

To: jeevacation@gmail.com[jeevacation@gmail.com];
jeevacation@gmail.com[jeevacation@gmail.com]
From: Terje Rod-Larsen
Sent: Wed 1/19/2011 7:40:00 PM
Subject: Fw: Replies to Accounting Questions 18 1 2011

Title: rmando Pizzoni Ardemani

From: Patrick KYD-REBENBURG [REDACTED] >
To: Terje Rod-Larsen
Sent: Tue Jan 18 18:54:41 2011
Subject: Replies to Accounting Questions 18 1 2011

To

Terje Rod-Larsen

[REDACTED]

Ronchi dei Legionari, 18 January 2011

[Villa Barbarigo in Valsanzibio](#)

[45 Minutes from Venice](#)

Dear Terje,

Any information provided on this property is **confidential** and may be passed to your interested client, but must **not** be **circulated** any **further**, except for the purpose of this possible transaction or with my prior knowledge. This applies in particular to the figures and information that follow!

Before I come to answer the questions on accounting matters you raised also for this property, I should explain as follows:

This property has the part protected by the decree of the Ministry of Culture as “protected heritage” which includes the Villa, the Monumental (Historic) Park, the Portineria, the Scuderia and the Serra Interna buildings. Here this is all in good condition and one could move in any moment without any or certainly without substantial alterations, depending on one’s personal requirements and taste. The present owners are living there now and very beautifully. For somebody who just wants to own this as a private residence this is fine.

The remainder of the property are all the many other buildings which would be used to run the whole ensemble as a super luxury hotel resort as well as some other buildings plus over 200 hectares of land. Here some buildings are in good shape and almost completely restored/adapted (but not furnished) whereas others are only partly so and yet others need still to be completely restored. For realizing a project such as the super luxury hotel resort as it was planned and for which the restoration / adaptation works have partly been realized another Euros 12-14 million would need to be invested.

The property can in any case only be sold as one piece, that is all of it together.

Here the answer of one of the two owners - the son (Questions 3 operations and 4 Capital were answered only today, after the new definition given by you): the original was in Italian, translation done by myself.

Valsanzibio, 17/01/2011

Dear Patrick,

I refer to your e-mail of today and will seek to reply to your contact as good as I can. In any case

keep in mind what I’ve told you on the phone, of which I am firmly convinced. In my modest opinion, our property at Valsanzibio should be considered as a beautiful and precious treasure, which is however still largely hidden and therefore is little known and above all not at all exploited. I am convinced, that this property is not only beautiful and important (little doubt about that!), but is now ready to become a fountain of revenue, obviously after the right investments. Unfortunately the management of the property by my family has stood still since the years after the war. Already in the 80’s it would have been necessary to drastically change the way of running the estate. However, at that time when there were the means to do so, nothing or

too little was made to change and adapt to the new economic realities and to the new opportunities which were starting to show. Today I am even more convinced, that this our property has an enormous potential to justify the investment aimed at creating a business dedicated to top class tourism. I believe that especially in Northern Italy there cannot be (many) other such estates as united and with so many essential and defining characteristics for being successful in the field of the “tourism industry”. Unfortunately however I am aware, that my family today no longer has the financial means to face the enterprise of bringing to light this treasure and make it produce the income as one should. I had hoped to obtain my father’s consent for the solution of “letting”. This way my family would have remained proprietors of this treasure, even if - when someone else would have had it bestowed upon himself to bring to light this jewel of Valsanzibio – the family would for many years (one was talking of a letting for 20/25 years) not have had ability to reap the fruits. Unfortunately however, this proposal was refused by my father, who preferred to, as you know, to adopt the system to completely cede the treasure. Therefore, in the light of all this, the figures/values I will now be giving to you are figures/values with respect to the obsolete and inadequate present use. A use/management which has changed little over the past 50 years and which by now is totally dedicated to the monumental garden, since the agricultural business of the ‘50s is since 1983 officially inactive.

To conclude, I do not believe that the [requested] data which I will give you could really influence the decision to make a real estate investment of this significance. Indeed, in the case of somebody being that wealthy to allow himself to purchase this property to just live there or to distinguish himself from the other super rich, I do not think that Euro 100,000/200,000 more or less in the annual budget would change anything for somebody like that.

Similarly, our operating budget, which refers only to the maintenance of the historic garden can only marginally interest in case someone would buy the property with the aim of creating a source of income in the field of high quality tourism – which was also my aim, I believe that the potential for profit could really be very interesting! In fact how you could see from the business plan, which I have sent to you (constituting only one example of how the property could be used and exploited, the operating costs would be between Euros 5 to 7 million after an investment of Euros 12 to 14 million for the transformation. Therefore, to repeat, I don’t think Euros 100.00-200.000 more or less in the annual budget could make a difference in deciding whether or not to purchase. This said, here is the data requested:

- 1) Yearly fixed costs – 40,000 €

As far as electricity, gas, heating oil, telephone, waste/garbage, insurance and other utility bills are concerned there is a cost of circa 40,000 € annually (principally due to the item electricity – 20,000 € - because the pumps for the fountains consume a lot! Take note that we do not have water-costs because provided with own fountain-water. Nevertheless during the hottest summer months we have indirect water-costs. The fountain-wells which provide descending water to the gardens, are insufficient to satisfy all the needs of the gardens and therefore further water has to be obtained from one of our artesian wells, which however consume electric energy which needs to be paid for!

2) Taxes – 30,000 €

The tax expenditure is for the “consorzio di bonifica Adige e Bacchiglione” - the local entity of land improvement (circa 5,000 €), for the income of the few urban rentals (the majority of the houses are free (uninhabited) or have very old agricultural contracts which do not pay taxes!) and for the cost of ICI (circa 25,000 €) which is a property tax payable to the commune (smallest local government entity), for a total of circa 30,000 €;

3) **Operations** – 20,000 €

To run our activities, which are only based on the visits of the monumental park, we have the P.R. costs, costs of adapting estate security and the costs for the normal maintenance of the machinery used to maintain the historical garden (pumps for the fountains, tractor and trailer, lawn-mower, hedge-shearer, and others), for a total of ca. 20.000 € per annum;

*3) new question: **Operating Cost**, this refers to what it costs to run the place (“running cost”) – maintenance, staff, garden, water, electricity, whatever. He needs to see the accounts for the last few years.*

This has been replied to under question 1) and 3) above [was authors previous mail] so sum of € 60.000 per annum : 40,000 + 20,000. and with the exception of the inevitable change due to the increase of the cost of living (inflation!) the operating cost just like all our other costs have remained unchanged in the past 10-15 years.

4) **Capital – Capital Cost**. *Are there any loans on the property? Are there any major investments*

that are imperative? New roof,, walls about to fall down, drainage etc. He needs to see the accounts of the last few years

As far as loans are concerned, the property on sale will be ceded without any possible mortgage or other debt to the buyer's or the property's burden. [For the remainder of the question see the introduction to this e-mail. Indeed, the property is very large and there many different realties

and situations. Some buildings are completely restored/restructured and need only very little investment to be finished (the last works have finished end of 2008 beginning of 2009). Others however, are restructured in an unrefined way or are still to be completely restructured or are in a bad state (very few partly collapsed) and would therefore need more important investment according to their state. For the Hotel-project and its buildings about € 12-14 million would be needed including furniture etc. If instead one would limit oneself to putting the houses in order for the purpose of letting them and making them livable, then this portion of houses could be restored for ca. € 5.9 million whereas the remainder of the houses could be restored for € 5.4 million. As far as the protected heritage buildings are concerned a € 200,000 investment should do - though there are no imperative investments here.

Finally it is important to note, that for the protected heritage part (monumentale) one can exploit the manifold incentives for their upkeep and restoration (risanamento), sunk loans, reduced taxation, just as the old village part *antico borgo* (i.e most other buildings) there are a number of European Community funds destined for the conversion and restoration of old villages.

5) Labor – 155.000 €

The cost of personnel is the most incisive on the running costs of our present operations. We have from 7 to 10 workers (2 fixed and up to 8 occasional) who work in our business:

- 2 fixed specialised gardeners (indefinite duration contracts) employed in maintaining the garden (especially the planting/care of the espaliers of the hedges of “bosso” with a height of more than 6 metres !);
- 2 occasional qualified gardeners (limited duration contracts) employed in maintaining the garden (foliage, dunging/fertilizing, treatments, irrigation, other);
- 1 employed with maintaining the animals of the garden (swans, ducks, pigeons, rabbits, other);
- 1 specialised mason employed with the maintenance of the mural works of the Villa and garden;
- 2 employees at the ticket office and , sometimes , at the shop of the historical garden (only during the 9 months of the opening to the public- end February to end November !);
- 1 employee at the shop and marketing of the historical garden (during the 9 months of the visits to the historical gardens!).

In total, salaries and contributions, the expenditure for ‘labor’ amounts to 155.000 €;

6) Employment related issues (no firings etc)

As already mentioned under 5), we have only two gardeners with fixed i.e indefinite contracts, which could, with regard to the Italian legal situation, could pose a problem with dismissals; all the other personnel is dismissed every year and then taken on again the second week of January or the first week of March of the new/following year. Therefore, in the case one would want to change personnel, with the exception of the two gardeners with indefinite contracts, for the others it suffices not to take them on again after the expiry of their contracts (end November or end December). However, to anyone who might follow us in the running of the historic garden of Valsanzibio, I would strongly advise against the dismissal and substitution of the present personnel (with the possible exception of the employees at the ticket-office at the entrance). As a matter of fact, the maintenance work of the *giardino monumentale di Valsanzibio* is very delicate, very particular and possibly unique in the world. In some cases (e.g.: trimming of the hedges of *bosso* and maintenance of the labyrinth of *bossi* !), it requires two to three years before a novice gardener would have adapted sufficiently the working techniques in accordance with maintaining 'The Pearl of the Euganean Hills' (as the Gardens of Valsanzibio are also known).

Dear Terje, this should answer your questions for now.

Please let me know if you need anything else. There are many very detailed, professional and informative plans, maps, photos, business-plans etc available. All in Italian. The maps are easy to forward, I would only need to separately write and provide you the translation for the keys/explanations. I could also do translations of other documents should you need them.

I will send you in any case tomorrow, as examples and so you can compare with what has been written above, some maps and photos.

Best regards

Patrick Kyd-Rebenburg

Agenzia Immobiliare

Patrick Kyd-Rebenburg

Via Roma 63

34077 Ronchi dei Leg.

Tel. [REDACTED]