

# **KNIGHTS TOURIST PARK FUND**

## **NOTICE OF MEETING AND EXPLANATORY STATEMENT**

### **Meeting details**

<b>Date</b>	<b>Friday, 15<sup>th</sup> April 2011</b>
<b>Time</b>	<b>10.00am AWST</b>
<b>Place</b>	<b>Level 1, 20 Kings Park Road West Perth WA</b>

**Issued by Valuestream Investment Management Limited  
ABN 78 067 417 663 as Responsible Entity of  
Knights Tourist Park Fund ARSN 108 243 947**

**This is an important document.**

**Please read the information in this document carefully. If you are in any doubt about the Resolution or the action to be taken, you should seek your own professional financial advice without delay.**

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## **Important Notices**

### **What is this document?**

This Notice of Meeting and Explanatory Statement is issued by Valuestream Investment Management Limited ABN 66 094 107 034 (**Valuestream**), as the Responsible Entity of the Knights Tourist Park Fund ARSN 108 243 947 (**Fund**), in regards to a Notice of Meeting to consider a special resolution for the continuation of the Fund.

### **No investment advice**

The information contained in this Notice of Meeting and Explanatory Statement does not constitute financial product advice and has been prepared without reference to your particular investment objectives, financial situation, taxation position and needs. It is important you read the Notice of Meeting and Explanatory Statement in its entirety before making any investment decision and any decision on how to vote on the Resolution. If you are in any doubt in relation to these matters, you should consult with your own professional adviser.

### **Responsibility statement**

The information contained in the Explanatory Statement has been prepared by Knights Capital Management Pty Limited ABN 57 117 550 893 (**Knights**) as Manager of the Fund. Neither Valuestream nor Knights nor their directors, officers or advisers assume responsibility for the accuracy or completeness of any information contained in the Explanatory Statement other than the information which they have prepared.

### **Defined terms**

Capitalised terms used in the Notice of Meeting and Explanatory Statement are defined in the Glossary in Section 9.

### **Any questions?**

If you have any questions about your holding of Units, please contact the Fund's Registry (**Fund BPO Pty Ltd**) on **1300 133 451**. If you have any questions in relation to the meeting, please contact the Fund Manager on **08-93243888** or visit the Fund's website at [www.knightsgroup.com.au/knightstourist](http://www.knightsgroup.com.au/knightstourist).

If you are in any doubt on how to vote on the Resolution or the action to be taken, you should seek your own professional financial advice without delay.

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## KEY DATES

10.00am Wednesday, 13 <sup>th</sup> April 2011	Latest date and time for receipt of proxy forms and powers of attorney for the Meeting
5.00pm Wednesday, 13 <sup>th</sup> April 2011	Date and time for determining eligibility to vote at the Meeting
10.00am Friday, 15 <sup>th</sup> April, 2011	Meeting

All references to time in this Explanatory Statement are to Australian Western Standard Time (AWST). This timetable is indicative only. Valuestream reserves the right to vary the timetable set out above, and will notify Members of any change.

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**VALUESTREAM**  
investment management

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ABN 66 094 107 034  
AFSL 246621

16<sup>th</sup> March, 2011

Dear Member,

### **Knights Tourist Park Fund**

It is now approaching seven years since the Knights Tourist Park Fund (formerly known as Mirvac Tourist Park Fund and James Fielding Tourist Park Fund) commenced.

As Responsible Entity to the Fund, we are required after seven years to consult with Members in relation to the future strategy of the Fund. We are doing so by convening a meeting of Members to consider a special resolution which will enable the Fund to continue. If the resolution is approved, the Fund will run to at least its original term of 12 years (April 2016) subject to further extension.

### **Your vote is important**

A meeting of Members to consider the Resolution will be held at **10.00am Friday 15<sup>th</sup> April 2011** at the registered office of Knights at Level 1, 20 Kings Park Road West Perth WA 6000.

Members are encouraged to attend the Meeting You may also vote by returning the enclosed proxy form in the reply paid envelope provided. Your proxy form must be received by no later than 10.00am on 13<sup>th</sup> April, 2011.

Knights, as Fund Manager, has recommended in this Explanatory Statement that Members should **vote in favour** of the Resolution for the following reasons:

- The original term for the Fund was set at 12 years to April 2016. With the Fund continuing, the Fund Manager will have this further period to implement the investments strategy in the interests of all Members;
- The strategy recommendations for the Fund's existing two assets - FreeSpirit Resort Darwin and Fraser Lodge Holiday Park- require the Fund's continuation to optimise values and returns to all Members; and
- With the property market still in a cyclically low phase, the commercial rationale for taking short term pre-emptive action by initiating asset sales would result in a serious diminution in Fund value and the potential capital return to all Members.

We encourage all Members to consider the enclosed information carefully and consult with a professional adviser if they are in any doubt as to what to do.

### **Further information**

If you have any questions in relation to the meeting, please contact the Fund's Registry on 1300 133 451 or visit the Fund's website at [www.knightsgroup.com.au/knightstourist](http://www.knightsgroup.com.au/knightstourist)

Yours sincerely  
Valuestream Investment Management Limited

**Robert Marie**  
Managing Director

**KNIGHTS TOURIST PARK FUND**

(ARSN 108 243 947)

**NOTICE OF EXTRAORDINARY MEETING OF MEMBERS**

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**NOTICE IS GIVEN** in accordance with section 252A of the *Corporations Act 2001* (Cth) that a meeting of Members in the Knights Tourist Park Fund (**Fund**) will be held at the time, date and place detailed below to consider and vote on the resolution in this notice.

**Time:** 10.00am

**Date:** Friday, 15<sup>th</sup> April 2011

**Place:** Level 1, 20 Kings Park Road, West Perth WA

The Responsible Entity of the Fund is Valuestream Investment Management Limited (ACN 094 107 034) Australian Financial Services Licence number 246621 (**Valuestream**). This Notice of Meeting (and accompanying Explanatory Statement) is issued by Valuestream. If you are unable to attend the meeting then you are encouraged to appoint a proxy (see enclosed proxy form).

Members should read the Explanatory Statement.

**BUSINESS**

The business of the meeting will be as follows:

- 1 Attendance;
- 2 Admission of proxies; and
- 3 Consideration of and voting on the special resolution set out below.

**Resolution – continuation of the Fund**

To consider and, if in favour pass the following resolution as a special resolution:

*“That the Members resolve by **Special Resolution** to continue the operation of the Knights Tourist Park Fund until the Fund is terminated in accordance with clause 28 of the Fund’s Constitution”.*

**By order of the Board**

**SIGNED BY**



Name Robert Marie

Position Director / Secretary

Date: 16<sup>th</sup> March, 2011

## EXPLANATORY STATEMENT

### 1. DETAILS OF THE FUND

#### 1.1. Background to Fund

The Fund was launched in 2004 with James Fielding Funds Management Limited (subsequently named Mirvac Funds Management Limited (MFML)) acting as Responsible Entity for the Fund. In September, 2009 Valuestream was appointed to replace MFML in the role of Responsible Entity.

The Fund's assets comprise:

- The FreeSpirit Resort Darwin acquired in 2004; and
- The Fraser Lodge Holiday Park in Harvey Bay Queensland acquired in 2005.

#### 1.2. Fund Structure

The Fund is an unlisted fixed term registered managed investment scheme. Subject to the passing of the special resolution for this Notice of Meeting, the Fund will terminate in 12 years (April 2016) unless terminated earlier by the Responsible Entity; by operation of law; or extended beyond 12 years by the Responsible Entity with the consent of all eligible voting Members at that time.

#### 1.3. Why is this meeting being convened?

In accordance with the Product Disclosure Statements of March 2004 and October 2005, after seven years the Responsible Entity is required to consult Members in relation to the future strategy of the Fund. The form of consultation is the convening of this meeting.

#### 1.4. What is the resolution?

Members are being asked to vote on a special resolution regarding continuation of the Fund.

#### 1.5. What happens if the Resolution is approved?

If the resolution is approved the Fund will continue with Valuestream continuing to act as Responsible Entity of the Fund and Knights acting as the Fund Manager.

#### 1.6. What happens to my investment in the Fund if the Resolution is approved?

Your investment in the Fund remains unchanged.

#### 1.7. What happens if the Resolution is not approved?

If the Resolution is not approved, Valuestream will continue to act as Responsible Entity of the Fund and Knights acting as the Fund Manager.

Knights will seek to manage the assets of the Fund in order to extract the most value for Members until the opportunity arises to:

- > recommend the sale of either of the Fund's tourist park assets; or
- > wind the Fund up in accordance with the Constitution.

## 1.8. What happens to my investment in the Fund if the Resolution is not approved?

Your investment in the Fund remains unchanged.

## 2. INVESTMENT STRATEGY OF THE FUND

### 2.1. At the Fund's Establishment

Upon establishment, the original investment strategy for the Fund was as expressed in the March 2004 Product Disclosure Statement:

*“ (the Fund) will seek to invest in the real estate component of quality tourist park properties located throughout Australia. The parks will be leased to an external management company which will be responsible for their operation. (the Fund) will seek to expand the initial portfolio (Resort) by acquiring additional tourist parks that are strategically located to benefit from increased growth within the tourist park sector. This strategy may include redevelopment of older style tourist parks.”*

This investment strategy was also adopted in the October 2005 Product Disclosure Statement.

### 2.2. Acquisitions

In April 2004, the Fund acquired its initial asset being the FreeSpirit Resort (formerly Palms Village Resort) and adjoining BP Service Station in Darwin Northern Territory for \$15.2 million which was funded by a combination of Member contributions and bank borrowings.

The SWOT Analysis disclosed in the March 2004 Product Disclosure Statement identified portfolio expansion by further acquisition as an opportunity but also recognised that further acquisitions may not provide adequate returns which may result in a dilution to the Fund's overall yield.

In the December 2004 Investor Update, the Fund Manager **MFML** advised Members:

*“...as a result of the recent strong interest in this booming tourism sector, coupled with vendor expectations above the market, we have found it difficult to acquire quality tourist parks with potential upside at a reasonable price. We continue to actively seek new investments however; any new acquisition must meet our investment strategy and specific financial hurdles.”*

In November, 2005 the Fund completed its first capital raising since its establishment to raise \$5.56 million to acquire (in conjunction with bank borrowings ) Fraser Lodge Holiday Park, Harvey Bay, Queensland for \$11.0 million.

In the 2006 Annual Review, the Fund Manager **MFML** advised Members:

*“Strong interest in the tourist park sector particularly from institutional investors and vendor expectations has resulted in yield compression within the industry. The ability of the Fund to acquire quality tourist parks has made it difficult to meet the Fund's strategy to increase gross assets and further diversify the portfolio. Notwithstanding, new acquisitions must meet our investment strategy and specific financial hurdles.”*

While in subsequent years **MFML** continued to explore opportunities and risks in relation to the Fund's stated investment strategy, in the June 2008 Annual Update, the Fund Manager advised Members that looking ahead:

*“High interest rates, wider credit spreads and lack of available debt funds signalled the end of capitalisation rate compression which has driven asset value growth over the last few years. Fraser Lodge and FreeSpirit Resort Darwin are high quality tourist parks subject to leases with FreeSpirit, an experienced operator with management rights over other quality parks.*

*However, Fund returns are expected to come under pressure from increased interest costs and softening in capitalisation rates. Growing the Fund accretively through acquisitions will continue to prove difficult.”*

Against this background and the decision by MFML to review its strategic funds management direction (specifically in regards to the Fund), MFML adopted a conservative approach in the execution of the Fund’s investment strategy. This approach even included considering asset divestment in order to reduce debt and enhance certainty of Member returns.

Valuestream and Knights were appointed Responsible Entity and Fund Manager respectively in September 2009. Due to ongoing economic and financial conditions following the Global Financial Crisis as well as inheriting ongoing capital expenditure issues (such as the sewerage works at the FreeSpirit Resort Darwin), Knights has since its appointment maintained a prudent approach to balance sheet and capital management for the Fund. Whilst both these factors and others have impeded the execution of the investment strategy, it still remains an integral part of the Fund’s future.

### **3. KEY FUND FINANCIAL STATISTICS**

Table 1 shows the key financial statistics for the Fund since 30 June 2006 (being the first financial period incorporating both Fund assets) up to 31 December, 2010.

### **4. ASSET PERFORMANCE / STRATEGY RECOMMENDATIONS**

To assist Members understanding of the present status of the Fund’s assets, identified in Tables 2 and 3 are (in abbreviated form) commentary on the key asset performance factors and the strategy recommendations for both FreeSpirit Resort Darwin and Fraser Lodge Holiday Park. The strategy recommendations are.

#### **FreeSpirit Resort-Darwin**

- Work in conjunction with Power and Water Corporation to complete the main sewer line connection project by mid-2011.
- Evaluate merits of a separate title for the service station land. If viable, consider commercial benefits flowing to the Fund from sale of this land. If sold, proceeds allocated to matters such as debt reduction, capital return, capital expenditure and new acquisitions.
- Consider capital expenditure for additional accommodation particularly holiday units and /or cabins for temporary worker accommodation servicing the resources sector.
- Retain the asset to maximise investment return and underwrite distributions until Fund termination in April 2016.

## Fraser Lodge Holiday Park

- Resolve outstanding capital expenditure decisions in regards to the studio units and improving FLHP's overall sales marketability; and
- Commence asset sale programme with a view to exiting the asset within 12 to 36 months.

### 5. DISTRIBUTION POLICY

#### 5.1 What factors have impacted upon distributions?

As Members have been advised in recent years, there have been two principal factors that have impacted upon distributions. Those factors are the FreeSpirit Resort Darwin sewerage works and the Fund's debt levels. Significant progress has been made by Knights in regards to both matters.

Working in conjunction with the Power and Water Corporation (**PWC**) in Darwin, the design phase for the connection of the FreeSpirit Resort Darwin (**FSR**) to the main sewer line has been completed. PWC have taken over responsibility for the construction of the rising main and road crossing at Stuart Highway. The Fund's consultants are now focused on the internal requirements at FSR to connect to PWC's rising main. Project construction will commence at the end of the wet season with completion scheduled for July 2011. Cost estimates will be firmed up through a tender process before construction commences. The cost sharing arrangement with PWC remains in place and the Fund has allocated sufficient funds in its 2011 budget to meet its obligations.

As bank lending policies tightened following the Global Financial Crisis and property valuations came under greater scrutiny (including the Fund's properties), Knights has since June 2010 taken a more aggressive approach to reducing the Fund's loan to value ratio (**LVR**) under its bank facility. As at 30 June 2010, the Fund's LVR was at 65.2 % which was marginally above the facility covenant of 65.1%. As at 31 December, 2010, the LVR had dropped to 62.8% and following further amortisation in February 2011 is now at 61.6%. Whilst an adequate buffer now exists, the Fund Manager will still adopt a prudent approach to debt reduction going forward. The Fund is also required to maintain an interest cover ratio which indicates the extent to which the Fund is able to meet its interest payments from earnings. This ratio is presently set at 1.85 times to 31 March, 2012 and thereafter 2.0 times. As at 31 December, 2010 the Fund's interest cover ratio was 1.93 times.

#### 5.1 Future distributions

The 2011 budget provides for a distribution in September 2011 (upon completion of the 30 June, 2011 audited financial statements) at a distribution rate of 2.5 cents per unit. Thereafter, the aim of the distribution policy will be to continue distributions at the same rate on a quarterly basis.

### 6. CAPITAL RAISINGS

On the basis that the Fund continues, Knights will give due consideration to a capital raising to facilitate the Fund's investment strategy and the strategy recommendations for its two existing assets. Admittedly, the capital raising options for the Fund are limited. At present, a pro-rata rights issue to Members could be considered. Members will be kept apprised of any decision in this regard.

## **7. RECOMMENDATION ON SPECIAL RESOLUTION**

The Fund Manager recommends that the Members vote in favour of the special resolution. The key reasons advanced by Knights in support of this recommendation are:

- The original term for the Fund was set at 12 years to April 2016. With the Fund continuing, the Fund Manager will have this further period to implement the investments strategy in the interests of all Members;
  - The strategy recommendations for the Fund's existing two assets - FreeSpirit Resort Darwin and Fraser Lodge Holiday Park- require the Fund's continuation to optimise values and returns to all Members; and
  - With the property market still in a cyclically low phase, the commercial rationale for taking short term pre-emptive action by initiating asset sales would result in a serious diminution in Fund value and the potential level of capital return to all Members.
-

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## **TABLE 1**

### **Knights Tourist Park Fund**

#### **Key Financial Performance Statistics**

**30 June 2006 to 31 December 2010**

	<b>30 June 2006</b>	<b>30 June 2007</b>	<b>30 June 2008</b>	<b>30 June 2009</b>	<b>30 June 2010</b>	<b>31 December 2010</b>
<b>Fund Size (\$m)</b>	29.30	32.55	36.8	35.5	33.8	33.3
<b>Net tangible assets (NTA) per unit (\$)</b>	0.89	0.97	1.20	1.04	0.95	1.00
<b>Borrowings (\$m)</b>	15.43	17.36	20.6	20.6	20.5	19.8
<b>Loan to Value Ratio (%) (1)</b>	57	58	59.9	60.3	65.2	62.8
<b>Annualised distribution yield (%) - 2004 issue at \$1.00 per unit</b>	10.40	11.0	7.6	5.36	5.0	-
<b>Annualised distribution yield (%) - 2005 issue at \$1.06 per unit</b>	9.81	10.38	7.2	5.06	4.7	-

(1) The loan to value ratio is calculated using information from the Fund's Financial Statements and indicates the extent to which the Fund's assets are funded by borrowings. It is calculated by dividing the total interest bearing liabilities by the external valuation of the total property assets. The Loan to Value Ratio under the existing bank facility is 65.1%. As at the date of this Explanatory Statement the LVR was 61.6%. The Fund is also required to maintain an interest cover ratio which indicates the extent to which the Fund is able to meet its interest payments from earnings. This ratio is presently set at 1.85 times to 31 March, 2012 and thereafter 2.0 times. As at 31 December, 2010 the Fund's interest cover ratio was 1.93 times.

**TABLE 2**

**FreeSpirit Resort Darwin - Asset Performance / Strategy Recommendations**

<p align="center"><b><u>Performance</u></b></p>	<p align="center"><b><u>Comments on Asset Performance</u></b></p>
<p align="center"><b>Market</b></p>	<ul style="list-style-type: none"> <li>▪ Along with the broader property market, in past years the market for caravan/tourist parks as investments has been negatively impacted by restricted availability of quality properties; increased cost of debt; weighting to equity in debt/equity ratios; and the general economic uncertainty.</li> <li>▪ Recent indications are of improving levels of market activity evidenced in real estate sales but generally the sentiment is subdued. Investment returns for good quality assets with secure cash flows appear to have stabilised.</li> <li>▪ Improved future investment market fundamentals will be dependent upon the availability of funds directed by the lending institutions to the hospitality and leisure industry.</li> <li>▪ FreeSpirit Resort Darwin (<b>FSR</b>) operates within a moderately competitive environment which makes growth prospects achievable.</li> <li>▪ Changing behaviour of tourists in this sector caused by economic (petrol prices); financial (investor returns impacting on retirees income) and weather conditions (length of the wet season and cyclones) continue to have an unpredictable impact on trading performances.</li> </ul>
<p align="center"><b>Asset</b></p>	<ul style="list-style-type: none"> <li>▪ FSR provides a unique accommodation range in the Darwin market and retains its status as Darwin’s premier park.</li> <li>▪ FSR leased to the FreeSpirit Group to April 2014 and offers an attractive long-term lease with fixed annual increases. Grant of lease for further 5 years to April 2019.</li> <li>▪ FSR will require continual maintenance being the responsibility of the FreeSpirit Group (<b>Operator</b>).</li> <li>▪ Opportunity to upgrade and add accommodation and facilities in order to increase current occupancy and increase financial returns.</li> <li>▪ Existing use as a tourist park is still considered to be best use. Consider a separate title for the service station land and potential disposal..</li> <li>▪ Market Valuation has been consistent: At \$18.64m in 2006; \$23.5m in December 2007; \$23.6m in December 2008; \$23.0m in December 2009; and \$23.0m in March 2011.</li> </ul>

<p><b>Fund Cashflow/ Operator</b></p>	<ul style="list-style-type: none"> <li>▪ FSR is subject to a 10 year lease with the FreeSpirit Group which commenced in 2004. Likely option to extend will be exercised to 2019. The Fund continues to hold a bank guarantee as security for the payment of rent in an amount equivalent to approximately 6 months rent (plus GST and outgoings) and continues to monitor the performance of the Freespirit Group as tenant / operator in its compliance with the terms of the lease. The Fund continues to be diligent in lease administration matters.</li> <li>▪ Trading performance of FSR has been consistent .With the Operator’s considerable expertise in park management, likely that FSR could achieve higher trading levels.</li> <li>▪ Capital Expenditure (incurred and provided for) in relation to sewerage issue have weighed on Fund cash flows.</li> </ul>
<p><b>Strategy Recommendations</b></p>	<ul style="list-style-type: none"> <li>▪ Work in conjunction with Power and Water Corporation to complete the main sewer line connection project by mid-2011.</li> <li>▪ Evaluate merits of a separate title for the service station land. If viable, consider commercial benefits flowing to the Fund from sale of this land. If sold, proceeds allocated to matters such as debt reduction, capital returns, capital expenditure and new acquisitions.</li> <li>▪ Consider capital expenditure for additional accommodation particularly holiday units and or cabins for temporary worker accommodation servicing the resources sector.</li> <li>▪ Retain asset to maximise investment return and underwrite distributions until Fund termination in April 2016.</li> </ul>

**TABLE 3**

**Fraser Lodge Holiday Park (FLHP) - Asset Performance / Strategy Recommendations**

<b><u>Performance</u></b>	<b><u>Comments on Asset Performance</u></b>
<b>Market</b>	<ul style="list-style-type: none"><li>▪ Along with the broader property market, in past years the market for caravan/tourist parks as investments has been negatively impacted by restricted availability of quality properties; increased cost of debt; weighting to equity in debt/equity ratios; and the general economic uncertainty.</li><li>▪ FLHP is a well located and presented leased park which would attract reasonable investor demand and offers an attractive long-term lease with fixed annual increases to the FreeSpirit Group until December 2015. Unlikely lease option periods will be exercised so the availability of a reversionary interest in the business would also be attractive to an investor.</li><li>▪ Situated in a highly competitive environment which makes growth prospects very limited.</li><li>▪ Changing behaviour of tourists in this sector caused by economic (petrol prices); financial (investor returns impacting on retirees income) and weather conditions (Queensland floods and cyclones) continue to have negative impact on trading performances.</li></ul>
<b>Asset</b>	<ul style="list-style-type: none"><li>▪ FLHP is located in the popular holiday and retirement destination of Harvey Bay. It offers a range of quality accommodation e.g. villas, ensuites and powered sites.</li><li>▪ 12 outdated studio units along Fraser Street frontage were closed in February 2011 due to structural risk and which detracted from the investment appeal of FLHP. Short term impact of this closure are ongoing discussions with FreeSpirit as operator for a rent adjustment leading to a reduction in Fund income. Potential exists to replace these units with contemporary style cabin accommodation which have shown strong demand at FLHP. Estimated capital expenditure of circa \$750,000.</li><li>▪ The continued operation of FLHP will require ongoing maintenance and upgrading of accommodation and facilities in order to maintain and increase current occupancy and financial returns.</li><li>▪ Existing use as a tourist park is still considered to be best use whilst the most likely “alternative use” is considered a redevelopment of the site with a multiple dwelling development. However, market demand for such development in Harvey bay is not evident.</li><li>▪ Market Valuation performance has been indifferent. At \$10.25m upon acquisition in 2005, the valuation peaked at \$11.75m in June 2008; to \$10.5 m in June 2009; and to \$8.5m as at June 2010 .</li></ul>

<p><b>Fund Cashflow/ Operator</b></p>	<ul style="list-style-type: none"> <li>▪ FLHP is subject to a 10 year lease with the FreeSpirit Group which commenced in 2005, The current passing rental of \$1,050m per anum (approx.) net. is now considered well above what has been independently assessed. Trading performance of FHL P has been disappointing. Based on our discussions with the FreeSpirit Group, the payment of the rent has contributed and will continue to contribute to trading losses.</li> <li>▪ The Fund continues to hold a bank guarantee as security for the payment of rent in an amount equivalent to approximately 6 months rent (plus GST and outgoings) and continues to monitor the performance of the Freespirit Group as tenant / operator in its compliance with the terms of the lease. The Fund continues to be diligent in lease administration matters.</li> <li>▪ Even with the Operator’s considerable expertise in park management, it is unlikely that FLHP will achieve trading levels that support the current rental level.</li> <li>▪ Capital expenditure to replace studio units and general upgrade of park facilities may provide additional revenue however, given trading performance to date, ability of Operator to pay additional rent on this capital expenditure as required by the lease is unlikely.</li> </ul>
<p><b>Strategy Recommendations</b></p>	<ul style="list-style-type: none"> <li>▪ Resolve outstanding capital expenditure decisions in regards to studio units and improving FLHP’s overall sale marketability; and</li> <li>▪ Commence asset sale programme with a view to exiting the asset within 12 to 36 months.</li> </ul>

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## **8. VOTING AND ELIGIBILITY**

### **8.1. What does the Resolution do?**

If the Resolution is passed, the Fund will continue until at least April 2016.

### **8.2. Quorum**

The quorum necessary for the Meeting is two Members present in person, by proxy, or by body corporate representative, holding at least 10 per cent by value of the Units on issue.

### **8.3. Chair**

Valuestream will appoint a person to chair the Members Meeting.

### **8.4. How to vote**

To vote on the Resolution, you may either:

- > attend the Meeting to be held at Level 1, 20 Kings Park Road on 15<sup>th</sup> April 2011 at 10.00am; or
- > complete the enclosed proxy form and return it no later than 10,00am on 13<sup>th</sup> April 2011. Details of how to complete the proxy form are provided on the form itself.

### **8.5. Voting intentions of the Chair**

The Chair intends to vote any undirected proxies appointing the chair as proxy in favour of the Resolution.

### **8.6. Voting by Valuestream /KCG/ Knights and their associates**

Valuestream/ KCG/ Knights and their associates are not entitled to vote their interest on the Resolution at the Members' meeting if they have an interest in the Resolution or matter other than as a Member. Valuestream/KCG/Knights may, however, vote as a proxy for another Member who can vote in circumstances where the proxy specifies the way Valuestream/KCG/Knights are to vote on the Resolution.

### **8.7. Majority required**

The Resolution is a special resolution The Resolution will be passed if at least 75 per cent of votes cast by Members who are present in person, by proxy or by body corporate representative vote in favour of the Resolution.

### **8.8. Entitlement to vote**

All Members appearing on the register at 5.00pm on 13<sup>th</sup> April 2011 are entitled to attend and vote at the Meeting. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Meeting.

### **8.9. Bodies corporate**

A body corporate may appoint an individual as its representative to exercise any of the powers the body corporate may exercise at meetings of Members of the Fund. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body corporate could exercise at a meeting or in voting on the Resolution.

The representative should bring to the Members' Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Fund.

### **8.10. Voting by attorney**

Powers of attorney must be received by the Registry, or at the Knights registered office, by no later than 10.00 am on 13<sup>th</sup> April 2011 (or if the Meeting is adjourned, at least 48 hours before the resumption of the Meeting in relation to the resumed part of the Meeting).

The appointment of a power of attorney will not preclude a Member from attending in person and voting at the Meeting at which the Member is entitled to attend and vote however, the attorney will not be permitted to participate in the Meeting or vote on the Resolution while the Member is present.

### **8.11. Jointly held interests**

If an interest in the Fund is held jointly, and more than one Unitholder votes in respect of that interest, only the vote of the Member whose name appears first in the register of Members counts.

### **8.12. Appointment of proxy**

If you are entitled to vote at the Members' Meeting you have a right to appoint a proxy and may use the proxy form enclosed with this notice. The proxy does not need to be a Member of the Fund.

If you wish to appoint someone other than the Chairperson of the Members' Meeting as your proxy, please write the name of that person in the appropriate box. Members cannot appoint themselves. If you do not name a proxy, or your named proxy does not attend the Members Meeting, the Chairperson of the Members Meeting will be your proxy and vote on your behalf.

Your proxy has the same rights as you to speak at the Members' Meeting and to vote to the extent you allow on the proxy form. Your proxy has authority to speak and vote for you at the Members' Meeting (to the extent allowed by the appointment) even if you are present at the Members' Meeting (but only so long as you do not speak or vote as the case may be).

### **8.13. Voting directions to your proxy**

You may direct your proxy how to vote. Your proxy does not have to vote, but if your proxy does vote, your proxy must vote as directed.

However, if you appoint the Chairperson as your proxy, he or she should vote as you directed. All your votes will be cast in accordance with your direction, unless you indicate only a portion of votes are to be cast on any item.

If you do not direct your proxy how to vote, your proxy will vote as he or she chooses (and if you appoint the Chairperson, the Chairperson will vote in favour of the Resolution). If you mark more than one box relating to the Resolution any vote by your proxy on that item may be invalid.

#### **8.14. Appointing a second proxy**

If you are entitled to cast two or more votes you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If you appoint two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes (ignoring fractions).

#### **8.15. Signing instructions**

A proxy form must be signed by the Member or the Member's attorney. Instructions for signing are on the proxy form.

If a proxy is signed by an attorney and you have not previously lodged the power of attorney with the Fund's Registry Fund BPO Pty Ltd, for notation, please attach a certified copy of the power of attorney to the form when you return it.

#### **8.16. Lodgement of proxies**

Proxy forms should be returned to the Registry by posting them in the reply paid envelope provided or delivering them to the address below:

##### **By post**

Fund BPO Pty Ltd  
GPO Box 4968  
Sydney NSW 2001

or

Knights Capital Management Limited  
PO Box 272,

Floreat WA 6014

##### **By facsimile**

Fund BPO Pty Ltd  
02 -9251 3525 (within Australia)  
+61 2 9251 3525 (outside Australia)

or

Knights Capital Management Pty Ltd

+ 61 8 93238788

**By hand**

Fund BPO Pty Limited  
Level 1 51-57 Pitt Street

Sydney, NSW 2000

or

Knights Capital Management Pty Ltd  
Level 1, 20 Kings Park Road

West Perth WA 6000

**Via email:**

knightsgroup@inet.net.au

**No later than 10.00am AWST on Wednesday 13<sup>th</sup> April, 2011**

Documents received after that time will not be valid for the scheduled Members Meeting

**8.17. Queries**

If you have any questions in relation to the meeting, please contact the Fund Manager on 08-93243888 or visit the Fund's website at:

[www.knightsgroup.com.au/knightstourist](http://www.knightsgroup.com.au/knightstourist)

## 9. GLOSSARY

<b>AWST</b>	Australian Western Standard Time
<b>Constitution</b>	The constitution of the Fund
<b>Explanatory Statement</b>	The information contained in this document
<b>FLHP</b>	Fraser Lodge Holiday Park
<b>FSR</b>	FreeSpirit Resort Darwin
<b>Fund</b>	Knights Tourist Park Fund ARSN 108 243 947
<b>LVR</b>	Loan to Value Ratio
<b>Meeting</b>	The meeting of Members to be held on 15 <sup>th</sup> April 2011
<b>KCG</b>	Knights Capital Group Ltd and its wholly owned subsidiaries
<b>Knights</b>	Knights Capital Management Pty Ltd ABN 57 117 550 893 AFSL 306365
<b>Notice of Meeting</b>	The Notice of Meeting of the Fund on page 6 of this document
<b>Operator</b>	The FreeSpirit Group
<b>PWC</b>	Power and Water Corporation
<b>Registry</b>	Fund BPO Pty Ltd ABN 81 118 902 891
<b>Resolution or Special Resolution</b>	The special resolution set out in the Notice of Meeting
<b>Unit</b>	An ordinary unit in the Fund
<b>Member</b>	A registered holder of a Unit
<b>Members' Meeting</b>	The meeting of Members to be held at the offices of Knights at Level 1, 20 Kings Park Road West Perth WA 6000, at 10.00am on 15 <sup>th</sup> April 2011
<b>Valuestream</b>	Valuestream Investment Management Limited ABN 66 094 107 034 AFSL 246621

## CORPORATE DIRECTORY

### Responsible Entity

Valuestream Investment Management Ltd  
18 Stirling Hwy  
Nedlands WA 6009

Tel: 08-9355 5044  
Fax: 08-93072030

Email: [invest@valuestream.com.au](mailto:invest@valuestream.com.au)  
Web : [www.valuestream.com.au](http://www.valuestream.com.au)

### Fund Manager

Knights Capital Management Pty Ltd  
Suite 11/ 5 Colin Street  
West Perth WA 6005

PO Box 272  
Floreat WA 6014

Tel: 08-93243888  
Fax: 08-93228788

Email: [knightsgroup@inet.net.au](mailto:knightsgroup@inet.net.au)  
Web : [www.knightsgroup.com.au](http://www.knightsgroup.com.au)

### Share Registry

Fund BPO Pty Ltd  
GPO Box 4968  
Sydney NSW 2001

Tel: 1300 133 451  
Fax: +61 2 9251 3525

Email: [registry@fundbpo.com](mailto:registry@fundbpo.com)  
Web: [www.fundbpo.com](http://www.fundbpo.com)