Land Loan Proposal

"It is more agreeable to have the power to give than to receive."
Winston Churchill (1874-1965) British politician.

Australian Vietnamese Aged Care Services

AUSTRALIAN VIETNAMESE AGED CARE SERVICES

VIETNAMESE NURSING HOME PROJECT

Dear Generous Supporter,

We would like to seek your assistance and generosity in pursuit of our dream to build the first Vietnamese Nursing Home in NSW.

With a dedicated team from the Australian Vietnamese Aged Care Services (AVACS), the Australian Vietnamese Health Professional Association NSW (AVHPA), Vietnamese Community Association NSW (VCA-NSW) and Vietnamese Women's Association (AWA), we have formed the Vietnamese Nursing Home Project Steering Committee to work together to achieve this wonderful goal. The Steering Committee has undertaken significant work and planning, on AVACS's behalf, to provide a clear financial plan and roadmap to establish the first Vietnamese Nursing Home in NSW.

At present, AVACS needs to secure a suitable piece of land on to which to build the Nursing Home. Due to the current financial situation AVACS is unable to obtain sufficient funds to purchase the piece of land.

Our Request
AVACS is currently seeking a land loan of $1.2million from generous supporters to allow it to purchase the land.

Based on financial model of the Nursing Home operations, AVACS will **have three (3) times interest cover to pay land interest costs** and there is **a very strong likelihood that AVACS will be able to easily repay the land costs of $1.2million with 1-3 years**, mainly via sponsorship or bond money. At worst, it will take 4 years to repay the $1.2 million loan using operating cash profit.

We ask that you will consider our request and hope that you will be able to support us, in being a lender to AVACS, and ultimately being a part of our success in delivering a much need service for the Vietnamese Community.

Please do not hesitate to contact me, if I can help answer any questions or if you would like to further discuss your support.

Yours faithfully,

Dr David Minh Tang
Chairperson- Vietnamese Nursing Home Project Steering Committee
President - Australian Vietnamese Aged Care Services
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Mob: 0430 789 910
Email: david@avacs.com.au

BACKGROUND

THE COMMUNITY NEED

There is a very strong consensus that more aged care services and residential aged care facilities are required for the ageing population in Australia. However, communities from Non English Speaking Backgrounds (NESB) or from lower socio-economic sections of the community often find it more difficult to access main stream services, due to language and cultural barriers. As a result, they are often further disadvantaged.

In terms of demand, there is significant unmet demand in South Western Sydney within the Vietnamese community. From the ABS 2006 Census, the Vietnamese community has the 2nd highest population of people over the age of 70, within the South Western Sydney region, with approximately 2000 people. Current Federal Government benchmarks are for 87 aged care beds per 1000 population over the aged of 70. Thus, based on the current benchmarks, there is a need for 170 aged beds for the Vietnamese community. At present, there are none.

In terms of issues with barriers to accessing services, there is some data that highlights the current situation. For example, out of 233,069 people who accessed HACC community funded services in NSW in 2008-2009, only 890 people were Vietnamese. This represents 0.3% of care recipients. The Vietnamese community presents 1.3% of the population in Sydney. Thus, there are barriers to Vietnamese people accessing health care services and this would be reflective in the community care and aged care sector as well.

PROJECT BUDGET

The Steering Committee has undertaken significant work and planning, on AVACS's behalf, to provide a clear financial plan and roadmap to establish the first Vietnamese Nursing Home in NSW.

The total budget for our project is $12.2 million of which, $11 million is for construction costs and $1.2 million for land. To fund the project, AVACS will be applying for $10.5million low interest loan from the Federal Government Department of Health and Ageing.

The funding application is a very competitive process where all aged care organisations and community groups across Australia compete against each other for funding approval.

The deadline to submit a funding application is in late October 2012.

Based on our financial plan, the project is aiming to raise $1.2 million in loans from the community to purchase the land for the Nursing Home.

The need to secure a piece of land is a very crucial requirement in the funding application process to ensure that our funding application has a high chance of success.

ROADMAP TO SUCCESS - IMPORTANCE OF LAND IN THE FUNDING APPLICATION PROCESS

The AVACS Board has had discussions with the Department of Health and Ageing and has been working with experienced Aged Care consultants on how to ensure that AVACS is able to submit an application with a high chance of success.

In summary, to ensure a high chance of success, the funding application must show:

1. An important area/ population need to be addressed
2. Have definitive plans including:
    a. securing a specific location/ land and
    b. proposed building designs and bed configuration
3. Have a viable financial model and access to financial resources to complete the project
4. Strong community support
5. Experience to operate a Nursing Home

Criteria	Status	Comments
Important Need	✓	The government stated the Vietnamese community is an area of great need and would rank very high. They hope the Vietnamese community can be organised enough to lodge a successful application.
Definitive Plans – Land	✗	Land identified – Need funding. Need $1.2 million to demonstrate access to funds to secure land rights .Need by late October 2012
Definitive Plans – Building Design	✓	Can be achieved. Costs identified and concept plan being scoped. Currently tendering for consultants to undertaken project. Already have one proposal. Budget of $170,000 required. Amount of funding is achievable by late October 2012
Financial Model	✓	Completed and attached. Sound financial plan based on latest and reliable industry benchmarks. Budgets and funding sources identified.
Strong Community Support	✓	Strong community support and Letters of Support to be obtained to demonstrate this. Requests already sent out
Experience to Operate	✓	Have good contacts and assistance by other existing Nursing Home operators

The Steering Committee has worked extremely hard to ensure there is a clear roadmap to be able to lodge a funding application that has a high chance of success.

The only major barrier is the ability to demonstrate that AVACS can secure the land on which to build the Nursing Home.

RISK MANAGEMENT AND PROPOSED STRUCTURE

To help minmise the risk and exposure of lenders to the outcome of the funding application process, AVACS is proposing to approach the purchase of the land in the following structure:

STEP 1: Seek a call option/ right to purchase the land, based on a successful funding application, and pay an Agreed Fee to land vendor.

STEP 2A: Seek a $1.2million land loan from generous supporters and place the funds into a separate AVACS operated land fund. This land fund will earn interest at 4% per year. Once the fund have been received, AVACS can demonstrate to the government, it has a call option on the land and the funds to purchase the land if the application is successful.

STEP 2B: The Agreed Fee for the call option will be paid from funds raised land lenders. Each of the 60 land lender will be asked to allow $1000 from their $20,000 to pay for the call option. Thus, the land fund will payout $60,000 to cover the cost of the call option. Each lender will then have $19,000 of their funds, sitting in the land fund.

IF AVACS IS SUCCESSFUL IN ITS FUNDING APPLICATION:

STEP 3: The $1.2million in the land fund will be used to exercise the call option and the land purchased.

STEP 4: Once the bond money has been received or enough sponsorship money has been obtained, the $1.2million will be returned to lenders. This may take 1-3 years to occur. In the worst case scenario, it may take 4 years to pay back the loan using operating profits.

IF AVACS IS UNSUCCESSFUL IN ITS FUNDING APPLICATION:

The call option to buy the land will expire and the $1.2million in the land fund will be returned to the lenders in July 2013. AVACS will guarantee, through it directors, that all land lenders are returned their full amount of $20,000.

Australian Vietnamese Aged Care Services

APPLICATION UNSUCCESSFUL

APPLICATION SUCCESSFUL

Agreed Fee Paid to Land Vendor

STEP 1

Call Option on Land

STEP 2B
Agreed Fee
Approx $60,000

Land Fund $1.2 million

Call Option EXPIRES

Land Fund $0.00

$1.2million Paid to Land Vendor

Call Option EXERCISED

STEP 3

Land Fund $0.00

AVACS – AUSTRALIA VIETNAMESE AGED CARE SERVICES

STEP 2A

Lenders loan $1.2million to AVACS

$1.2 million returned to lenders

STEP 4

Loan Repaid to Lenders via Bonds or Sponsors

Loan Repaid to Lenders via Profits

LENDERS & GENEROUS SUPPORTERS

October 2012	November 2012	December 2012	January 2012	February 2012	March 2013	April 2013	May 2013	June 2012	July 2013	Start Building	Nursing Home Opens Early 2015	2016		2018

FINANCIAL RISK REVIEW

IF AVACS IS UNSUCCESSFUL IN THE FUNDING APPLICATION:

If AVACS is unsuccessful in its funding application, the funds will be returned to the lenders. The funds are currently liquid in a separate account and have not be used. Thus, the funds can be returned quickly. However, AVACS would be keen to re-apply the following year to address any shortcomings on the previous application and may provide an opportunity to apply with an even higher chance of success.

IF AVACS IS SUCCESSFUL IN THE FUNDING APPLICATION:

Can AVACS Pay the Required Interest in the Future?

As outlined in **Step 4**, interest will still be paid quarterly to land lenders. The interest to be repaid to lenders will be obtained by the interest received from the government funds that have been drawn down and that AVACS does not pay interest on for another 3 years.

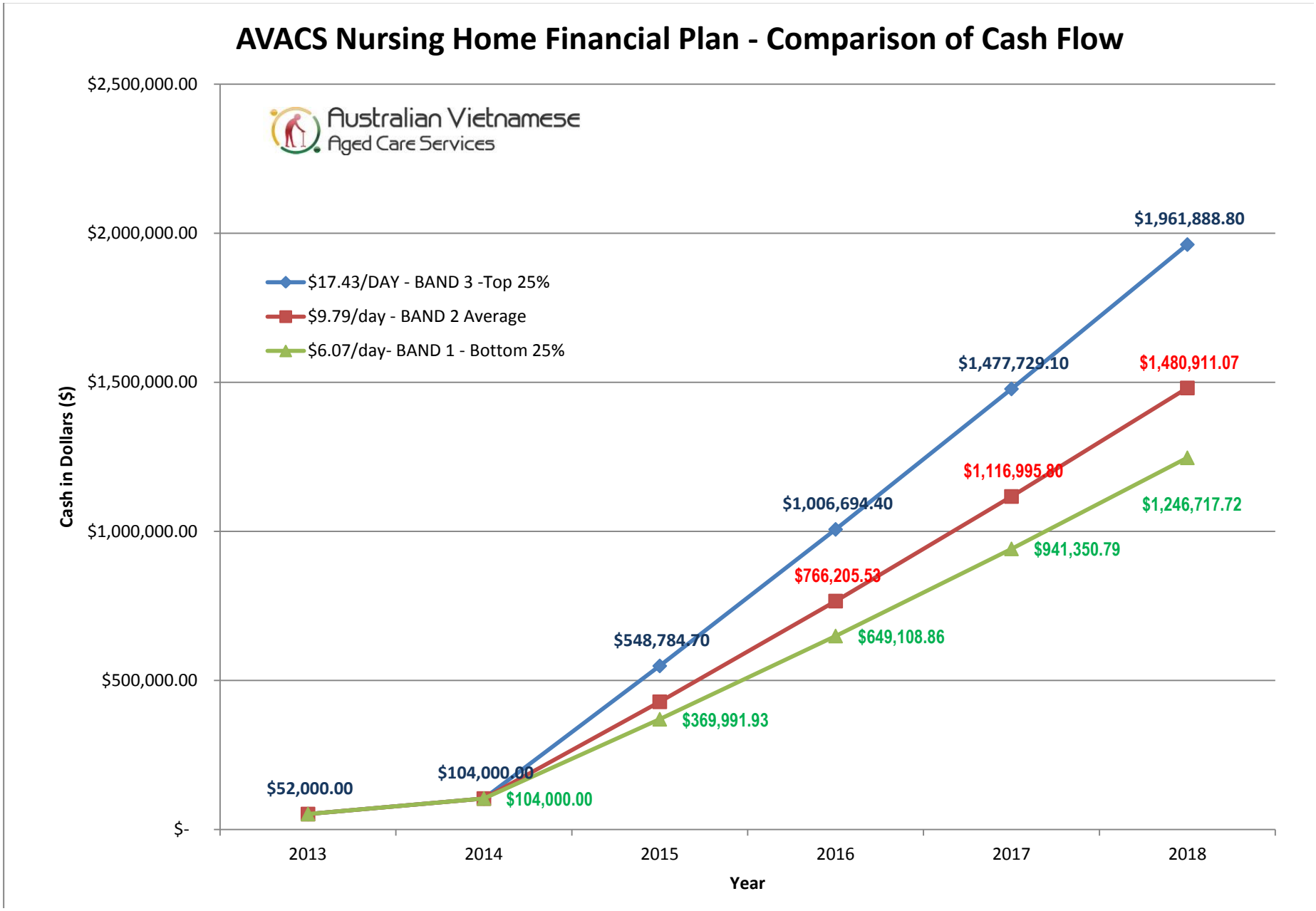
For example, once the funding agreement is signed, the government may allow AVACS to drawn down $4million initially, out of the $10.5milion loan. AVACS does not pay interest to the government until 3 years after the 1st drawn down. Thus, this money can be used to pay interest to the land lenders. From the table below, there is extensive capacity to repay the land interest and AVACS will have at least **three (3) times the interest cover to repay the land interest costs.**

Year	2013	2014	2015+
Government Loan that AVACS has drawn down	$4 million	$10.5million	Nursing Home Opens
Income Interest for AVACS from Government Loan $4 million@5%interest	$200,000	$525,000	Start repaying government
Interest Expenses to be paid to by AVACS Land lenders $1.2million @ 6%interest	$72,000	$72,000	Bonds or Sponsorship to repay land loan

Once the Nursing Home is operating, the financial model shows that the Nursing Home operations has strong cashflows and will be easily able to repay the interest expense on the land loan, until it can be fully repaid. Even, in the Bottom 25% scenario, AVACS will have **three (3) times the interest cover to repay the land interest costs** on an ongoing basis.

Financial Projections – Profit/ Loss based on Top 25%, Average, Bottom 25%

Net Profit/Loss	Top 25% $17.43/day	Average $9.79/day	Bottom 25% $6.07/day
Net Profit Per Year*	$444,784.70	$324,540.27	$265,991.93
Interest Expense of Land Loan	$72,000	$72,000	$72,000


AVACS Nursing Home Financial Plan - Comparison of Cash Flow
Australian Vietnamese
Aged Care Services
$17.43/DAY - BAND 3 -Top 25%
$9.79/day - BAND 2 Average
$6.07/day- BAND 1 - Bottom 25%
Cash in Dollars ($)
$2,500,000.00
$2,000,000.00
$1,500,000.00
$1,000,000.00
$500,000.00
$-
2013
2014
2015
2016
2017
2018
Year
$52,000.00
$104,000.00
$104,000.00
$548,784.70
$369,991.93
$1,006,694.40
$766,205.53
$649,108.86
$1,477,729.10
$1,116,995.80
$941,350.79
$1,961,888.80
$1,480,911.07
$1,246,717.72

REPAYMENT OF THE LOAN

From the work that AVACS has completed on the financial modeling of the nursing home operations, AVACS is confident it will be able to repay all the land costs. As outlined earlier, AVACS has several options available to repay the cost of the land purchase to lenders. The proposed options available to AVACS to repay the loans for land costs are:

Repay land cost via Bond money

AVACS could repay the land costs immediately once the facility is built and the bond paying beds are filled. This could take 2-3 years before lenders will have their money returned to them. As per financial model, it is in AVAVS best interest to repay the lenders as soon as possible using the Bonds held. From the financial modeling, it is AVACS best interest to repay the land loan as soon as possible with the bond money received.

Accumulated Cash Profit	Paying Land Loan with Bond Money	Difference	Paying Land Loan over Time
After 5 Years	**$2,459,173**	**$534,012**	**$1,925,191**

Thus, there is a very strong financial advantage for AVACS to repay the land loan as soon as possible once the bonds have been received.

Repay land cost via Sponsorship and direct funds

AVACS could repay the land costs immediately once the facility is built and the funds received. This could take 1-2 years based on experience of other organisations in the aged care sector who have undertaken the same process. Based on previous projects, AVACS has been advised that once the project has DA approval and government funding to proceed, it is common and acceptable to budget to fundraise at least $1 million from community donations. The current Nursing Home Sponsorship target is $7.6million.

No sponsorship money has been included in the financial projections and thus the money is unallocated. Thus, it $1 million dollars was able to be raised very quickly thorough the Nursing Home Sponsorship Packages, then this money could go immediately to repaying lenders for the land cost.

Repay the land cost over time with operating cash flow

This will take time and may happen over 4 years and from the financial model, there is surplus cash flow to cover the repayments. However, as highlighted earlier, it is in AVACS best interest to repay debt as soon as possible. From the following graph showing cashflow projections for the 1st 4 years, even in the worst cases scenario, AVACS will be able to pay back the land loan of $1.2million after 4 years of operations.

Overall, there is a very strong likelihood that AVACS will be able to repay the land costs of $1.2million with 1-3 years, mainly via sponsorship or bond money. At worst, it will take 4 years to repay the $1.2 million loan using operating cash profit.

OUR REQUEST

AVACS is currently seeking a land loan from $1.2million from generous supporters to allow it to purchase the land.

Due to the current financial situation AVACS is unable to obtain sufficient funds or finance to purchase the piece of land. AVACS considered various options in an attempt to secure the land. It has worked through each option to discuss whether it viable or possible and their advantages and disadvantages, especially, in terms of its impact on being able to submit a funding application that will have a high chance of success. After undertaken significant work and discussion, we present this proposal for your consideration.

AVACS is asking generous supporters to:

- Each loan AVACS ***$20,000*** in funds – we need 60 supporters in total to achieve $1.2million
- Allow AVACS to withdrawn $1000 from each land lender to pay for the call option on the land

In return, AVACS will:

- Hold you money in a high saving interest account and will not be drawn down until funding application is successful, expect initially for the $60,000 to pay for the call option.
- Provide you with formal loan documentation
- Special acknowledgement of your important contribution to the project

Overall, there is a very strong likelihood that AVACS will be able to repay the land costs of $1.2million with 1-3 years, mainly via sponsorship or bond money. At worst, it will take 4 years to repay the $1.2 million loan using operating cash profit.

AVACS hopes that the financial model will give land lenders the confidence that the financial performance of the project is very strong in the long term and it is in these crucial initial stages, where the project requires much needed support.

With substantial financial assistance right now, AVACS is very confident it will be able to make the nursing home into a successful and long term financially viable project that delivers significant benefits to the Vietnamese community.

Please complete the following form or contact Dr David Ming Tang on 0430 789 910 or email us at nursinghome@avacs.com.au to further discuss your support.

EXPRESSION OF INTEREST TO HELP WITH LAND COSTS

Name: _____

Address: _____

Contact No: _____

Email: _____

I am willing to help with the land purchase for AVACS.

☐ I will be willing to lend $20,000 to AVACS directly to allow AVACS to purchase the land.

☐ I will be willing to allow AVACS to draw $1000 from my loan to pay for the call option for the land.

AVACS sincerely thanks you for your support and generosity in this matter

Please note your assistance will not be requested until AVACS can guarantee the total funds can be secured. Thus, any request for funds will be on the basis that your contribution will definitely go towards land costs.

QUESTIONS AND ANSWERS

Why is it important to buy the land?
As part of the application for government funding, applications that are unable to demonstrate that they have a physical piece of land to begin building on are likely to be highly unsuccessful. Thus, to be able to put the strong case for the AVACS application, it is crucial that AVACS identifies and purchases or show it has a legal right to build and operation a Nursing home on it.

Why is there such a rush to buy the land before the Application deadline?
At present, there has been money allocated as part of the Aged Care Approval Round 2012 (ACAR) in the Federal budget and AVACS, through it work with consultants in the aged care industry, has a good understanding of what needs to be done to gain approval. Also, with a Federal election next year, there is always uncertainty if the money will still be available and the same rules apply in ACAR 2012. Thus, with money allocated and good understanding of the process, AVACS is keen to proceed and be prepared for the ACAR 2012 application, with applications due October 2012.

Where do you plan to buy the land?
The location of the land will be in South Western Sydney, where the majority of the Vietnamese community is located. Currently, AVACS is looking at two properties – one in Cabramatta and one in Smithfield.

Does AVACS have enough money to buy the land
AVACS does not have enough money to buy the land. The land costs has been budgeted at $1.2millon and AVACS is currently presenting various funding options to the community to assistance in finding a way to purchase the land. This is currently one of the major obstacles in being able to submit a funding application with a high chance of success.

How can I contribute to buying the land
AVACS is currently seeking a land loan from $1.2million from generous supporters allow it to purchase the land. There is already interest from community members to assist. Please complete the form to allow you to register your support.