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AUSTRALIAN LEBANESE CHAMBER OF COMMERCE • JULY 2014

NEWS



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The Australian Lebanese Chamber of Commerce

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PROPOSED REFORMS TO STRATA IN NSW

The New South Wales Government is planning to reform Planning and Strata Laws later this year. The proposed legislation is intended to protect and give piece of mind to residents considering apartment living.

The Australian Lebanese Chamber of Commerce (the ALCC) hosted a seminar to discuss the proposed changes and examine the impact of the proposed draft legislation on the NSW economy. Guests were presented with two perspectives.

The first presentation was delivered by Stephen Brell, Managing Director of NetStrata. Stephen discussed the proposed legislative requirements for developers to prepare initial maintenance schedules, provide building bonds, provide defect reports and other aspects that will require the development sector to review post-construction strategies.

Chris Johnson AM, Chief Executive Officer of Urban Taskforce Australia, the industry body who represents Australia's most prominent property developers and equity financiers was the second speaker for the evening. Chris touched on the demand for apartment living in NSW and urban sprawl.

This seminar topic resonated with a large number of members from a variety of industries including construction, property management, legal and finance. Over 100 guests attended the event along with event sponsors Madison Marcus Law Firm and NetStrata.

I am very proud of the success of this event. We originally intended to invite a small number of delegates to attend but soon it became apparent that a large number of people had taken an interest in this topic.

In summary, Sydney is expanding and there is a large demand for housing within close proximity to the CBD. Therefore a trend towards apartment living is increasing to cope with this demand. To continue this trend, government must update legislation to help development reach residents more efficiently.

The proposed reforms will help protect residents adapting to apartment living and this proposed legislation is important for the future of NSW. These legislative reforms are well welcomed, however consideration must be given to asset owners as they will be taking greater responsibilities in the proposed reforms and therefore will be more prone to risks.

Joe Khattar AM, President of The ALCC.



BREAKFAST WITH BILL EVANS 2014

The Australian Lebanese Chamber of Commerce held their first event for the year, a breakfast with Bill Evans, Chief Economist of Westpac. Evans addressed 200 guests on the financial outlook for Australia.

This was the second time Bill Evans presented to the chamber. Evans covered topics relating to individual industries such as property and the overall state of the Australian economy in relation to global competitors. Guests arrived at the Waterview, Olympic Park in the early morning, where a breakfast was served and opportunities to network were facilitated.

The event generated a positive outlook for NSW over the next two years. For a copy of the presentation, please click the link below.

Breakfast with Bill Evans was made possible with the support of Westpac Institutional Bank, NetStrata and The Institute of Training.

The chamber runs a number of events throughout the year, guest speakers have included Barry O'Farrell, Scott Morrison, Barnaby Joyce, Anthony Albanese, Nick Geriner and Carlos Slim.



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THE ALCC ANNUAL AWARDS 2013

Congratulations to The ALCC's award recipients for 2013 and to all those who attended, a big thank you for making this event an annual highlight. The Awards Dinner was proudly sponsored by the Property Investors Alliance and supported by the Chamber's partner Arab Bank Australia.

With over 800 members and guests gathered at Doltone House Pyrmont, John Mangos from the Seven Network was the night's MC and the very talented AMW Band entertained with audience their classical Arabian jazz.

The 2013 Award winners were (in no particular order):

- Green Valley Dairy for their contribution to the Australian Dairy Industry
- Trinity Constructions for their success in the Construction Industry
- BigCommerce.com for their innovation in the Information Communication Technology Industry
- Dr Jean Daniel, The Lebanese Ambassador to Australia for his service to the international community
- The Hon. John Ajaka MLC Minister for Ageing, Disability Services, and Minister for the Illawarra for his service to the people of NSW and the community at large

The night's keynote speaker The Hon Barnaby Joyce MP, Deputy Leader of The Nationals, Minister for Agriculture and Member for New England addressed the chamber with a message from Prime Minister Tony Abbott and spoke about the significant relationship between Australia and Lebanon.

Our award recipients were not the only winners for the night. Two major prizes were up for grabs. A highly sort after Alexander Shorokhoff, Kostya Tsyu time piece was auctioned and donated by Gregory Jewellers.

Two return Business Class tickets to the Middle East was raffled off with compliments of Etihad Airways. Guests were also given the opportunity to win a Lucky Door prize:

- A night of exquisite motoring and lifestyle with Maserati drive & stay at Jonah's at Palm Beach. – Maserati
- The ever popular Smeg "Lebanese Flag" Fridge – Smeg Appliances
- Return ticket to Jakarta from Sydney – Garuda Indonesia
- Gold NRL Centenary watch and pen set – Zed and Zed Jewellers
- Dinner for four people at Signorelli Gastronomia – Signorelli Group

A big thank you to all who attended and supported the evening.





CORPORATE GOLF DAY WAS A BIG HIT!

The Australian Lebanese Chamber of Commerce held a Corporate Golf Day on 27 May 2014 at Oatlands Golf Club.

This event gave members and new guests the opportunity to network over a private, uninterrupted game of four ball ambrose.

With wonderful weather, players were treated to a gourmet breakfast and lunch. The Winning Appliance Drinks Cart kept players well hydrated throughout the day and golf buggies were enjoyed by all.

Congratulations to:

First Place: HKMA Engineers.

Runner Up: Apollo Kitchens

Longest Drive: Grant Hamer

Straightest Drive: Tony Susnjara

Nearest to the Pin: Joe Wehbe. Joe walked away with a putter sponsored by ANZ Bank.

Thank you to our hole sponsors: ACE Engineering, ANZ Bank, Apollo Kitchens, Arab Bank Australia, Austral Bricks, Bank of Sydney, Dyldam, HKMA Engineers, Institute of Training, James Hardie, Rheem and Winning Appliances.

Oatlands Golf Club is a private facility with a modern Members Lounge with a panoramic vista of the course, along with a pleasant dining room and adjoining balcony offering capacity for up to 150 guests. The course is one of Sydney's finest and is located North East of Parramatta in the quiet, boutique suburb of Oatlands.



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ASSIGNMENT AND NOMINATION OF OPTIONS



Danny Arraj

Managing Partner
Blackstone Waterhouse Lawyers

Duty – assignment and nomination of options

This is a tricky situation that leads many real estate lawyers to become unstuck.

Habib is a property developer and speculator. Habib previously entered into a call option deed with Mario in relation to a raw development site. The price under the contract (if the option is exercised), would be \$2 million.

During the option period, Habib obtained a development approval to build apartments on the site.

Fady is Habib's cousin and wanted to buy the site from Habib so he could develop it. Fady offered Habib \$3 million for the site which Habib accepted.

The call option deed between Habib and Mario gave Habib a right to nominate another party to exercise the option and enter into the contract for sale of land. Habib did not grant a put option to Mario, which meant that only Habib could exercise a call option to purchase the land.

Fady went to see his lawyer to commence the documentation. Fady's lawyer suggested that Habib and Fady enter into a nomination deed under which Habib would nominate Fady to exercise the option in consideration for the payment of \$1 million dollars to Habib. Fady would then buy the property directly from Mario for \$2 million. Fady's lawyer also suggested that if the transaction was structured this way, Fady would only need pay stamp duty on \$2 million instead of \$3 million dollars. Fady would save \$55,000 in stamp duty. Fady was very impressed with his lawyer and the parties agreed to proceed with the transaction.

Is Fady's lawyer correct?

What are the risks to Fady?

The answer is yes, Fady's lawyer is correct, but only if the transaction is documented correctly. Where it becomes tricky is when it comes time to consider the duty implications associated with these transactions, making sure the transaction does not give rise to double duty. This will be explained later. In the meantime, let's consider the basic position under the Duties Act in relation to transactions involving call options.

Chapter 2 of the Duties Act 1997 (Duties Act) imposes duty on transactions concerning dutiable property. Section 8(1)(a) charges duty on a transfer of dutiable property and section 8(1)(b)(i) charges duty on an agreement for sale or transfer of dutiable property.

Dutiable property is defined exhaustively in section 11(1). It includes, as in section 11(1)(k), an option to purchase land in New South Wales.

No liability for duty arises when a call option or a put and call option is entered into as the grant of an option is not a transfer of dutiable property. Liability for duty only arises when the option is transferred to another party as the option itself is dutiable property.

If the "nomination" is characterised as a transfer of the option, the transaction becomes dutiable. The result is that duty will become payable on the transfer. i.e. the acquirer of the option (Fady) will pay duty on the market value of the option or the consideration paid for the option (being duty on \$1 million based on the above scenario), whichever is greater.

However, nomination could also be characterised as a novation which is not a transfer of dutiable property and therefore not subject to duty under the Duties Act. The effect is that the party who is nominated to exercise the option is not liable for duty on the nomination

The difference between an assignment of a contract and a novation relates to the obligations of the assignor. It is an established principle that the benefit of a contract can be transferred but the burden of a contract cannot. It is also common ground that a novation involves the making of a new contract in place of the old which is discharged.

Under a novation, the incoming party undertakes to comply with all of the obligations of the original party as if it was originally named as a party to the contract when the contract was first entered into (it steps into the shoes of the other party). The original party is also discharged from any liability under the contract.

Whether nomination under a call option is an assignment or a novation is dependent on the drafting of both the call option deed and nomination deed between the grantee of the option and the nominee.

The most recent case of *CTI Joint Venture Company Pty Ltd v. Chief Commissioner of State Revenue* [2013] NSWSC 20 considered this issue in detail.

In that case the Court considered both the option deed and the nomination agreement between the option holder and the party nominated to exercise the option. The Court gave substantial weight to the drafting of both documents to characterise the nature of the transaction as a novation rather than an assignment.

The key to that determination was that the nominee undertook the obligations of the option holder and, in effect there was a substitution of the new party in place of the original option holder. Accordingly, the key is in the drafting of the documents.

Proposed legislation

The NSW Government has attempted to introduce a number of bills into parliament seeking to amend a number of provisions in the Duties Act. One of the amendments was designed to ensure that novations are treated the same way as assignments (i.e. effectively treating a novation as an assignment for duty purposes). Another key amendment was to introduce a credit mechanism to reduce the duty payable on the transfer of the land by the amount paid in respect of the option.

At this stage, it is unclear when these amendments will be reintroduced into Parliament.

Call option assignment duty

In addition to duty on the transfer of the option, call option assignment duty may also apply where a call option is assigned/nominated for valuable consideration. Call option assignment duty is only chargeable where there is a corresponding put option accompanying the call option.

Under call option assignment duty, duty is payable by the party that assigns/nominates the option as though it is the transferee. The dutiable value is taken to be the greater of the market value of the land or the sum of the consideration for the assignment under the call option and the consideration payable assuming the option is exercised.

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Blackstone Waterhouse Lawyers are happy to provide you with legal advice on the matters or comments contained in this article.

If you have any queries in relation to any aspect of this article please contact Danny Arraj (Managing Partner) or Anthony Jreige (Special Counsel) on +612 9279 0288.

MEMORIAL SERVICE MARKED 72 YEARS SINCE THE ATTACK ON SYDNEY HARBOUR



Since 1995, an annual commemoration service has been conducted at the Defence of Sydney Monument on North Head to mark the night that war came to Sydney.

This year The Australian Lebanese Chamber of Commerce was invited to lay a wreath during the service on Friday, 30 May 2014.

The service commenced at 10.00am sharp with the Prime Minister, The Hon. Tony Abbott MP as the day's MC. This event marked the 72nd anniversary of a WWII submarine attack on Sydney Harbour.

Mr Abbott introduced the guest speaker for the event, writer and historian Les Carlyon, who has written award winning books Gallipoli and The Great War.

Mr Carlyon spoke about the upcoming centenary of Anzac, marking the Allied landing at Gallipoli in 1915. The service was generously supported by the Sydney Harbour Federation Trust.

ISLAMIC BANKING AND FINANCE: OPPORTUNITIES AND CONSIDERATIONS



Over the past 30 years, the prevalence of Islamic banking and financial products and services has increased dramatically, to the point where, currently, approximately \$1.7 trillion of assets are being managed globally on the basis of Islamic law or Shari'a-compliant principles, which are sourced from the text of the Qur'an and the sayings and acts (the Sunnah) of the Prophet Mohammed (PBUH).

The principles of Islamic banking and finance are similar to conventional banking in the sense that the objective is to make money by lending out capital, but differ in the sense that there are certain restrictions underlying the provision of such lending, for example: a prohibition on charging interest (which is replaced to a large extent by the use of a profit rate as opposed to a conventional interest rate), a prohibition on uncertainty or speculation in contractual terms and conditions (which, to a large extent, rules out derivatives and other futures), a prohibition on investment in or financing of banned products and services (for example, alcohol, gambling, pork and pornography) and a requirement that all financial transactions are underpinned by an identifiable tangible asset, hence the popularity of real property and infrastructure in the context of Islamic financing. On the back of these restrictions, there are particular types of Islamic financing products, such as: Mudaraba (a profit-sharing arrangement), Ijara (similar to a sale and leaseback transaction) and Sukuk (similar to asset-backed bonds, which may be rated or unrated).

There are several established centres of Islamic banking and finance, namely, Iran, the Kingdom of Saudi Arabia, the United Arab Emirates, Bahrain and Malaysia, which have prospered due to these countries following, to differing degrees, principles of Islamic law and jurisprudence in the everyday workings of government, which permeates to a certain extent into the private sector.

However, there exists an opportunity to grow the Islamic banking and finance industry in a country like Australia. While secular in the workings of government and business, Australia exhibits a number of characteristics in common with the core principles of Islamic banking and finance: conservative economic policy, stability, calculated risk-taking and sustainability of returns. The availability of such alternative sources of financing would increase the flexibility of short-term and long-term funding strategies for corporations, contributing to greater credit market diversity. Although the key ingredients are basically present from a commercial perspective, there are a number of legislative and regulatory changes required by the

Federal and State Governments to make this industry viable; these changes relate to: taxation law (particularly, stamp duty relief), symmetrical treatment of conventional and Islamic finance transactions and ring-fencing of assets.

On the assumption that such changes can be implemented, there are myriad opportunities for the utilisation of Islamic finance, particularly in the property and infrastructure space, given the requirement for tangible assets to underpin Islamic financing transactions. In property, this could involve Ijara transactions, where the lender holds title to the property and leases it back to the borrower, whose lease payment is akin to an interest payment under conventional financing; or Sukuk, where bonds are issued to finance the development of, or acquisition of a property (similar to a conventional securitisation transaction). In infrastructure, a combination of both Sukuk and Ijara transactions could be utilised, particularly where funding is required for a portfolio of leased assets, which is common with such transactions where the government, as owner, will transfer ownership of assets such as ports, railways, power stations and roads on a long-leasehold basis (for example, 99 years).

Such investment opportunities in Australia could be attractive to a domestic wholesale and, subsequently, retail distribution base, and would be even more attractive in the immediate term to an international distribution base, particularly in the Gulf Co-operation Council (GCC) countries, where sovereign and semi-sovereign entities in liquid markets such as the Kingdom of Saudi Arabia, United Arab Emirates and Qatar may be considering investments in conservative products that comply with desired religious principles.

Adam Malouf is the Chief Executive Officer of Austrak Capital, a boutique advisory firm focused on two-way trade and investment between Australia and the Middle East, and prior to that spent 10 years working in the Middle East in C-Level positions in financial services, real estate, funds management and private equity. He is also a qualified company director and a Fellow of the Australian Institute of Company Directors. Adam can be contacted on +61 450 314 222 or adam@austrakcapital.com.



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FAQ

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What can delay the issuing of an NMI?

Usually delays occur when we are not given the full and correct address information, provided we are given the Lot, DP, house number, street name, suburb and post code delays are usually minimised. Also providing your electricians correct email address also minimises any communication errors and delays.

Can I apply for multiple NMI's at once?

If each property has a different street number and or street name then a separate application for each property will be needed.

However if you are applying for multiple dwellings at the one address (i.e. medium density development etc.) then the 'Multi Site/Units' form can be completed on our website, allowing you to do just one application covering multiple premises at that one site.

I have further questions?

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Discussions about exporting fresh Lebanese produce to Australia were held in Canberra between the ALCC and officials from the Australian Agricultural Ministry in the presence of Lebanese Charge D'Affairs Mr. Milad Raad.

The discussions covered Australian AQIS conditions and the issues that must be addressed by Lebanon in order to allow fresh Lebanese produce enter the Australian market. This matter is now being handled directly between both the Australian and Lebanese Agricultural Ministries. All relevant correspondence will be channeled through Foreign Affairs in Beirut. The Chamber will continue to monitor this exercise.

The Australian Institute of Training (AIOT) will launch a branch in Lebanon later this year. AIOT provides a wide range of trade industry courses to meet the Australian standards of practice. A person studying in Lebanon would be able to receive a Certificate III in Carpentry, a Certificate IV in Building and Construction (Building) and many other certifications. An MOU is already in place to kick start this new and exciting project in the very near future.

The chamber is constantly helping those looking to import various Lebanese products, Primarily foodstuffs, beverages, wine, olive oil, clothing, stone and granite.

There is a niche market in Australia for Lebanese gourmet products and the chamber is encouraging the opening of a venue that would have an assortment of such products, in the hope that fresh Lebanese produce would be added in due course.

Whilst discussions to import Lebanese fresh produce to Australia are underway, the chamber has introduced Lebanese cherries to the South East Asian market and talks to that effect have already taken place with a major exporter in Zahle.

The chamber is encouraging Lebanese expatriates to invest in Lebanon. So far there have been a number of investors and builders who are now actively engaged in that market. The feedback we are receiving is very encouraging because the financial reward is more than what was expected.

We continue to help members and others in any way we could in all matters related to trade with Lebanon and other M.E. countries. We will also continue to



promote Lebanon as a strategic partner for Australian products and services in the Middle East and North Africa due to the presence of Lebanese entrepreneurs who are actively engaged in the whole region.

I would like to touch on a serious note which we have raised on many official occasions and which we believe is very important, if not vital for Lebanon regaining its past role as a great destination for trade and tourism. As for trade, we need to shape up our port and airport clearance facilities by investing and updating current infrastructure to meet world standards. Other countries in the region have excelled in this field, which has allowed the business sector to conduct its operation in an efficient and satisfying manner.

As for tourism, some of us were very fortunate to experience Lebanon at its finest state. We are fully aware of what Lebanon has to offer and we now see Lebanon as a great destination for many reasons. But Lebanon still needs stability and we must do our best to make sure that visitors are treated with the world famous, Lebanese hospitable welcome.

Let us not forget about the environment, and how best to preserve Lebanon's natural beauty, Also the archaeological treasures such as Baalbeck that has no equal anywhere in the world, Byblos, Saida, Tyre, Beitedine and many others.

The responsibility lies on both Government and citizens.

Michael Rizk

Head of Trade Relations
Australia and Lebanon
The Australian Lebanese Chamber of Commerce Ltd

NEXT EVENT

ALCC Annual Business Awards Dinner
Friday 24 October 2014
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GARDEN EMPIRE



At Sweet Tea, Downtown Beirut

The urban Middle East is perhaps better known for its dusty cities than for its flora. But Lebanese design and technology company Green Studios is carving out a garden empire one building at a time thanks to a patented technology that allows vegetation to grow on walls and on rooftops under regional climate conditions. Since they founded the company in Lebanon in 2009, their concept has begun to take root in the Middle East and North Africa region, and they have plans to bring their gardens across the Atlantic.

Into the foliage

In hot climates such as the Gulf, growing greenery is tough business. With the brutal heat necessitating an abundant supply of water in order for plants to survive, growing a garden is a rather unsustainable endeavor. "We wanted to develop something that is applicable to super-hot [climates]," says Jamil Corbani cofounder and CEO of Green Studios. Together with cofounders Zeina Kronfol, a landscape architect, agriculture engineer Oliver Wehbe and architect Marc Abihaila, they set out to find a way for plants to grow in the desert.

Green Studios uses hydroponics, a technique of growing plants without soil in a mineral nutrient solution, which creates a multi-layered skin allowing the flora to grow on rooftops and walls. Hydroponics reduces the quantity of water needed for plants to grow and Corbani boasts that in their system, plants can survive without water for up to three days in harsh environments such as deserts, and as much as a week in milder environments.

There is a smart component to their technology. Each layer of the skin is distinct in function, with the core layer acting as an irrigation network, explains Corbani. The skin reacts to the outside temperature and distributes water and nutrients as needed. "It contains sensors and nano-sensors that measure humidity, temperature, acidity, electro conductivity and stuff like that, that are vital to plants' health," he says. The sensors transmit data to an electrical board which directs pumps to go on and off, pumping water and nutrients into the sponge.

The green innovators got their first patent for the skin in Lebanon in 2011, and according to Corbani are in the process of receiving patents in the United States for the updated version of the skin and system, which they are registering as different parts, and which they believe will provide better protection internationally than their patent filed in Lebanon. Besides having filed these two patents in the US, the company has another three or four ready for filing, according to Corbani. He claims that they intend on applying for new patents in the States as they continue to innovate.

To support their push toward innovation, they are in the process of opening a new SAL company, which will focus on the technological side of the operations. To be named Global Dispatch, it will fall alongside the original Green Studios — which will continue to create new designs — under Green Studios Holding, which is to be the second new addition to the family. Corbani anticipates that Global Dispatch will play an important role for the company in the US in the future.



A waterfall of greenery

Rise of the plants

Since their beginnings five years ago, Green Studios have clambered from a startup to become a visible presence both in Lebanon and in the region. When Executive last profiled the company, they had just submitted a bid to design a green roof for the Banque du Liban's Hamra headquarters, a project commissioned jointly by BDL and UNDP-CEDRO, the United Nations Development Programme's Country Energy Efficiency and Renewable Energy Demonstration Project for the Recovery of Lebanon. At the time of winning the BDL pitch, Green Studios had between eight and 10 projects in Lebanon, now up to a current 30 projects, six of which are in the region.

The BDL project, completed in 2013, brought them serious credibility under the watchful eye of the UN. "You

had the whole of the UN body evaluating you on all levels — technically, everything. So we got an excellent score from the UN." Green Studios were also selected to become part of Endeavor's network at the 52nd International Selection Panel in Indonesia last February.

Besides building their reputation with international organizations, the company achieved tangible successes both locally and in the region. In Lebanon, recent achievements include their nomination by Herzog & de Meuron, a Pritzker Prize winning Swiss architectural firm, to install a green wall for Beirut Terraces. They have also been granted a project to build a green wall for residential project Raouche 1090 which Corbani claims will be the biggest outdoor green wall in the Arab world. Regionally, they have executed four projects in Cairo since 2013, amongst them a project with Egyptian holding company Raya Corporation, which is listed on the Egyptian stock market. They are currently pitching for dozens of projects around the region, but since these deals have not been closed, Corbani could not go into the details.

Green Studios' revenues had grown to almost \$700,000 by the end of their 2012-2013 fiscal year (ending in August) according to Corbani. This was up by 49 percent from the revenues they made at the end of their second year, of \$471,000 in 2011.

The current shareholders are the four cofounders and two other team members. The ownership is scattered:

cofounders Corbani, Abihaila, Wehbe and Kronfol at 48, 20, 10 and 10 percent respectively, with Karim Corbani at 9 percent and Rawan Zarour at 3 percent. They are looking for a round of angel funding for their expansion in the Arab world to the tune of \$1.5 million, according to Corbani, which will dilute the shareholder base.

Futuristic vision

Corbani was perhaps most excited when he spoke about the company's planned expansion into the US. To inaugurate their shy expansion into the US market, they will be exhibiting at the American Society of Landscape Architects' annual meeting and expo in Denver, Colorado, in November. "We are going to look at other players, what are they doing, get a feel of the market, and exhibit as well, who we are, what do we do, what is our philosophy, what is our product, and our patent." According to Corbani, they plan on leveraging their growth in the Arab world to inject more capital into their business in the US.

Though he acknowledges that Green Studios has a few competitors in North America, Corbani is confident that there will be space for the company. "The market is still virgin, there is room for more players to come." Moreover, the CEO seems convinced of the inherent worth of Green Studios' technology. "What we have in hand is something completely ... it's the future. By all means, it's the future."



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- Preparation of levy budgets & information packs for marketing purposes
- Preparation of specialised and specific by-laws
- Arranging Strata & Community insurance quotations

- Assistance in preparing Community and Strata Management Statements
- Preparation of strata roll, minutes book and set up of all other required files
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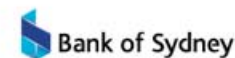
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