

## ***Background***

I am a retiree in my late 60s, and I have lost my entire superannuation, and more than half the value of my residential premises as a result of arrangements put in place by Storm, which (as you are well aware) collapsed early this year.

I was a professional prior to retiring many years before I came into contact with Storm.

I believe I am astute but, prior to investing through Storm, was inexperienced with investing.

## ***Pre-Storm position was modest but acceptable***

At the time of my first contact with Anne O'Neill in 2005 (Precise Solutions, later Storm (North Sydney)):

- I was retired;
- I had no experience with investments (property, shares, managed funds, leveraging, gearing etc)
- I had no experience with margin loans (Indeed, I did not understand this concept for a long time after investing through Storm);
- I had never had a financial advisor;
- The only shares I had ever held were those which were given to NRMA members when the NRMA listed publicly (I was a NRMA member), which were of minimal value;
- The only assets I had were my residential home (which I had paid off), my superannuation, and my NRMA shares; and
- I had no liabilities.

## ***Implementing Storm's recommendations***

In implementing Anne O'Neill/Precise Solutions/Storm's recommended investment strategy:

- I invested my NRMA shares, and all of my superannuation with Storm; and
- I took on interest only mortgage on my home (Bank of Queensland), which at that time, was more than half the value of my residential premises;

- These amounts were used to support a margin lending account with Macquarie Bank and Storm also opened a Cash Management account with Macquarie Bank.

The funds (less Storm's significant fees) were then invested into three indexed trusts; Australian Technology, Australian Industrials and Australian Resources managed by Challenger Management Investment Ltd.

### ***Post Storm position is hopeless***

As a result of Storm's conduct as outlined herein, the Storm collapse, and my unfortunate arrangement with BOQ, I am **in extreme financial hardship**.

- I have lost my entire superannuation, and more than half the value of my house as a result of arrangements put in place by Storm. I invested close to half a million dollars through Storm, (including the money from my house mortgage and all of my superannuation).
- When my accounts were closed after the collapse of Storm at the end of 2008, all I got back was around fifty thousand dollars.
- I am now left with a significant fixed term interest only Bank of Queensland (BOQ) mortgage against my residential premises, with no income and no assets to pay the mortgage off.
- I have no means to repay the principal on this mortgage, other than to sell my residential premises.
- We are seriously struggling to make these interest only repayments.
- My husband (who was not a Storm client, is past retirement age, and is in ill health) is forced to work long days so that we can support the "interest only" mortgage payments.
- We are feeling that the future is very uncertain.
- I have been in contact with the BOQ seeking relief from the current arrangements. I am hoping that the BOQ may offer assistance to me in the circumstances, although I have not received anything helpful to date.

I have outlined my story below.

***Anne O'Neill, Precise Solution, represented that she was an independent advisor***

I believed I was seeing Anne O'Neill as an independent advisor.

Indeed, when I signed up with Storm, I still believed I was seeing Anne O'Neill as an independent advisor. It was not until much later (after I had signed up with Storm) that I realised that Anne O'Neill had an interest in Storm. This was not clear to me at the time I made my investment decisions.

***Anne O'Neill/Precise Solutions advice***

- Anne O'Neill provided initial advice to me recommending that I invest in an annuity arrangement, and obtain the pension. She advised that she would propose to invest my money shrewdly, that my husband would be able to retire when he reaches the age of 65 (ie Feb 2008), and that he and I would be able to live quite comfortably.
- Anne O'Neill subsequently recommended "something better" but advised that she can't discuss details "for a few months"
- A few months later Anne O'Neill advised that she had started "working with Storm" & recommends "investing in Storm"
- Anne O'Neill informed me that Storm was "low risk" She said to me:

*"This is a low risk strategy. We are not about people losing money. We are about making money."*

*"This is very safe."*

- I recall saying to her on one occasion words to the effect of:

*"I don't understand about shares. It seems a bit risky to me."*

Anne replied:

*"People feel differently about shares than they do about houses because there is nothing they can physically see with a share. Shares are as safe as houses."*

***Clear instructions to Anne O'Neill that I wanted a low risk investment model***

I clearly instructed Anne O'Neill of Precise Solutions/Storm that - for personal reasons - I was only interested in a "low risk" investment.

I was consistently advised by Anne O'Neill/Precise Solutions/Storm from 2005 through to the end of 2008 that investing through Storm (and staying in that investment model) was "very safe" and "low risk strategy".

***Consistent representations from Anne O'Neill/ Precise Solutions/ Storm that its investment strategies were low risk, and consistent imploring to "trust them" as "everything is ok"***

Between the first time I met Anne O'Neill and the last time I met with her in late 2009, I had many conversations with Anne O'Neill of Precise Solutions/Storm. I was repeatedly and consistently advised that "everything is fine" and that I needed to "trust" them. I did.

***Anne O'Neill tells me to "sign up" with Storm, even though I didn't understand the Statement of Advice, so I did***

At the time I "signed up" with Storm, I asked many questions. I kept records of all of those questions.

The concepts described in the Storm Statement of Advice document were unfamiliar to me, so I wanted to make sure I took every effort to understand them. After asking many questions, I still did not understand them. I made it very clear to Anne O'Neill that I did not understand a number of things in the Storm Statement of Advice, including in particular: margin loans, LVRs, the concept that debt is healthy, and gearing.

When asked to sign on each page of the Storm Statement of Advice "I have read and understood each page", I said:

*"I will have to cross out the words "and understood" because I don't understand it."*

Anne O'Neill replied:

*"It wont take you long to understand – as you become more familiar with the concepts, you will understand it, so don't cross that out. It doesn't work that way. You just have to sign it, and you will understand it in time."*

I signed the document, trusting that Anne was right.

***I signed signature pages only of many forms implementing Storm's arrangements***

At the meeting at which I "signed up" with Storm, Anne O'Neill asked me to sign the signature pages of various documents. I was not handed any complete documents. I was only handed the signature pages of those documents.

I knew that what I was signing was documents which would implement the Storm Investment plan, however I never saw any of the full documents.

I asked Anne O'Neill about this. I was informed by Anne O'Neill:

*"Don't you worry about the forms. You just have to sign it and we will fill out all the paper work for you. We will save you the trouble of doing this – you just sign this and don't worry about it. I know what I'm doing, I've been doing this for 30 years."*

I did not consider it strange at the time that Anne provided me only with the signature pages – Anne had given me a lot of documents to sign, and it seemed to me that it was an efficient way for her to attend to administrative matters. I had provided her with so much detailed information, I believed she was fully equipped (and was competent, as my financial advisor) to complete the remainder of the documents accurately.

I thought that was really helpful and kind of Anne. On that basis I signed the blank forms, trusting that Anne O'Neill/Precise Solutions would complete the forms accurately as promised.

***Anne O'Neill/Storm delays in setting up my account due to administrative mistakes & I suffer losses as share indexes rise in the interim. "Rebecca" sacked due to delays (including delays effecting my account)***

Around 3 – 4 months after I "signed up" with Storm in 2006, I had not heard how my portfolio was going.

I understood Precise Solutions (or Storm) had attended to all administrative matters relevant to finalising my account & had assumed that the account had been set up and was functioning. I was surprised that I had not heard how my shares were faring.

I contacted Anne O'Neill seeking information on my portfolio, and was informed by "Rebecca" that the account had not yet been set up, as I had not provided Storm with copies of the title deeds for my residential property. I had never been previously requested to provide such

documents to Storm. I immediately obtained copies of my title deeds, and provided them to the BOQ. I understand that shortly thereafter my Storm account was created.

In a follow up face to face meeting with Anne O'Neill, I asked her: "*Why is Rebecca not here today?*".

Anne replied: "*She is no longer with us. Unfortunately she did not work out with us.*"

I said: "*So, was she the reason it took so long setting for my account to be set up? Is that why there was a problem?*"

Anne replied: "*Yes. Why is it that things go wrong for nice people?*"

It is my understanding that in the interim period, the relevant share indexes rose & I suffered damage as a result of Storm's delay in setting up my account.

***My investment decision(s) based on (mis)representations made by Anne O'Neill of Precise Solutions and Storm Financial***

In making my investment decision(s), I relied on:

- (i) Representations provided by Storm during its presentations to potential investors which I attended in about December 2005.
- (ii) Representations included in the Statement of Advice, including:
  - Representations that my total level of debt would not exceed 51% of my total assets
  - Representations in the Statement of Advice that the investment strategy had sufficient inbuilt safety mechanisms to safeguard me against market volatility.
  - Representations in the Statement of Advice that the investment strategy would allow me to profit from market volatility.
- (iii) Representations by Anne O'Neill at face to face meetings that her recommendations to me were "safe" as outline above

***Under Storm's management and in accordance with Storm's advice, the debt on the margin loan was increased a number of times to purchase more shares (and a significant fee was paid to Storm on each occasion)***

On a number of occasions, Storm recommended that the debt on of the Margin Loan be increased to enable greater investment in the Indexed Trusts indicated above. On each

occasion, the reason provided to me for the recommendation to increase her borrowing was to keep my LVR at 51%. I believed this meant "keep my total debt at 51%".

On each occasion, I followed Anne O'Neill/Storm's advice, trusting her representations that they "*know what they are talking about*".

On each occasion I promptly signed and returned to Storm the documents they had provided to me. This included recommendations to increase the debt in the Macquarie Margin Loan to invest in shares which I understood was to keep my LVR at 51%.

On each occasion, a significant fee was payable to Storm for implementation of the recommendation. At the time, I did not think much of the fees payable (as I was inexperienced with all matters relating to investing), but now I wonder whether such fees are acceptable or normal practice.

***Anne O'Neill repeatedly advised me that "everything is fine" and that the Storm investment model is "low risk", and that I had to "trust her" – even in late 2008***

I discussed risks with Anne O'Neill on a number of occasions between early 2006 and late 2008. In fact, each and every time I met with Anne O'Neill between early 2006 and late 2008, she assured me that "*everything was fine*" and that I "*had nothing to worry about*."

She said to me:

*"This is a low risk strategy. We are not about people losing money. We are about making money."*

*"This is very safe."*

At a number of meetings with Anne O'Neill, throughout 2006, 2007 and even in late 2008 I was advised that "*everything was ok*".

***Late 2008: AU stock market crashes, and Anne O'Neill advises me that "everything is fine"***

I met with Anne O'Neill on at least 3 separate occasions between June 08 and Dec 2008.

On each occasion, I expressed that I was concerned about the level of my LVR, which I believed (it now appears wrongly) reflected my total debt level, including my residential mortgage.

On each occasion, I was assured by Anne O'Neill in words to the following effect:

*"It will be ok, everything is fine. Don't you worry about it – that's my job, that's what you pay me for. I got my clients through the 80s crisis, the 2001 crisis, and in 10 years from now, what is happening now will all just be considered a little glitch."*

In another meeting in or about September 08 with Anne O'Neill, I expressed that I was very concerned as my "LVR" was around 79%

Anne said: *"There is no need to worry, we have this under control."*

### ***Late Sept/early Oct 08: Storm recommends selling 50-100% of my shares***

On or about late September or early October 08, I received another letter from Storm indicating that they would need to sell between 50 and 100% of my shares. The letter indicated it was urgent.

I was shocked, and distressed, and immediately faxed a response authorising Storm to sell my shares as they had advised. I immediately signed the letter and authorised the sale of the shares & faxed it to Storm Townsville as it was marked urgent, and I was very concerned.

On or about 10 October 08, I received a letter from Storm dated 8 October 2008 following on from the first letter confirming that they would need to sell up to 100% of my shares. I had already responded to the first letter, so did not provide any further response.

### ***October 2008: Storm delays in selling my shares until November 2008 (despite to my instructions to sell in late Sept/early Oct), the AU indexes fall & I suffer further loss***

It appears that some of my shares were sold in late October 2008, and the remainder were sold in late November 2008.

From documents subsequently provided by Macquarie Bank (received after the collapse of Storm in Jan 09), I was very surprised to see that Storm did not request the full share redemptions until late November 2008 despite my instructions in late September or early October 08. Clearly I have suffered damage from Storm's delay in acting on my urgent instructions.



Although I immediately provided my authorisation to sell in or about late September or early October 2008, I was disappointed to discover that those instructions were not immediately implemented. In fact, the last of my shares were not sold until the end of November! I have suffered loss due to the fact that Storm failed to immediately act on my instructions.

**Nov 2008: Cassimates extraordinary meeting in North Sydney**

In or about early November 2008, I received an invitation to attend a presentation by Mr Emmanuel Cassimates which was called a Storm Investors "extraordinary meeting", at a hotel in North Sydney on or about 17<sup>th</sup> November 2008.

My husband I attended that meeting. At that meeting, Mr Emmanuel Cassimates said words to the effect of:

*"Some of you would have received letters asking you to authorise the sale of shares. I am not sure whether we have taken the right approach, but the situation was urgent, so we had to get consent immediately."*

*"I have made mistakes – some of you I would have made mistakes in your accounts, and for that I apologise. When things settle down, I will review each of your accounts, and I will make it up to you. For those who have lost more money due to my mistakes, I will make it up to you. I cannot explain how I will do this, but there are ways to do so, and I will do it."*

*"For those of you that have sold your shares, we will buy back in at 4400 because we want to make sure that we do not buy back too soon. If we buy back too soon and the market goes back down again, you will lose everything and there will be no rescuing you. We don't know what is going to happen – we don't know how low the market will go, so we will not buy back until 4400."*

*"We will get through this. My staff are working as hard as they can to make things as good as they can for you. Please be patient and bear with me."*

When Mr Cassimates referenced "*some of you would have received letters asking you to authorise the sale of shares*" I was confident that he was referencing a group of people which included me. I was equally confident that my urgent instructions to sell my shares (in response to Storm's urgent request for authorisation) had been acted on by Storm, and that any exposure I had due to volatility of the share market had been mitigated by the sale of my shares as I had instructed.

As indicated above, I wrongly believed that Storm had acted on my instructions. They did not do so until the end of November 2008.

***Early Dec 08: Anne O'Neill assures me "everything is fine"***

Anne O'Neill requested a meeting with me in early December 08. I attended a meeting with Anne O'Neill and a junior Storm employee named "Nick" in Dec 08, with a fellow Storm investor & close friend. Anne said to me words to the effect of:

*"100% of your shares have been sold to prevent a margin call."*

Anne then showed me a chart showing that my assets (ie shares) and liabilities & that my LVR (which I thought was "capped" at 51%) was in excess of 90%.

Anne said:

*"Everything is OK. We will reinvest in the market once the dead cat bouncing has stopped. I recommend that we reinvest when the All Ords gets to around 4,400."*

*"This is what happens with the stock market. Don't you worry, I have to worry. You have nothing to worry about, that's what you pay me to do. That's my job."*

I replied:

*"But Anne, what happened to my losses? Under your recommendations, I was still buying at 6,000, and you sold my shares at rock bottom and now you are not going to buy back in until the All Ords are at least 1000 units above what we sold for?"*

Anne replied:

*"You needn't worry, once the market rises we will very quickly have you back to where you were. We will soon recoup all your losses."*

I realised then that my BOQ residential mortgage had been excluded from the information Storm provided to me.

I then asked:

*"What I should do as my debts are greater than my assets?"*

Anne O'Neill said:

*"No they aren't."*

I said: *"If you add my housing loan to the equation, I owe much more than I own."*

Anne O'Neill replied: *"No, that's not correct."*

Nick interrupted Anne and commented: "*That is right Anne.*"

Importantly, this is the first time that I had realised that the LVRs Anne O'Neill, and Storm, had consistently quoted me did not indicate the total level of my debt.

Prior to this moment, I believed (it now appears wrongly) that the LVR was an assessment of my total debt:asset ratio. As discussed above, I had believed that under the Storm arrangement, we had agreed to a total level of debt of 51%.

Rather than the LVR reflecting my total debt (ie including my residential home mortgage, and my margin loan), it appears that it only reflects my margin loan. Prior to this moment, I did not ever realize that my home mortgage was not included in Storm's LVR calculations.

At that moment, I realised that I was in "*way over my head*". I realised that my debt was far greater than I had ever believed would be possible with Storm, and that I would never be able to repay the mortgage on my residential home. I realised I would likely lose my house.

In response to this realisation, I then said to Anne:

*"Is your yard big enough for my tent?"*

Anne's eyes filled with tears and she said:

*"I know you have a faith in God – where is your faith now? By April 2009, we should have everything back on track."*

I then asked what I needed to do about my mortgage loan repayments. Anne said:

*"The interest Macquarie is paying you on your cash from the shares sales is sufficient to cover the interest repayments on your residential mortgage."*

I understand now from discussions in early 2009 with Macquarie Bank that I was receiving 3.5% interest on my cash in the Macquarie Cash Management Trust fund ("**CMT**"), but was being charged around 10% interest on the Macquarie Margin Loan ("**MML**"). From those discussions, I realised that the interest payments on the MML were greatly exceeding the interest I was earning on the cash in the CMT.

From those discussions with Macquarie Bank, I realised Anne O'Neill and Storm were completely wrong – rather than the interest on the cash "*covering the repayments*" as Anne/Storm had suggested, my total assets were reducing daily. Further, the payment of the BOQ "interest only" mortgage repayments out of the CMT monthly (as Storm had set up) radically increased that effect as it depleted the total amount in the CMT.

***Dec 2008: Report from Storm of my financial affairs***

Just prior to Christmas 2008, I received a (regular) update on my affairs from Storm. It was clear to me from that report that I was in big trouble. The debt from my margin loan almost equalled the cash in the CMT from the sale of all of my shares.

Again, the Storm Report did not refer to my residential mortgage, although by this time I was wisened, and realised I had an additional debt due to the residential mortgage.

Clearly, I was in big trouble.

Christmas 2008 was very sad for my family.

***January 09: I took action and closed my Macquarie Bank Margin Loan (MML) and Cash Management Trust (CMT) accounts***

In January 2009, I closed down both the MML and the CMT accounts with Macquarie Bank.

***2005 – 2009: Consistent misrepresentations regarding level of risk relating to Storm investment***

It was never communicated to me that if I invested through Storm, that I may end up in the position that I am in today – ie with a massive debt against my home and insufficient assets to pay that debt.

As indicated above Anne O'Neill had expressly indicated to me that the strategies she recommended & implemented would be "*low risk*", that she was "*not about people losing money*" but rather "*about [people] making money*" and that it was "*very safe*".

Based on the representations made by Anne O'Neill and Storm between 2005 and January 2009:

- I did not think for one moment that my residential premises was, in any way, shape or form, at risk.
- I understood that my home would be protected due to the safety mechanisms that Storm had put in place.

- I believed my share portfolio was being managed in such a way as to ensure that my residential premises would always be safe from market “volatility”.
- I understood and believed that, even in the worst case scenario, I would always be able to “opt out” of Storm, and pay off my residential mortgage with an amount of cash to spare. I understood the only risk in the Storm arrangement related to the quantity of that amount.
- I was aware that if I chose to pull out of the “Storm” arrangement prematurely (for any reason) then there was a risk that the amount of spare cash I would have (after paying off my mortgage) may not be as large as it would have been if I waited longer.
- I knew from the Statement of Advice I had received that there was some risk surrounding the “*variability of investment returns*”, but I also knew from that Statement that “*provided (I) had the appropriate time frame, (my) plan contain(s) strategies to safeguard (me), and to allow (me) to profit from this volatility*”.
- I was aware that there was some risk that the value of the individual shares would decrease for a short period of time, but I believed from representations Anne, and Storm that they would always “bounce back”.
- From the advice I had received from Anne O’Neill, I was confident that even if there was a short term decrease in the value of the shares, that if I was patient, the market would quickly recover.
- So, whilst there would be variability in the investment returns, I understood and believed there would always be investment returns.
- Although I knew that there was a risk that I could lose value in some of the shares, I did not believe this to be a risk to be concerned about as I believed -for the reasons outlined above- that my total debt ratio would never increase above 51% of the value of my assets. Given the value of my residential home was a minor contributor to the value of my total (post plan) asset base, I understood my residential home to be protected.
- The only risk I was concerned about was the risk of the potential loss of value in shares, and therefore a loss in the value of my retirement “spare cash” (ie the amount left over after finishing with Storm, including paying off the residential mortgage).

I was never concerned that my involvement in Storm would expose my residential property to a level of debt that I could not repay, for all the reasons outlined above.

It was therefore no surprise to me when my advisor, Anne O'Neill, told me constantly that "*everything was fine*".

I believed Anne O'Neill when she told me I just had to "*trust her*" as she "*has been doing this for over 30 years*" and that I had "*nothing to worry about*".

***Macquarie Bank (Cash Management Trust (CMT) and Margin Loan (MML))***

- I had no direct contact with Macquarie Bank as discussed below. Storm dealt directly with Macquarie Bank. I had no personal contact with Macquarie – Storm managed all such contact.
- As discussed above, I signed the signature pages of the Macquarie Bank documents (and others) without seeing the full documents.
- After the Storm collapse, in February 2009, I requested a copy of my application documents from Macquarie Bank. I received those documents promptly from Macquarie Bank. I had not previously seen the full application form. I had only seen the signature page.

As discussed above, I did not understand much of the information Storm had provided to me. However, I trusted that Macquarie Bank would not offer a "margin" loan to me (whatever that was), if it was imprudent to do so. Note:

- Macquarie Bank never contacted me to substantiate any of the information in the margin loan application.
- I never met with a Macquarie Bank representative.
- I was never contacted by a Macquarie Bank representative.
- I was never questioned by a Macquarie Bank representative.
- Indeed, I never had a conversation with any Macquarie Bank representative prior to the collapse of Storm in January 2009.

The only people who did or could substantiate the income stated in the Macquarie Bank margin loan application documents were Storm Financial employees. Those same employees prepared the application documents and discussed the matter with Macquarie Bank.

On the basis of information Storm provided, Macquarie Bank opened the CMT and MML accounts.

I assume that Macquarie Bank accepted that Storm's ability to produce the income stated on the application form was acceptable proof of ability to repay and prudent bank lending.

***Bank of Queensland (mortgage on residential premises)***

When Anne O'Neill and I discussed the Storm Proposal in detail, I asked her about the choice for the bank to mortgage my residential premises. In particular, I said to her:

*"Can I ring around and see what rates I can get?"*

Anne replied to me:

*"Because we have so many clients, we can always get the best rate. At the moment the best rate is with the Bank of Queensland."*

I wonder now (with hindsight) whether this statement is correct.

As mentioned above, prior to obtaining the mortgage, I owned my property outright. Note:

- I had no direct contact with BOQ. Storm dealt directly with BOQ. I had no personal contact with BOQ— Storm managed all such contact
- Storm arranged a fixed term (interest only) mortgage on my residential premises with BOQ.
- As discussed above, I signed the signature pages of the BOQ documents (and others) without seeing the full documents.
- After the Storm collapse, I requested a copy of my application documents from the BOQ. On reviewing my Bank of Queensland documents, I discovered that there are a number of inaccuracies included in the final mortgage application documents completed by Storm. I noticed that Storm included a number of false details about me in the forms as completed
- I did not ever see these forms in full prior to receiving a copy of them in early 2009. I was absolutely shocked to discover that wrong information had been provided by Storm to the Bank of Queensland.
- I am also surprised that none of these inaccuracies were noticed by BOQ.

It seems important to me to mention that whilst my Macquarie Margin Loan was set up at a place proximate to Anne O'Neill's office (Sydney), the BOQ branch that Anne O'Neill obtained my residential mortgage from was in Townsville (North Ward).

As discussed above, I did not understand much of the information Storm had provided to me. However, I trusted that the BOQ would not offer a loan to me, if it was imprudent to do so.

The BOQ never contacted me to substantiate any of the information in the mortgage application.

- I never met with a BOQ representative.
- I was never contacted by a BOQ representative.
- I was never questioned by a BOQ representative.
- Indeed, I never had a conversation with any BOQ representative prior to the collapse of Storm in January 2009.

The only people who did or could substantiate the income stated in the BOQ loan application documents were Storm Financial employees. Those same employees prepared the application documents and discussed the matter with the BOQ.

On this basis, the BOQ provided its fixed term, interest only mortgage on my residential premises.

I assume that BOQ accepted that Storm's ability to produce the income stated on the application form was acceptable proof of ability to repay and prudent bank lending.