

# KNIGHTS CAPITAL MANAGEMENT

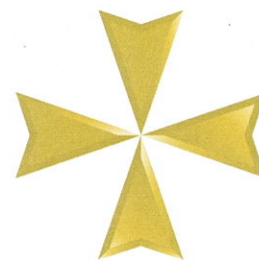
Manager to: Knights Tourist Park Fund  
Knights Coastal Land Fund

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## KNIGHTS

21 November 2016

Dear Unitholder

### **Knights Coastal Land Fund**

#### **Return of Capital from the sale of the Fund's 55% interest in the Blue Dolphin Resort**

As you are aware, a vote to extend the life of the Fund was required by December 2016.

We explored a range of options available to the Fund and, upon completion of that analysis, the decision was made to offer the Fund's 55% interest in the Blue Dolphin Resort for sale in the second half of 2016 and proceed to wind up the Fund.

Preparation for the sale was completed in early 2016 and agent's submissions were sought. The submissions confirmed our view that it would be difficult to secure a buyer for the Fund's 55% interest in the Resort when the joint venture documentation entered into by the Fund when it was launched, and amended in 2009 when Mariner resigned as Manager and Responsible Entity of the Fund, was very much in favour of the Fund's Co-owners who control the remaining 45% interest in the Resort.

Negotiations with the Fund's Co-owners to acquire the Fund's 55% interest were completed in July of this year and completion of the property component of the sale took place in October 2016. Given the Fund was effectively selling a 55% interest in both a real estate asset and an operating business, various adjustments are required for a range of different items including staff entitlements, stock on hand, prepaid income and expenses etc. These are currently being worked on and we hope they will be finalised by the end of the calendar year.

It is our intention to wind the Fund up as soon as practically possible however, the Fund may need to remain in existence until the next financial year in order to satisfy its taxation obligations. If the Fund cannot be wound-up quickly, expenses to keep it open will continue to be incurred.

Therefore, we have decided that an initial return of capital of \$0.26cpu, representing ~ 68% of the net proceeds of sale, should be returned to unitholders and it is hoped that the final instalment will be possible around the Christmas/New Year period leaving the remaining funds to cover the Fund's wind up expenses and its tax obligations. Should any funds remain after this process a further instalment of capital may be paid upon the winding up of the Fund.

Please do not hesitate to contact me if you have any questions in relation to the sale of the Fund's interest in the Resort and/or the wind-up of the Fund.

Yours sincerely,

**Knights Capital Management Pty Ltd**

  
**Grant Hodgetts**