

THE MANAGEMENT COMMITTEE'S GUIDE TO BUYERS AND SELLERS
OF MANDALA SHAREHOLDINGS — **January 2017**
(This replaces previous guides)

1. Prices — The value of a Mandala Shareholding

The price of a Mandala shareholding is a matter for negotiation and agreement between the buyer and seller. This total price package will include:

- (a) The agreed value of two ordinary shares (of a total of thirty, therefore a one fifteenth share) in Mandala Pty Ltd; plus
- (b) The agreed value of improvements on the Homesite, including one ten dollar redeemable preference share and a Licence to Occupy that Homesite; plus
- (c) The transfer from seller to buyer of an interest-free shareholder loan to Mandala Pty Ltd of \$3,990. In effect, the buyer will purchase this debt from the seller. (This loan is a condition of membership applying to all shareholders)

In negotiating the value of two ordinary shares in the company, buyers and sellers may take into account the company's most recent annual balance sheet valuations of its land, other assets and shareholder equity. They may also take into account the intangible benefits of being part of this community and living at Mandala.

History of prices paid or values placed on Mandala Pty Ltd share transfers

<u>Date</u>	<u>Homesite</u>	<u>(a) Ordinary Shares \$</u>	<u>(b) REDP share & Improvements \$</u>	<u>(c) MPL loan \$</u>	<u>Total \$</u>
Sept. 03	L	30,000	16,010	3,990	50,000
Sept. 03	J	30,000	56,010	3,990	90,000
Dec. .03	B	30,000	28,010	3,990	62,000
Mar. 04	E	30,000	70,010	3,990	104,000
Mar. 06	O	30,000	146,010	3,990	180,000
Sept. 06	G	30,000	5,010	3,990	39,000
Sept. 07	C	35,000	46,010	3,990	85,000
June 08	O	40,000	176,010	3,990	220,000
Aug. 08	G	40,000	4,010	3,990	48,000
Oct. 10	G	54,500	4,010	3,990	62,500
Dec. 10	L	55,000	81,010	3,990	140,000
Dec. 10	A	55,000	101,010	3,990	160,000
Mar. 11	I	55,000	141,010	3,990	200,000
Dec. 11	J	55,000	150,010	3,990	209,000
Feb. 12	D *	30,000	4,010	3,990	38,000
Sept. 12	E	55,000	111,010	3,990	170,000
Jan 17	N	55,000	179,010	3,990	238,000

* This share valuation was agreed in unusual circumstances.

NB. The Company assigns a letter from 'A' to 'O' to each of the fifteen homesites on the Mandala property plan. Each shareholding includes one \$10 redeemable preference share classed from 'A' to 'O' to match the homesite lettering.

2. How to make a Sale and Purchase

We require that sellers and buyers follow the following guidelines when negotiating and completing share transfers. In return, the Company will deal impartially with the seller and buyer while doing what it can to assist both parties.

The Company's Constitution states that no shares may be transferred without the consent of the Management Committee. Before committing, potential buyers must:

(a) Learn about the Company, its Constitution and land tenure system, the terms of its Licence to Occupy a Homesite, its By-laws, its ways of conducting business and the rights and obligations of its members as shareholders.

(b) Get to know the Community and its people.

(c) Take time to be certain that they wish to join Mandala and become Community members.

The Management Committee has designed the following procedures to protect the interests of Mandala Pty Ltd, the sellers and buyers. These procedures must be completed to the committee's satisfaction prior to approval and completion of share transfers.

A. A shareholder must notify the Company, by letter or email, when their share is for sale. If this seller has a prospective buyer in mind, he or she must provide their name(s) and contact details.

B. The seller must tell the Company, by letter or email, (a) the asking price and/or (b) the price agreed with the prospective buyer.

The buyer must confirm to the Company, by letter or email, his or her wish to buy in and the agreed purchase price.

(The Company may charge a commission, payable by the seller, should it introduce a successful buyer)

C. The asking and/or agreed price must be inclusive of the \$3,990 interest-free shareholder loan held by the Company.

D. Any contract or agreement for sale and purchase must include a clause specifying 'subject to Mandala Pty Ltd approval'. Such contracts or agreements must not include clauses that may disadvantage the Company or make or imply any undertaking on behalf of the Company. Many Mandala share transfers have occurred without a lawyer's contract. Most transfers have not used a real estate agent, saving people thousands of dollars in commissions. Buyers and sellers who chose to act through a real estate agent should be cautious about misleading representations or undertakings made about or, by implication or inference, on behalf of Mandala Pty Ltd. The Company will not be bound by anything an agent may say or imply, nor will it be bound by such representations or undertakings made by a seller.

E. Our Constitution and the non-freehold nature of Mandala's Licence to Occupy disallow conventional mortgage finance from lending institutions, however the Company may approve a purchase involving vendor or other sources of finance. In such a case, the prospective buyer will provide the Company with a copy of the finance contract, which must be approved by the Management Committee before the proposed share transfer can take place. Such a contract

must not include conditions the Management Committee deems to be disadvantageous to the Company.

F. The Company requires that a prospective buyer learn about Mandala and meet at least some of its members. The secretary will provide the buyer with copies of the *Constitution*, *By-laws* and *Licence to Occupy a Homesite* and the Management Committee will delegate a shareholder to give information, answer questions and help organise meetings between the buyer and other shareholders. This delegate and other shareholders must meet the buyer in the absence of the seller or seller's agent. The Management Committee may organise a social event to allow the buyer to meet shareholders.

The Management Committee will not approve a share transfer until procedures **A** to **F**, above, are completed to its satisfaction. It advises prospective buyers not to make an irrevocable decision to join before reading the documents listed in **F** (above) and meeting the Company's delegate plus a number of other shareholders and not to make a financial commitment before Management Committee approval of the transfer.

3. Completing the Sale and Purchase

Following Management Committee approval of a transfer, the parties will fix a settlement date convenient to the buyer, the seller and the Company. The buyer must pay directly to the Company \$3,990, being the Mandala shareholder loan component of the total price, plus a transfer fee of \$200. The buyer will deduct the \$3,990 loan from the total agreed package price and pay the balance to the seller. The Company will: (a) place \$3,990 on its books to the credit of the buyer and (b) after deducting money due for the seller's debts to the Company plus commission where applicable, pay back the \$3,990 loan to the seller.

If the seller is in debt to the Company for more than \$3,990, the buyer must pay to the Company a larger sum as nominated by the secretary to be sufficient to cover this debt. The buyer will deduct this larger sum from the total paid to the seller.

On the day of settlement, the Company will pay back the shareholder loan minus deductions to the seller and register the share transfer. It will soon after inform the Australian Securities and Investment Commission of the change of ownership.

The buyer must notify the Queensland Office of State Revenue (OSR) of the full details of the transaction. OSR will assess the duty that may be payable on the price paid for the house and other improvements. No duty is payable on the price paid for shares, nor on the loan transfer.

4. Conclusion

When they have informed the Company of their intentions and agreed price, the buyer and seller may expect to wait for up to three months, but possibly a shorter time, for the transfer to be approved. Attempts by either party to circumvent or rush these procedures may retard rather than assist progress to a settlement. Co-operation between both parties and the Company will help a smooth, amicable transfer.

Please contact the Company secretary for clarification or further explanation of these guidelines.

