

# Important contract dates you need to know

When you're purchasing management rights, there are generally two contracts that are executed – one for the manager's lot and one for the business. In Queensland, these are usually in the standard REIQ format, and include Disclosures, a Schedule with all the key details and Terms and Conditions. There are some additional special conditions that are accepted as standard for management rights deals. Because the unit and business are sold together, the contracts will each refer to the other and record the fact that settlement will occur at the same time.

## Several important dates will appear on the contracts.

Make sure you pay attention to setting these dates, to ensure a smooth pre-settlement process.

The key dates are:

- contract date
- verification date
- legal due diligence date
- finance date
- body corporate approval date
- settlement date.

## Contract date

This date will appear on both contracts. This is the date that 'starts the clock' for the processes that follow. Every day can be critical in the purchase process, so the contracts are only dated when the second party (usually the vendor) signs them.

## Verification date

This is the date by which the verification of the financial records needs to be completed. The verification date is usually 14 days from the date of the contract. The contracts will record the time period to be covered by the verification process, and the amount of income to be verified as a minimum. To make sure that the verification process is completed in a timely manner, contact an industry recognised accountant before signing the contracts, so they can be instructed as soon as the contracts are signed.

## Legal due diligence date

This date is generally recorded in the special conditions, rather than in the schedule of the contract. Commonly set between 12 and 21 days from the date of the contract, this is the date by which the purchaser's solicitor needs to complete their legal due diligence. This process includes a review of the contracts, the Caretaking and Letting Agreements, the By-Laws and Community Management Statement and any associated issues. Once again, it's advisable to consult a specialist management rights solicitor well in advance, so they can advise you on the contract and start the due diligence process as soon as the contracts are signed.

## Finance date

If the purchaser is seeking finance, the finance clauses may nominate a lender, along with the approval date. The most common time frame for a finance date is at least 21, but sometimes 28 days from the date of the contract.

For finance approval to occur, we will require the accountant's verification report, as well as the outcomes of the solicitor's due diligence. In addition to these reports, we may arrange a valuation of the unit, and possibly the business as well. The valuer will require the contracts and, for a valuation of the business, the valuer will also need the accountant's report. If the business is being valued, this process can take up to two weeks, including research, reviewing reports and information, an inspection and preparation of the valuation.

In order to assess your lending request, we also need a completed application and supporting information from the applicant/s. Credit checks will be carried out as well. Then the proposal needs to be compiled, a final approval decision made, and finally, a formal offer of finance issued.

## Body corporate approval date

You will need the approval of the body corporate to the assignment of the management rights agreements to you. This usually means you must prepare a resume and some references and attend an interview with the body corporate committee. Each body corporate has different requirements and while a body corporate cannot unreasonably withhold their consent, you still need to treat the process seriously.

## Settlement date

This is the goal you've been working towards! Settlement is normally recorded as a set date, rather than the previous processes, which are stated as a number of days from the contract date. To make record keeping easy, the most common settlement date is the first day of the month. Settlement often takes place around eight weeks after the contract date.

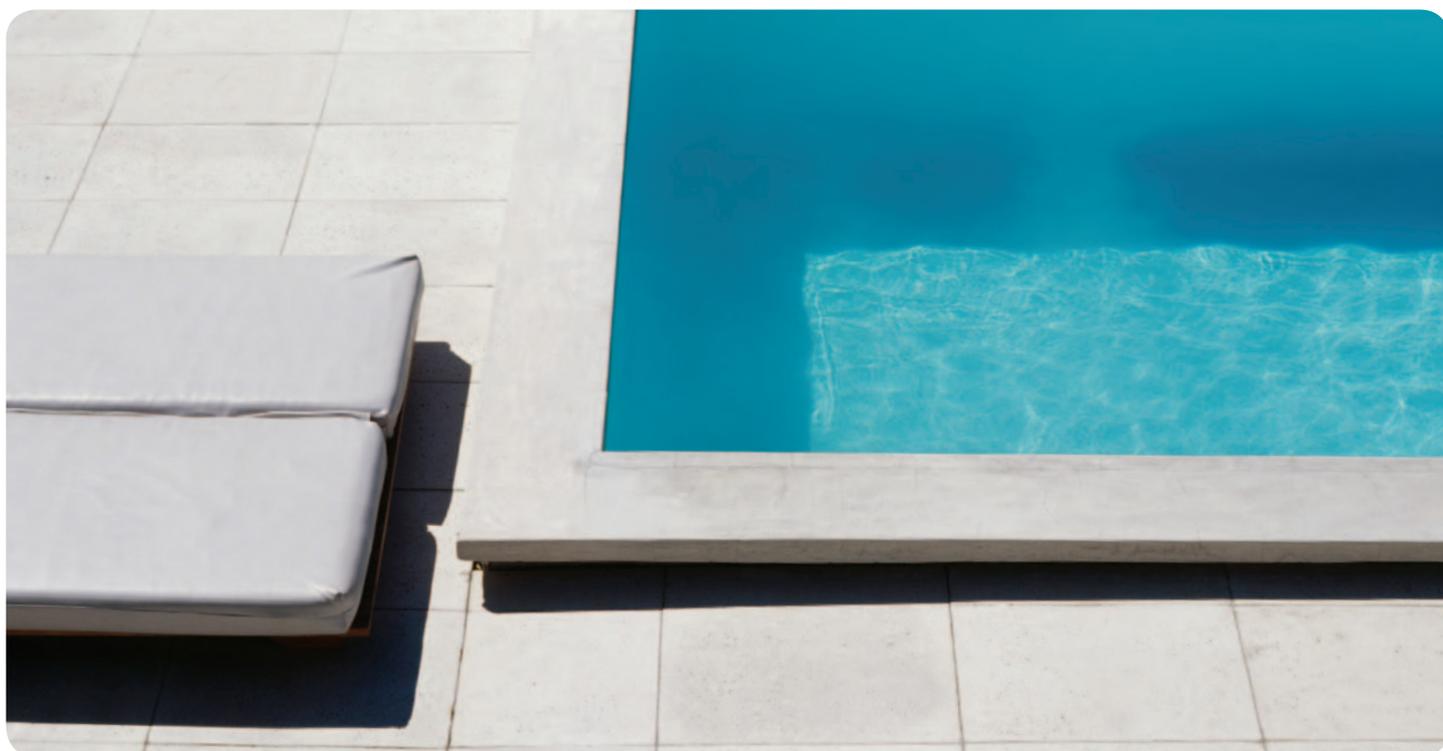
## Take your time

Remember, each of these dates is a 'checkpoint' in the purchase process. If a process doesn't produce the desired contracted outcomes (eg. a shortfall in the income amount or agreements that are flawed), you have the opportunity to renegotiate or terminate the contracts.

You also need to understand that these key processes don't happen one after the other. Elements of each process overlap, in order to achieve the key dates. So, if there's a delay in one process, it may have a domino effect down the line.

Sometimes people try to rush the process. But tight timeframes may mean there's not enough time to address or identify critical issues. To ensure that each party has sufficient time to complete their task and allow the purchaser to consider the outcome of each process, it's extremely important to set realistic timeframes. It will definitely pay off in the long run.

Your whole purchase process will be a lot easier if you surround yourself with people that are experienced in the management rights industry. That starts with us, but also includes the sale broker, the accountant and your solicitor.



If you have any questions or need more information, please contact us.

 Call 13 11 75

[www.suncorp.com.au/managementrights](http://www.suncorp.com.au/managementrights)

  
**SUNCORP BANK**  
Business