

## SENATOR O'NEILL 22 Nov 2021 fr DENISE BRAILEY

### Answers to Questions on Notice

STERLING FIRST emerged from the original structure by the same Directors Ray Owen Jones and Simon Bell, the **Heritage Group** commenced in 2010 – 2014. After raising \$25 million from Mum and Dad “investors,” on short term offers, Jones failed to pay any monies back, yet continued to pay “dividends” for 3 years after that business ceased. Exactly as evidence is shown in Westpoint. I have a Sterling register of 117 persons (from 600) caught up from all states in Australia. I have spoken to each of these Investors.

Jones, Whitehead, Bell, Beck and Carey were all known to each other in the 1990's.

Dividends reportedly stopped in early 2017. There is a strong possibility the new monies raised from Sterling First were paying previous victims of Heritage.

Sterling Directors and their lawyer from HW Ebsworth, met with ASIC to formerly apply to list Sterling First on the ASX in either late 2014 or early 2015.

Directors ensured *the hyped-up chatter on Hot Copper* to announce the IPO event with their Rent for Life business model. Heritage persons who could never recover their capital were informed of this “new event.” Dividends continued.

ASIC never approved the ASX listing applications despite the meetings. Promoters of the Sterling Rent for Life product sold to Tenants were also promoting the IPO on the ASX as part of the ‘sales spiel.’

In 2016, a few Sterling investors who could not receive a return of capital after the expiry of six months, complained I have attached one such ASIC “response,” redacted.

This gentleman invested \$50,000 for six months in 2015. Attempting to recover his investment monies was futile. He complained to ASIC by phone in mid-2016, followed by formal letter in early September 2016.

ASIC continued to suggest to Parliament (to Patrick Gorman 2019, the regulator had no knowledge of Sterling until 16 March 2017. DMIRS Commissioner explained to me otherwise.

We believe the Victorian 99-year Leases were first discovered by ASIC in 2015, and they alerted DMIRs who then had meetings with Jones and Bell in 2015 to change the leases to Standard REIWA contracts. Five-year Leases x 8 years permitted the 40-year product to go ahead.

**Your Questions: Correct:** Consumers are frequently misled into believing as consumers in Australia, that ASIC look at the financial products before release onto the market. Yet when I first questioned these people, they saw the product as being Tenants going from their own home and moving to a mini home on a mini block....their home for life, or “forever home.”

Sellers impressed upon the elderly persons: their funds were safe in a Trust. Landlords would not receive rental funds until the date due when Sterling would pay the rent into the account of Rental Management Australia.

No-one mentioned rents to Tenants (expected at \$280 pw were highly inflated). Details lay undiscovered until after the collapse. Landlords started demanding rent of \$400 per week.

A stunning explanation was the Trust was earning money. Tenants did not understand the Trust does not earn money. When I put that to the people they were visibly stunned. Deception was obvious. The Elderly started to realise everything they had been told was a lie. I spoke to all the sellers / promoters and certainly they did not fully understand this product. Basic questions could not be answered.

As proof of the magnitude of this scandal, sellers had been encouraged to sell the Tenancy Leases and Mini Homes to family and friends causing extreme stress for everyone involved. The deception had ripped families apart.

In addition, the first time Tenants realised ASIC's existence: at the first Rally 21<sup>st</sup> June 2019. The Commissioner of DMIRs was at this rally along with Director of CP and staffers. They knew me well and admitted to me the finding of the illegal Victorian 99-year Leases in early 2015. At that time five persons had signed up. I understood that ASIC noticed this after a Tenants complaint had been lodged.

DMIRs did not realise the Directors had changed the wording in the Standard REIWA Leases. The logo was used to give the elderly comfort these were “normal” REIWA leases. This explains anxiety and frustration on the part of Circle Green Tenancy WA as per their submission. I concur.

A high-ranking officer in DMIRs transferred to high level job in ASIC soon after. I am, as always, just simply joining the dots.

**Your Question: What needs to happen, from your point of view, with financial products?**

I complained on the Front Page of the Tas Mercury in 2001 (?) after \$80 million stolen by lawyers, (later there were custodial sentences) was taken, adding up the number of Ponzi structures I had collected during the late nineties in Australia, that the epidemic exposed a minimum of “retiree funds at risk of \$5 Billion.” A massive figure exposed at that time. ASIC Commissioners would call me in for chats suggesting I was “a good source of intel.” History will judge what happened to all those files.

The TWIN PEAKS MODEL is the culprit when Allan Fels was removed from ACCC in 1998. What needs to happen is to separate Consumer Complaints from the Federal Regulator ASIC, whose remit is specifically looking after the interests of business. Philip Hanratty wrote a 14-page report on the **conflict-of-interest argument** in 1997. One cannot serve two masters.

The removal of Consumer Protection from the ACCC is the culprit. And here we all are, once again. How big is this pool of stolen monies? Enormous and frighteningly dangerous in economic terms. ASIC continues to serve the Business sector as the prime importance and the theft of retiree or pensioners funds continues.

Prime beneficiaries are developers. Mr Jones and Directors understood the rules of engagement. Financial Products must be developed in a controlled and heavily policed environment, otherwise the nation pays an even bigger price for this folly.

Sterling First collapse and heartache is a primary example of Buyer Beware Policy.

**Do lawyers have to be involved?**

I recall when Westpoint collapsed, after I warned ASIC of catastrophic ruin to retirees and pensioners in the 18<sup>th</sup> July 2001 meeting with Qld ASIC Commissioner, ASIC barrister and ASIC National Dir. Of Enforcement. \$100 million had been taken. I argued the structure be pulled down immediately.

ASIC’s decision to permit Westpoint run its course continuing to raise funds until collapse in December 2005 was a preventable yet catastrophic \$680 million

scam. Simon Bell and Ray Jones knew each other well. Bell worked for Westpoint. Directors were all from WA. In Sydney 2005, I attended every creditors meeting, listening to why \$680 million had evaporated. I spoke with those who had only received their super ten days earlier. Beck (ex ASIC) moved on and set up the ill-fated Kebbel Bank. Bell set up the ill-fated Finchley and a few others. One ex ASIC Commissioner and high profile others set up similar structures.

Australia has one of the worst reputation for these type of collapses. In my view, this is not about educating the elderly. That is an insult. At the heart of these disasters is the lack of Corporate Policing. I know who the offenders and have kept 800,000 pieces of evidence since 1992.

Lawyers were at the heart of other scandals I have uncovered and exposed in my career: Solicitor Mortgage Scandals, we exposed 127 Law Firms. Finance Brokers Scandal in WA and SA, another 11 law firms. I used to say 20 years ago: Even Al Capone had an Attorney....and a crooked Accountant and Liquidator.

Lawyers whose practice general legal work are not familiar with models of white-collar crime, unless they are in on the game, or they have experience of investigations. I noted years ago, those fleeced cannot afford lawyers.

There is no doubt via the obvious signs: our regulators have been captured. Yet there are good law firms that do a community service when necessary. I asked three large National firms to assist me in a Legal Opinion to say, "on evidence presented that ASIC has powers, it prefers not to use." Those firms all obliged within ten days.

**Your Question: Is that part of what needs to happen in this process?** Green Circle submission answer this extremely well. DMIRs did not advise any lawyers dealing at the street level with victims of Sterling, that the REIWA Leases appeared to be altered by the Directors and passed off as "Standard Terms Contracts as per s82B and s27 of the RTA."

Several cases had to be attended to on WA, as Landlords raced to the Magistrates Court for two years. The lower courts decided this was a matter for the WA Supreme Court. Two cases were lost in the Supreme Court this year after a two-year battle. One case two months ago, leaving two pensioners with a \$170,000 bill. His pro bono law firm refused to go to trial, and bowed out two weeks prior. The 86-year-old man wanted to protect his wife from being homeless. He was educated but out of his depth. He continued on and lost the

argument, lost his home and now owes \$170,000, on top of the \$220,000 he lost with Sterling. They are couch surfing with friends.

The shocking result was a blow to the entire 140 Tenants. The elderly victims could not understand why REIWA 5-year x 8 Lease documents (40 years) would not be honoured. DMIRs failed to pick up on this when helping the Directors in 2015.

Lawyers could not have foreseen this yet those acting for the Landlords found the flaw intentionally created by the Ponzi Directors. That fatal alteration was clearly deliberate and rendered the leases: Non-Standard Contracts yet the REIWA logo was used.

**Your Question: And is part of the reason why you and others didn't seek a lawyer?**

The Mini Home package “SNLL” was sold as a Tenancy Agreement. No-one appears to seek the services of a lawyer to sign a Tenancy REIWA lease.

When Sterling produced the Silverlink product with an Information Memorandum for “sophisticated investors,” I had seen this same tactic in Westpoint. And at least thirty other collapses I had reported to ASIC in the past. Sterling Directors suddenly approached people with bigger homes to sell and increased the “takings” to an average of \$250,000 - \$360,000 per couple.

The 2015 – 2017 capture of tenants’ money gave Sterling \$ 6.8 million within 2 years.

The 2017 STOP ORDER became the incentive to gather a bigger pile of money via the switch to Silverlink: **\$11 million taken after the STOP ORDER.**

The first sign up into Silverlink is dated **October 2017** and the last one signed up in **late January 2019**. By early March the rent payments stopped to RMA.

After the collapse in May 2019, prior to the first rally, I spoke to Shine Lawyers. I had worked for six years for the largest litigation funders in Australia in 2001 – 2006. I explained there is no money left to go after, no assets and this is a baby Ponzi of \$18 million. No Money. They knew me well and agreed with me.

I considered all options carefully.

## **YOUR QUESTION**

**I want to know who got that money.**

I want to know that workforce that got paid.

Employed in South Perth Office – 12 staff mostly women.

Paid in Shares

In the short space of time, we all have, this is the best I can do, yet may be used as a guide as to most of the names of the employees on wages / commissioned personnel / those attached to RMA / those who gave funds to Sterling as Financiers.

I also suspect and in need of proper investigation as to where the \$25 million taken from Investors in Heritage 2010 – 2014 and capital never paid back. That dividends were being paid (albeit reduced) 2015 , 2016 and early part of 2017 on monies received and never repaid in Heritage

Where these payments to Heritage Victims coming from the SIT and Sterling Victims?

## **WHERE THE MONEY WENT: A ROUGH GUIDE**

*ASIC suggest 75 persons were employed*

My assessment includes listing all names of employees and then the numbers of those employed in a certain fashion and how they were engaged by the company and specifically mode of payment.

The foot soldiers were paid commissions and may have ended up with maximum \$2000 after working in home opens, showing Tenants homes to rent, also small commissions for spruiking sign up's for "sales of shares" to the Tenants Victims a year after they moved in. Using the fake IPO story.....

They received fake shares and some cash.

Wherever possible Jones would push employees to accept shares in lieu of cash.

## **MONEY COMING IN**

Selling 3 Franchises to people with Money

Ie Residential Management Australia was a r/e property management company owned by Mr Paul Luzi.

Mr Luzi had at least 3500 properties under management.

He explains the sum he was supposed to have been paid, never materialised. Mr Luzi and Mr Ellis also met the same fate of losing their well-established businesses, being misled by Jones and Bell. Instead of money as promised they received “Fake Shares” on the “we are listing on the ASX, Jones/ Bell / Ruzich meetings with ASIC 2015 storyline.

Both gentlemen lost a significant amount of money and never paid for their assets.

A standard pattern..... Jones boasting of building up businesses that others built up over many years and Jones now “owned” the rights to.

Builders, Developers, Valuers also complain of non-payment tactics by Jones and Bell.

There was a Sterling office in Qld and one in Victoria in 2014 –

**The following FINANCIERS lost around \$3 million in 2016**

**6 - month investment at 20%. Lost everything.**

There are others who put money into the Sterling Franchise of development and building and lost money.

## **MONEY GOING OUT - WAGES**

Often Jones would talk staff into accepting less wages and acquiring shares.  
*Building up wealth for his employees.*

Therefor the actual monies paid into this commitment would have been less than stated.

## **OFFICE STAFF    8**

Finance Dept \$100 k

Marketing Manager \$100 k

Sales Administrator / PA \$ 60 k

Group Financial Officer \$100 k

Vic Br – Licensee / Rent Roll \$100k

Receptionist \$70 k

Finance Dept        \$ 100 k

Property and Rentals \$ 60 k

There could be another six added to this list to quantify WAGES expenditure.

## **DIRECTORS on BIGGER SALARIES 9**

Ray Owen Jones

\$150,000

\$200,000

\$150.000

\$100,000

\$50K

(acct) few Asian Trips.

Director in QLD RMA

Director in VIC RMA

**THE FOLLOWING WERE COMMISSION BASED**

Many were talked into placing their commissions in shares..... adding to the losses.

**SALES PROMOTERS 13**

**Commission based**

**Often paid in PART SHARES.....**

The following list of people were on the payroll of RMA and their monies were covered by the LANDLORDS and the RENT ROLL.

## **RENTAL MANAGEMENT AUSTRALIA (“RMA”) 14**

Owner / Director  
 Branch Manager RMA  
 Property Manager  
 Property Manager  
 Accounts for RMA  
 Property Manager  
 Property Manager  
 Property Manager  
 Property Manager  
 Property Manager  
 Property Manager  
 (in the “Lucks” Team)  
 Office Manager

## **BIG NAME PROMOTERS – SEMINARS – ADVERT 3**

(2018)  
 (2015 and 2016)  
 (2015 and 2016)

(Meetings in Sydney with Simon Bell)