

Dear Sir/Madam

I would like to relate my story as to how I have come to be in a well paying job, yet am about to declare bankruptcy – as a result, solely from advice received by the financial adviser Steve Navra of Navra Financial Services in Sydney.

In 2006, before being involved with Steve we had cash of \$100,000, in a position to purchase our first home in Sydney. 8 years later my ex husband and I will both be bankrupt, owing almost \$600,000 between us, completely as a result of the investment strategies advised to us by Steve Navra.

Once bankrupt we (and our 7 year old daughter) will both lose our homes. We would then have to relocate either interstate or back to England – somewhere we could afford to rent, given we cannot earn more than \$58,000 per year each as bankrupts. My daughter will have to move schools, lose her friends, as well as have two bankrupt parents.

We were advised to margin lend (with no cash reserves). We were advised to “invest” in Grapevine MIS (without any knowledge that we’d have to fund the loans if the investment returns failed to materialise, and without any ability to even service the loans at the time or even now). A big fat sorry mess, which ultimately caused the breakdown of our marriage.

We have no recourse. Steve Navra declared bankruptcy as the FOS claims began against him. The banks are calling in the loans regardless. In the US, Steve Navra would be put in gaol. In Australia he declares bankruptcy, and starts again in Melbourne teaching “Wealth Creation” seminars!

Here is our story... I hope that this can be used to put changes in place so that others are not led down the garden path as we were. That Financial Advisers must ensure clients are aware of the level of risk they are undertaking in the products they suggest. If we had had any idea that what we were doing was so risky, then we would have not taken any of them up whatsoever.

My husband and I immigrated to Australia from the UK in 2001. After years of watching Neighbours (really!), I longed to come to this amazing country and be a part of it.

We had bought a unit in the UK in 2001 and which we rented out whilst enjoying our Australian adventure, before deciding where in Sydney to settle. We eventually sold our unit in 2006. I was keen to use the proceeds from our unit sale to buy our first home here in Australia, but my husband was less so. Prices were so expensive – was it the right time? Would we be buying something overpriced? We needed some advice.

My husband’s boss at the time suggested we talk to his financial adviser, Steve Navra. We met with Steve and attended one of his educational seminars. He sounded very knowledgeable, and clearly believed in the schemes and products he was pitching to us.

Steve’s advice was to hold off buying a house for 3-4 years and instead to put all of our \$100,000 house deposit into his Navra share fund, which he advised would be a much better investment. He showed us the historical returns over the past few years for his fund and how he was beating the market. He showed us that he didn’t in fact earn any fees unless he beat the market (he subsequently changed the fee structure after we joined and just before the GFC hit!).

He advised us to margin loan to 50%, and showed us that in 3-4 years we'd be able to buy a house, and not just the unit for which we had originally planned. So in March 2007 we jumped in. The first return in June 2007 was great (not that we saw it in cash, as all returns were provided as re-investments in his fund)...but on paper it was great! He then suggested we were doing so well we should up our margin loan to 70% which on his advice we did.

Around the same time Steve also advised us to invest in the 2007 Grapevines scheme. We were told it was a scheme completely backed by the government to support Australian agriculture. The whole point of the investment according to Steve, was that it was self-funding and that we should not expect high returns or pie in the sky profits. It was sold to us as a conservative pension fund of sorts to assist in retirement with only a very modest return.

The loans we would take out to fund the purchase were to be covered from years 2 onwards by the returns from the Grapes as well as his Navra share fund. The first couple of years there would be small shortfall until the Grapevine returns kicked in – but with the tax deductions we'd get from the product ruling (as this was supported by the government), plus the returns from his share fund this would be covered. It sounded like we couldn't lose.

We double checked with him what would happen if it all went belly up – we were told there was insurance to cover this, and there was no way we could lose on it. He re-iterated over and over that this was a safe, self-funding investment. We checked what we'd been told with █████'s boss who referred us to Steve, along with his extremely conservative accountant – same story.

We honestly thought we were investing in a nice, safe investment, a product that was endorsed and supported by Australian government legislation, and that nothing could go wrong. We also thought that we were actually purchasing a piece of land as per the loan agreement below:

8 CHARGE RELATING TO WINE GRAPE PROJECT

8.1 Grant of charge

(a) As security for the due and punctual payment of all Moneys Payable to the Lender under this Document and for performance of the Borrower's obligations under this Document, the Borrower hereby charges, by way of a fixed charge, all of the Borrower's interest in the Wine Grape Project to the Lender, including, without limitation:

- (1) all of the Borrower's right, title, estate and benefit in and to the Wine Grape LMA whether proprietary, contractual or otherwise and the full benefit of all the rights, powers and remedies of the Borrower under the Wine Grape LMA;
- (2) without limiting (1), all of the Borrower's right, title, estate and benefit in and to the Vinelots and all Grape Produce to be grown or growing on the Vinelots the subject of the Vineyards LMA; and
- (3) without limiting (1) or (2), the proceeds of Disposal of all Grape Produce and the Grapes Insurance Proceeds.

(b) The Charge is, until finally discharged by the Lender in writing, a continuing security for the performance of the Borrower's obligations to the Lender under this Document (and any other arrangement between the Borrower and the Lender) and takes priority over all other mortgages, charges or other encumbrances.

(c) The Borrower acknowledges that all or part of the Principal Sum is advanced to assist the Borrower to acquire the Charged Property and on the express understanding that the Charge would be granted over the Charged Property and accordingly:

- (1) the Borrower acquires legal title to the Charged Property subject to the Charge; and
- (2) the Charge ranks in priority to any other charge or mortgage presently or subsequently granted by the Borrower over the Charged Property.



We certainly had no idea that if the Grapevine returns didn't happen we'd lose title to any assets and have to pay the loans anyway, including interest and penalties.

*We wouldn't have been able to afford to do this, even if we wanted to. **Per our tax returns, we had jointly earned \$82,000 in 2005 and \$95,000 in 2006. Steve's recommendation was that we invest \$126,000 in the 2007 scheme between us, all funded via Great Southern Finance.***

In February 2008, Steve called us into his office for a review of our situation. He was keen to sign us up for the 2008 Grape scheme, which would be the last one. He persuaded us that we had to make the most of it while we could as the government had changed the product ruling. He got us to give estimates of what we'd be earning, worked out the maximum amounts we should borrow. Note – both [REDACTED] and I were still contractors without any fixed term contract and still paid by the hour. I had just had my first child in January and I wasn't yet working, and when I went back in a few months it would be part time, again still as a contractor.

We didn't sign up to the 2008 scheme straightaway. I went home and crunched some numbers. At that point I started having concerns as to how the numbers would work if we had another loan too, in addition to the 2007 scheme. I started getting nervous. So back we went to Steve. He truly was a great salesman. After showing him all my spreadsheets and concerns and explaining our situation we walked out of his office, having agreed to sign up to the 2008 scheme, our minds at rest that it would all be OK! To this day I have no idea how he persuaded us to do this. But he sounded so sure of himself and we trusted him completely as did many other of his clients who seemed astute and knowledgeable.

There was a seminar held at the Hilton Hotel in George Street around this time in early 2008 which was attended by hundreds of people. Once again there was a mixture of various people from all walks of life but this time the attendance was the largest we had seen. The audience was addressed by Steve Navra and other representatives from Great Southern all of whom were extremely positive towards the scheme and all of the great plans they had in place at that time. All of this runs contrary to what has been revealed in the Australian press since.

When the GFC hit just a few months later that was when the margin calls started. We'd get a call from the ANZ (margin lending co) telling us we had 24 hours to find \$12,000. This happened multiple times. We didn't have the money but we knew if we lost the Navra shares we'd have nothing to repay the Grape loans. So we borrowed on credit cards if we were short and shuffled money around, delaying paying bills so we wouldn't lose our Navra shares. That was several months of huge financial stress. I would wake in the night at 4am, checking emails by the hour as to whether more margin calls were coming.

Steve's advice was to switch margin lenders – so he moved us from AZ to BT who apparently would let us go to 80%, so we'd have less calls.

When we finally sold out of the Navra share fund in 2010, unable to carry the burden of any more margin calls we sold \$0.75/share, having purchased on average for \$1.18. Of our original \$100,000 we came away with about \$58,000. Not ideal...but just a drop in the ocean compared to what we would owe Bendigo and Adelaide Bank for Grapevine loans a few years later.

The law is protecting the likes of Steve Navra, Great Southern and the banks who funded all of this. People and corporations are protected, not the investors they misled.

Jon Young, the CEO of Great Southern who ultimately is responsible for the Great Southern demise stands to make a vast profit from all of this (2 weeks before Great Southern went into receivership he sold part of the loan book to a company controlled by himself for 30c/\$ - with this "settlement" he is now effectively authorised to collect at full face value plus interest). How is that fair?

Steve Navra, after the first successful FOS claim against him immediately declared bankruptcy, relocated to Melbourne and is now practicing "wealth education" seminars down there. Why is this allowed to continue? At the time of the Great Southern demise, we even received a letter from ASIC advising us we had potentially been mis-sold Grapevine products by Steve and to take up with the Financial Ombudsman – but to what purpose? Steve is bankrupt, had insufficient insurance to cover all our claims...and with this "settlement" we would no longer be able to pursue via FOS anyway.

Why were the banks allowed to fund these schemes as they did? Where were their responsible lending practices back then? For [REDACTED] and I, the 2007 and 2008 schemes combined came to approximately \$286,000 between us. Even at the time of the last 2008 scheme we did not have sufficient assets to repay this amount. We could not have met serviceability criteria with which to repay this at the time, let alone now, 5 years later with accumulated and penalty interest added on top.

The repayments for both schemes between us interest only were approximately \$2300 per month, and when the capital began to be repaid this would total over \$4500 per month – this is more than a \$1million mortgage!!! Yet our 2006 tax return showed \$95,000 income between us. Why were the banks allowed to lend this amount, when it was quite clear we would not be able to repay, should the grapevine returns not materialise? Everything hinged on the grapevines producing returns – without this, there was no way for us to repay the loans – so why were the banks allowed to lend on this basis?

For the average investor there is no recourse. Lawyers fees are hundreds and thousands of dollars. ASIC have done nothing. The Financial Ombudsman does nothing. What do we have left?

Attachments:

1. Letter from ASIC indicating potential mis-selling of Grapevine Investments to us by Steve Navra. Suggested recourse FOS (but given Steve is bankrupt this is not worth pursuing)
2. Loan applications for Great Southern Grapevine investments in 2007 and 2008. Note:
 - a. Income requested (but not Expenditure) – why was Income able to be used as a criteria, but not Expenditure e.g. Returns from share fund included, but not the related margin loans
 - b. Tax returns/pay slips not requested – I was recently self employed, billing by the hour and was on unpaid maternity leave for 4 months during the 2007 sign up

Navra

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Australian Financial
Services

Licence No: 292 605
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22nd December 2010



Private & Confidential

Dear

Your Great Southern investment

Following the collapse of Great Southern, the Australian Securities and Investments Commission (**ASIC**) issued directions to a number of financial services licensees. The directions were issued as part of ASIC's ongoing surveillance concerning financial services advice provided to investors in Timbercorp and Great Southern agribusiness managed investment scheme products.

Navra Group Pty Ltd (**Navra Group**) was one of the financial services licensees that received an ASIC direction in respect of Great Southern. Navra Group complied with the ASIC direction by supplying ASIC with a spreadsheet containing 'Investor Information' and, in some cases, with further information.

We think it is appropriate that we inform you about the ASIC surveillance in relation to Great Southern and how that surveillance has involved Navra Group.

Navra Group has been informed by ASIC that ASIC formulated a set of indicators to assist it to identify potential inappropriate advice given to Navra Group's clients in relation to investments in Great Southern scheme products. ASIC has informed us that the indicators it formulated had regard to factors including the tax treatment of agribusiness managed investment scheme investments, leveraging or loan issues, investors' income and age, the total of investors' portfolio invested and the risk profile of the products.

Applying those indicators to the 'Investor Information' spreadsheet and to the other information supplied to it, ASIC has taken the position that two or more of its indicators for potentially inappropriate advice were triggered in respect of the advice provided to you by Navra Group.

ASIC has asked us to write to you to inform you of the above and to give you some information about our dispute resolution processes, which are described below.

In writing to you in this way, we are not suggesting that Navra Group accepts ASIC's analysis of the information it has received in its surveillance process.

If you have any concerns about the advice you received please contact as follows:

Navra Group Pty Ltd
21 Berry St,
North Sydney, NSW 2060
Phone: 02 9087 1888
Fax: 02 9087 1877

Should you choose to submit a complaint, we will investigate it through our IDR process. Under normal circumstances, we would hope to be in a position to provide you with a response within 7 days. Our IDR process is provided to you free of charge.

However, if you are not satisfied with our response, you may also have the right to refer the matter to the Financial Ombudsman Service Limited (**FOS**). FOS is an External Dispute Resolution service, of which Navra Group is a member. FOS can be contacted on 1300 780 808.

Yours faithfully,

Compliance Manager: Navra Group Pty Ltd

