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18 May 2006

Mr Arthur Cristian and Mrs Fiona Cristian  
 11 Roycroft Street  
 BOWRAL NSW 2576



DIBBS ABBOTT STILLMAN | LAWYERS

Facsimile: 02 4861 1113

Dear Mr and Mrs Cristian

**"Without Prejudice"**

**PERPETUAL LIMITED**  
**ARTHUR CRISTIAN & FIONA CRISTIAN**  
**LOAN ACCOUNT NUMBER 71389870**  
 Our Ref: JAB/GTB/3301650

We refer to recent correspondence.

1. On 25 August 2005 you executed a Macquarie Mortgages Saver Home Loan contract ("the Loan Contract"). Pursuant to the terms of the Loan Contract, Perpetual Limited ("Perpetual") agreed to advance to you the amount of \$664,000.00. You agreed to repay the advance by monthly repayments of \$4,293.67. As security for the advance Fiona Cristian provided to Perpetual a mortgage over the property described in folio identifier 54/755903, known as 40 Warrain Crescent, Currarong, NSW, 2540 ("the Property"). The mortgage was registered and given registration number AB812274 ("the Mortgage").
2. Perpetual advanced the amount of \$664,000.00 to you on 20 September 2005. In breach of the terms of the Loan Contract, you have failed to make any loan repayments since the date of the advance. Accordingly, you are in default of the terms of the Loan Contract and the Mortgage.
3. We note your rationale for failing to make any loan repayments is that the Loan Contract refers to a loan product which requires principal and interest repayments, rather than interest only repayments, which you assert that you asked Perpetual for at the outset. However, we note you have not attempted to make any payment in relation to interest.
4. As a gesture of goodwill, Perpetual is prepared to forward to you a new loan contract, and to draft the loan contract such that the loan is an interest only loan. Perpetual will then recalculate the interest payable from the date of drawdown and advise you of the amount outstanding under the new loan contract (the "outstanding amount"). Perpetual will confirm the outstanding amount when it sends you the new loan contract within the next two days. The outstanding amount due under the new loan contract will be payable by you within seven days of receipt of the new loan contract by you.
5. In the event that you then repay the outstanding amount, within the seven day timeframe, Perpetual will return possession of the security property to you, and the new loan contract may proceed in accordance with its terms.

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