. I have been designated in writing as an s 22 [redacted] by the Commissioner for Consumer Protection ("the Commissioner") pursuant to section 64(a) of the *Fair Trading Act 2010* ("FTA").

**EXHIBIT JPF1**

3. I now present my Certificate of Designation marked "JPF1"

4. I work from the Department's offices situated at Level 4, 140 William Street, Perth ("the Office").

5. In the course of my duties at the Department, I am investigating allegations against Sterling First Projects Pty Ltd trading as Sterling New Life ("Sterling").

6. The allegations are related to the Residential Tenancies Act 1978 and the Australian Consumer Law (WA) Fair Trading Act 2010.

7. On or around the first week of March 2017, on viewing the internet website www.sterlingnewlife.com.au, it came to my attention that the company was offering two free one hour seminars in the month of

March 2017. I printed the pdf advertisement for the seminar from the website

**EXHIBIT JPF02**

8. I now present a true copy of the printed advertisement for the free seminars, marked **"JPF02"**

9. I decided to attend the seminar that was scheduled at 6.30 – 7.30pm on Thursday 23 March at the Osborne Park Library & Community Centre at 9 -11 Royal Street, Osborne Park.

10. s 22 [redacted] also an s 22 [redacted] with the Department agreed to attend the seminar with me.

11. s 22 [redacted] and I arrived at the venue at approximately 6.25pm on Thursday 23 March. We were greeted by a s 47F [redacted] at the door, whom I did not recognise, but later understood to be s 47F [redacted]

12. There were two piles of glossy coloured literature on the table, just inside the door; "The Smart Way To Retire" and "Your new lease on life starts with Sterling New Life". I picked up one of each.

**EXHIBIT JPF3**

13. I now present the brochure "The Smart way to retire", marked **"JPF3"**

**EXHIBIT JPF4**

14. I now present the folder "Your new lease on life starts with Sterling New Life", marked **"JPF4"**

15. There were approximately 45 attendees in the room when the presentation began at 6.35pm.

16. s 47F [redacted] introduced s 47F [redacted] and said that s 47F [redacted] was part of Sterling New Life, and welcomed the attendees. s 47F [redacted] then introduced s 47F [redacted] ”), saying that s 47F [redacted] .

17. s 47F [redacted] said that Sterling had a new solution to retirement that was not a retirement village. s 47F [redacted] said that it was a security of lease tenure of up to 40 years, consisting of an initial 5 year lease with 7 further options of 5 years each.

18. s 47F [redacted] provided testimonials of a s 47F [redacted] who had lived in a retirement village and had been under immense financial and emotional stress. Signing a Sterling New Life lease and moving into their new home was a “God send”.

19. Another testimonial was from s 47F [redacted] who was able to solve s 47F [redacted] mortgage commitment problems after discovering the Sterling New Life concept.

20. s 47F [redacted] then used a power point display method to make comparisons between purchasing a property to live in at retirement, and entering into a Sterling New Life lease. s 47F [redacted] also showed the comparative costs of “buying” into a retirement village against the Sterling option.

21. s 47F [redacted] said that the initial upfront investment prior to signing the lease was roughly about 60% of the cost of purchasing

a similar property outright. The money would be paid into the Sterling Income Trust Fund ("SIT") by the investor/tenant ("the tenant"), and would be invested on behalf of the tenant. The distributions from the investment would be paid as the agreed weekly rent to the landlord. The tenant would not have to pay any additional rent, rates, insurances, maintenance or other fees. Sterling would manage the property and make all the rental payments on behalf of the tenant.

22. S 47F emphasized that there would be less stress to the tenant and that it would "free them up" financially, and "give them a lump sum in their back pocket".

23. s 47F said that the tenant could choose to stay in the property for the full 40 years, or could leave at any time by giving 6 months notice. s 47F said that after the 6 month termination period concluded, the tenant would receive back the full initial investment amount.

24. S 47F said that Rental Management Australia manages all the properties, with a management fee paid by the owner. s 47F said that a dedicated property manager would be allocated to the tenant, and would assist with all maintenance and repair issues.

25. During the introductory information session, S 47F said several times that every person's situation was different and that s 47F was just providing general information. s 47F

said that interested persons should seek their own financial and legal advice.

26. S 47F invited questions at the end of the information session, and about 12 questions were asked by attendees. S 47F provided the following information in answer to the questions:

27. *Sterling has two main streams of revenue. It owns a Property Management company (Rental Management Australia) and there were about 2000 properties under management for which management fees were collected. In addition Sterling takes a Funds Management Fee on each new investment made by a tenant.*

28. *Sterling could not provide any information about Centrelink, and that prospective tenants should make their own enquiries in regard to their own situation.*

29. *Sterling could not advise about whether tenants would be eligible for rental assistance, as different decision had been made by Centrelink in different personal situations.*

30. *The initial investment amount is due before the Sterling New Life lease comes into effect, but Sterling can be flexible in instances where the tenant may need to sell their own home first. In this situation, Sterling could consider a "bridging" type arrangement.*

31. *It a tenant terminates the lease agreement in the first 10 years, he/she would receive back*

*the entire initial investment plus any surplus dividends.* s 47F *further elaborated with an example: "If your monthly dividend return is $2000.00 and your rent is $1600.00, then the $400.00 balance goes back into your investment account. You get a monthly statement of how much is in your investment account."*

32. s 47F *would not comment on any tax implications associated with the scheme, and reiterated that each individual should obtain his/her own legal and financial advice.*

33. *The weekly rental amount is set by Sterling prior to signing any contracts, and would increase at an agreed amount over the term of the lease contract.*

34. s 47F concluded s 47F presentation, and invited everyone to stay for a cup of tea or coffee and to chat to one of the Sterling team members to find out more about the New Life lease.

35. s 47F and I spoke to a s 47F who introduced s 47F

36. I said to s 47F *"This seems too good to be true, what's the catch?"* s 47F said that s 47F thought the same thing when s 47F first heard about it, but after looking into it further, s 47F now understands that there is no catch. s 47F said that it is really simple; *"You invest money, it generates income, and you get it back at the end".*

37. s 47F said that the investment is safe

because Sterling has over 2000 properties under management by Rental Management Australia. S 47F [redacted] said that rent rolls were a very strong business, and that they would never lose 2000 managements at the same time. S 47F [redacted] said that Sterling also had a reserve fund to cover tenants' rent if anything went wrong, and that there would be enough reserve to cover rents for about 18 months.

38. S 47F [redacted]

39. S 47F [redacted] said that by the end of the year Sterling will have made six million dollars profit and that they are looking to float on the stock market.

40. S 47F [redacted] gave an example of possible returns to an investor tenant. S 47F [redacted] said that Sterling takes an investment fee at the start of the investment (lease), which would take about 3 years to recover. S 47F [redacted] said that if you pay $240,000.00 upfront at the start, and then terminate the agreement after ten years; you should get back about $270,000.00 with the additional dividends.

41. S 47F [redacted] said that the New Life lease comes under the Residential Tenancies Law with everything that goes with that. S 47F [redacted] said; *"We cross out anything we don't want in the lease,*

*but otherwise it's exactly the same as a normal lease that tenants sign"*

42. s 47F said that if the property owner sells the property, the tenant stays in the property, and that only the tenant can terminate the lease.

43. s 47F attempted to set up an appointment with me, at my home, to discuss matter further, but then gave me s 47F business card, and s 22 and I left the venue at about 7.45pm.

44. I declare that this statement and it is true and correct to the best of my knowledge and belief. I have made this statement knowing that if it is tendered in evidence I will be guilty of a crime if I have wilfully included anything which I know to be false or that I do not know to be true.

**Signed:**

s 22

**Dated:**

**Time:**

**Signed:**

Name of Person Witnessing Statement

**Dated:**

**Time:**