Note to client

You have previously received a management letter from us regarding the loans and that it may be breaching s109 of the SIS Act ( all investment transactions must be at arm’s length).

There appears to be no interest received for either of the loans and it appears to be more favourable to the lender.

As no action was taken given the prior management letter and I’m not satisfied that the loans are at arm’s length, it is my duty to report the breach to the ATO.

Please refer to the attached article on lending money from the superfund.

**CLIENT RESPONSE EMAL 9/5/15**

Understand that it is SuperHelp's duty to report the possible breach to the ATO on the loan not being at arm's length. However, would it be possible to please include the following information in the report to please:

The loan to Remington Capital Pty Ltd is at arm's length based on the following:

- Full loan agreement with interest schedule drawn up, with the security of the loan, the repayment period, the full loan and interest to be paid by 30 June 2015, the amount of repayments and interest rate.

- The loan was granted on 23 February 2012 with and understanding that the investments in New Zealand were for cashflow positive properties.The loan takes into account the long term nature (minimum of 3 years) of the investment to benefit the Chester Cook SMSF, hence, balances the risk of a yearly interest payment by charging a higher than market rate interest at 10%.

- Interest payments of a total of $11,738 were made on 23 February 2015, to ensure that the loan was benefiting the members of Chester Cook SMSF, 3 years from the initial loan date at an interest rate of 10%. These figures are to be reported during the next financial year, showing up on bank statement records.

Hope the above information could be added to the report.

Auditor

Ok, the above information will be added to the report.