

Re: A few questions

From: AA and WJ BRAUER [REDACTED]
 To: [REDACTED]
 Date: Fri, 18 Sep 2009 00:58:52 +1000

[REDACTED],
 I will provide the answers to the best of my ability in this color.

Thanks,
 Wendy

Adrian & Wendy,

Sydney have come back to me with a few questions mainly to do with the rental properties and to your living expenses whilst overseas.

I know you are both working and I didn't include this income in the figures whilst you're OS. We put money over here before we came. So we have used that to live on. We make a bit here and there, but we use our monthly drawing from Shaytim to cover our expenses. Could you let me know approx what you're earning as this will cover off you living expenses whilst there.

I have the monthly income and payment figures for the rental houses but could you let me know the following;

- * Do you have market appraisals for the properties that you based your values on Yes, everything was refinanced last year to purchase the Gracemere block and build that house. I still have \$40,000 in reserve for those properties should I need extra, rent goes down or they stand empty for a while. I don't have those appraisals with me. I know that the number of houses sold has decreased in areas, but I don't think that the value of the properties have decreased that much. I pay interest only on them. The banks that I have the loans with valued the properties, or are they based on the respective purchase prices. If so could you provide some details.
- * Interest rates for the loans and term. The average rate of interest that we are paying is 7%. That will cover all of them. We are only 50% responsible for the Millicent block. That property is owned by the Rowe Investment Trust. Are they interest only or fixed principal and interest.
- * Are the income figures for the houses in the spreadsheet you sent me net of related expenses i.e.. Rental agent commissions, rates etc. No, if you were to figure a 10% expense off of those figures that would be pretty close to what I pay in management fees rates and water for the houses per year. The \$10,000 is Kia-Ora/year rates and the other \$5000 would be Jamberoo. There's a \$10,000 rates figure in Nov, does this include the residential property rates.
- * Could you let me know which entity owns which property – there appears to be quite a few trusts. Adrian and I own [REDACTED] our own name. Caterpillar Development trust just exists, it doesn't own anything as of yet. Butterfly property trust owns [REDACTED] Brauer investment trust owns Loxton, Pirie, . Brauer JV owns 50% of Rowe Investment Trust and Rowe Ventures. Rowe investment is owned 50% by the Brosnan JV Trust as well. Brauer Hill LLC owns the house and land that we are living on in the US. Adrian and I are the trustees. Barbara Page is acting director for us while we are in USA. You can ask Barb for a diagram. We have never received one. Adrian and I are the directors of the trusts except Rowe Investment-that is Robyn Brosnan and myself. Caterpillar Development, Butterfly Property, Brauer Investment, Brauer Joint Venture, Rowe Investment. Brauer Hill LLC?? Also who are the trustees of the trusts and directors of the companies as trustees. Active Financial Answers may already have a diagram or organizational chart to show this??
- * How easy will it be to offload the USA house given the depressed market over there and for how much. We live in a popular area. We have the last big (8Acres) block on the road that we live on. The land that isn't used for housing here is owned mostly by two long standing entities. We have made improvements to the property and really cleaned it up since we have been here. I know that there is a lot of hype about the depressed market, but if the house and land is priced right, we shouldn't have any trouble selling it. I know properties with older homes, like ours, sell quicker than the brand new ones. There certainly is more demand for the older ones as the builders don't need some much money out of them. It could take a few months to sell this property, but I am sure that it will sell. I would assume that we could be looking at \$220,000 to \$250,000. Enough to get us started in the cattle market in Australia very comfortably. We also have other options that to fully stock the properties ourselves upon our return to Australia. Leasing and renewal are still a viable option to help us get up to speed with the full running capacity of the properties.

I think they just need to confirm that the rental properties look after themselves and don't rely on the property for serviceability. Also try to determine the total extent of your individual liabilities. I'm not sure what you mean here. We don't own anything that isn't tied to Kia-Ora or the real estate side of things. We have a credit card and I think the balance is around \$500 today, but it is generally paid off every month. Our cars are paid for, we have utility bill, phone bill that we pay monthly, and insurance annually.

Hope this all helps. Wendy

Regards

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