

1 The Role of Financial Advisors

We have never had a financial advisor and at our ages in 2006, John 64 and Merrilee 60 we thought we had better get some advice. A friend recommended Anne O'Neill at Precise Solutions, North Sydney. We had meetings and phone conversations before putting figures on paper late in 2006. As we have no experience with these products we chose a financial planner licenced by the Financial Planning Association approved by ASIC.

Anne O'Neill then introduced us to a new product put out by Storm Financial. We attended lectures and listened to intense "sales pitch" before being asked to borrow against our "fully paid for" house. As far as "The Role of a Financial Planner" we would have expected to be kept fully informed of what was happening especially from Sept 2008 -this did not happen. We were now being seen by Bernadine Frawley as well, another member of the Storm Sales Team. Neither of these Financial Planners fully explained that we not only had our loan with the Commonwealth Bank over our house but we also had "something called a margin loan" and when our shares were sold to cash this "margin loan" took our money. When we expected, if it wasn't held in cash it would be ready to go back into the market (if we were buying shares now we would be OK again) or it would pay our house loan out. How wrong we were!

Once the form to sell and put our money into "cash" was signed in 2008 there was one more opportunity for Emmanuel Cassismatis to front a packed conference room in North Sydney still saying we will be OK. Then we were left to read about the demise of our assets in the papers with no further personal contact from either Anne O'Neill, Bernadine Frawley or Emmanuel Cassismatis.

The Storm Financial Planners repeatedly told us "our investments were safe, trust us, it's safe, don't worry we do the worrying for you", as one of the other ex Storm clients said "all delivered with a smile and a cappuccino".

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2. The General Regulatory Environment for those Products and Services

Why hasn't Storm come under scrutiny before if their model was suspect?

Apparently ASIC did receive complaints but no action was taken neither did the Financial Planning Association take any action.

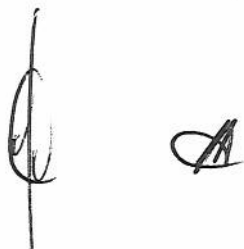
So now I'm sure many ex Storm clients don't know who to trust.

3. The Role Played by Commission Arrangements relating to Product Sales and Advice

Obviously the more clients Storm took to the Commonwealth Bank the more fees/commissions they received. The large Storm upfront fees were explained as a better alternative than smaller more regular fees which would have added up to more according to their Sales Pitch. At no time did the Commonwealth Bank give us any advice about borrowing against the house or margin loans.

At each of our visits/appointments when we asked "is our house safe? The answer was always the same "Yes". We have "trigger points on our software systems to keep everything under control". Anne O'Neill even said "if you lose your house I will also lose mine!!!!" (I wonder). Early in 2008 we asked to sell some of our shares with the market going down and we were bullied to "buy more". So another loan against the house after a "sight unseen re-valuation" from the Commonwealth Bank and papers signed and witnessed by someone we never saw, meant we now owed \$497,000 to the Commonwealth Bank.

So yes we felt bullied into investing more and so Storm and Commonwealth bank get more fees. Many of us were told "don't act like the herd and sell when market is low, buy more".

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4. The Role played by Marketing and Advertising Campaigns

Radio and Print advertising using high profile sports figures John Buchanan, Johnny Gibbs and Andrew Symonds were certainly a factor in lending credibility to the Storm Product. Along with the North Sydney offices and signage you couldn't help but be encouraged to the success of the product. The education evenings and daytime sessions held there plus interview times were all well catered and made you feel special.

At the seminars we were always shown "statistics" about how many people retire on the inadequate age pension. "People should invest in Shares, which provide a safe way of improving their position" was another line of promotion.

Debt was viewed as an asset, in that our worth was printed in statements of advice as being the sum of our liabilities and assets.

5. The Adequacy of Licensing Arrangements for those who sold the products and services.

We did not know we even had a "margin loan" so we feel proper communication and consumer client concerns were never followed in our case so should Storm or the Commonwealth Bank have a license to sell their products?



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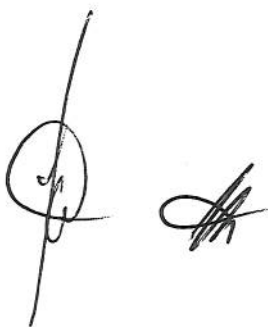
6. Appropriateness of Information and Advice and How the Interests of consumers can best be served.

After attending education lectures and personal interviews and being sold “the chicken and egg theory”, and the “dam position” etc etc” we thought we had borrowed \$497,000 against our house to invest in the stock market with Storm, with one loan NOT two with a margin loan! We heard about trigger points, China and Sept 11 and how Storm had always recovered better than anyone else because of their sophisticated software.

We still don't understand when our shares were sold this should have paid back the Commonwealth Bank for our house loan not some Margin Loan and also who bought all OUR shares? If we'd stayed in cash and then rejoined the market now we would be back where we were in June 2008.

7. Consumer Education and Understanding of these financial products and services.

We went to lectures, believed the Financial Planning Association and ASIC had approved Storm's model. We paid a lot of money in fees for EXPERT ADVICE to people whose credentials have all got the tick from the relevant authorities. Investing across a broad range of shares so if one company collapsed there was a failsafe system to protect us we were told! But you would have to say we did not understand the products and services especially when referring to a Margin Loan and now we have to pay for our house again of \$497,000.



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8. Adequacy of Professional Indemnity Insurance and the impact on consumers.

Storm had insurance but can we access it now?

Why isn't the banks insurance being called to cover the Storm client losses as they have reaped the benefits?

Commonwealth Bank Profits went up by \$2 BILLION, is this a large coincidence after all the Storm Shares were sold?

9. The need for Legislative or Regulatory Change.

Government needs to step in and put legislation in place making banks more accountable and scrutinise financial planners.

Don't leave it too late to start investigating any breaches.

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In conclusion

- We just want our \$497,000 to get our house back.
- We want to know who witnessed our Commonwealth Bank house loan without us being present.
- We want to know who bought all the Storm Shares in Oct/Nov 2008?
- If it was the Commonwealth Bank who bought the Shares (at their lowest price) could this be insider trading?
- Why was there a delay between us signing and the selling of the shares at an even lower price?
- Our aim was to become financially secure as self funded retirees. Now we are broke and face being homeless because we trusted ASIC, Financial Planning Association as regulators and Storm and the Commonwealth Bank as financiers.
- Thank goodness for an "Aussie Mateship group called SICAG and a wonderful committee" who have supported & followed up information for all of us, without them many of us would not be here AT ALL.
- The submissions to this forum by many other ex Storm clients have similar information pertinent to our thoughts as well. In particular No 30 and No 54 ask many questions we would all like answered.

John and Merrilee Clark