26th July 2009.

The Committee Secretary

Parliament Joint Committee for

Corporate & Financial Services

PO Box 610

Parliament House

CANBERRA ACT 2600

Submission from: Donald Emanuel : Age 72 years : Retired 1992

Valmai Emanuel : Age 62 years : Retired 2007

Sir

Don retired from work in 1992 after 39 years service. At that time we contributed to a private super fund with MLC. We were advised we could no longer make contributions or be a member of the fund as Don was aged 55 years and no longer employed fulltime. We looked in the phone book to find the MLC Representative in Townsville – that was Cassimatis Securities. Don went to their office for direction on what should be done with the super fund. It was at this visit the representative working for Cassimatis Securities enquired if Don had a Superannuation payout and what had he done with the payout. Don was asked if he had considered investing the money. Of course we had not – we – at the time only knew of Bank Deposits and Bank Term Deposits – that is where we had placed the funds from the super payout. The amount being a considerable sum at that point in time.

We were invited and encouraged to attend workshops which would explain the process. We did attend – several – from memory about 5 in all. The workshops we attended were conducted by Emmanuel Cassimatis. Don was not sold on the idea of shares. It was put to Don – you wouldn't buy shares in a bank – Don said ' no ' - Was then asked – You have your money in the bank - if the bank went broke – do you think you would get your money.

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After a lot of discussions we agreed that we would be very interested in an investment – securing what capital we had and the growth in capital from dividends reinvested into the fund. We eventually invested through Cassimatis Securities as our Financial Advisors in a MLC Australia Index Fund. Explanation of the fund was that it was made up of the top 200 Companies in Australia – this was explained as very secure – we were told that these 200 Companies would all have to go broke and close down before we would lose any of our capital.

Don retired from the workforce for medical reasons – he didn't want to be Commissioner for Railways and didn't want to die the richest man in the cemetery. We owned our home and everything else – **we were debt free**. Val had a fulltime job and with this modest investment of Don's superannuation would give us money for repairs and maintenance of our home. The investment was a long term investment to build up over the years to enable us to become self funded retirees. Don retired age 55 and was not eligible for centrelink benefits for another 10 years. Val worked until 2007 – retired age 60 after working for the Company for 32 years.

From 1994 - when we eventually took the step to invest - until 2007, we were regularly updated and further steps taken in building our portfolio. At one visit for an update – we were advised to tap into the equity we held in owning our own home. There was several hundred thousand dollars there. It was explained that everyone does it – mortgage their home – borrow money – invest in the market – or buy rental properties etc. By doing this, it would be beneficial at tax time because of the negative gearing, we would be able to claim the interest paid as a deduction on our annual tax return. This wasn't a step we wanted to take as we had worked so hard to pay off our home and own it. We were so happy when we got the Deeds of Ownership in our hands. No mortgage at long last – it was ours.

It was explained to us by Cassimatis Securities that there was good debt and bad debt - they only dealt with good debt. We were assured by Cassimatis Securities that they would not let the same thing happen to us as it did to Alan Bond and others.

At the end of the day – regretfully – we took the advice of our Financial Advisor Emmanuel Cassimatis – mortgaged our home and invested into the market. We were also assured at the time that we would never lose our home

Then came the introduction of a Margin Loan. Never heard of them before – but being advised by our Financial Advisor it was safe and sound it was the way to go to further build our portfolio. This was done in Val's name as she was still working.

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During this time our LVR's was always kept as low as 60 – 65% - we never got a margin call ever on our loan – even when markets crashed after September 11, the Asian market meltdown etc. We had experienced downturns in the market – we were always advised not to act and sell out our units when the market was down – but in fact – if we had spare cash – it was the time to buy.

We first invested through Cassimatis Securities in 1994 – and went through all the name changes to finally Storm Financial.

Discussions were always about when Val would retire – Val was going to retire at age 55 years – but enjoyed working and worked on until age 60. Retired on 30th September 2007.

Storm Financial representative advised we should borrow more money against our home – this would be the 2nd increase on our initial amount borrowed. (When we applied for the initial loan – the bank concerned had the house valuated – but not for the next two increases). Val actually worked her last day on 11th May – then was on long service leave and holidays until 30th September 2007. We were in Canberra visiting family when we got a phone call to say that the Bank documents had to be signed within the next couple of days as the Bank offer would expire. The quickest way to get them signed meant we flew from Canberra to Sydney signed the documents and flew back to Canberra the same day.

Plans were already in place to invest the proceeds of Val's superannuation payout - the amount quite considerable. (Payout in November 2007 – December 2008 All gone).

Also, Storm Financial had procured a Margin Loan in Don's name – even though he hadn't worked since 1992 and Val was retiring in 2007. Storm Financial were our Financial Advisors – we believed that they were acting in our best interests - we paid a good price for their services. Explained to us that if we are making money – then so are they.

Concern was always – where do we get the money to pay the interest on the loans – Do we sell units and pay the interest? We were assured that interest was always paid by capitalising it into the loan. In hindsight – more money for the banks – as if they didn't get enough already.

We received a letter from Storm Financial in October 2008, requesting we give them authority to sell down our portfolio to 100% to cash. We understood that we would be sold down only to avoid a margin call. It may not be necessary to sell down the whole 100%. We signed form to have bank accounts opened at the Commonwealth

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Bank – into which the monies from the sale of unit would go and when the market improves – the cash would be reinvested.

During this time the gut feeling was that some backroom- sweet heart deals were being done by members of Storm Financial and Colonial Margin. We had been told on several occasions by Storm Financial that because of the volume of clients of Storm – that gave Storm huge bargaining powers when it came to the Banks. One of the results of their power – LVR's were raised to 80%.

As the market was collapsing around us, we were unable to talk to anyone or get direction from Storm Financial – Appointments were cancelled - Storm had been gagged by ASIC supposedly from reports from the Commonwealth Bank to ASIC. It would have to be the fastest ASIC made any decision – it's a pity it is not ongoing.

We contacted Colonial Margin Investments to arrange online access to our portfolio – so we could try to see what was happening. Colonial Margin personnel said he would post out a application for online access. We received in the mail an '<u>Application for a Margin Loan</u>' - what a sick joke to play on anyone. We never did get online access.

One can only surmise or assume that when the market dropped over 50% - someone at CBA/Colonial Margin – realised their head was on the chopping block for over stepping their limits – and of course acted to save themselves no matter what the repercussions were – probably didn't look at the very worst scenario before making their backroom sweet heart deals – sold us out to save their own skins. Karma will get you.

The four big pillars of the Banking World were happy to accept the millions of our taxpayers money from the government of the day as security. The greed of these big four pillars doesn't allow them to pass any of it on the help anyone.

We were never contacted by Colonial Margin with a Margin Call – even though our LVR's were in excess of 100%.

Then there was the sequence of events through the media – Commonwealth Bank had bought out the Wizard Sub-Prime Home loans – were the funds raised for this purchase by the closing of the Storm Fund and calling in the margin loans – or is this to be put down as coincidence. Then the media announces the Commonwealth Bank's half yearly loss had been halved – another coincidence – then in the mutual admiration for each other in a job well done – Commonwealth Bank's CEO and others got bonus pay increase just before Christmas (hope they enjoyed it because we didn't) - another coincidence. Seems a lot of coincidences and stinks to high heavens.

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After many tears, sleepless nights, and guts in utter turmoil we had to try to take charge and salvage what we could. We had very little cash. We finally came to realise that this was not going away and we would never be able to reinvest. The margin loans interest being charged at around 9% and the cash from redemptions in the CBA Bank account earning 4%. One is going backwards at a fast rate of knots.

Interest on our Margin Loans had been prepaid to the end of June 2009 – we terminated these loans in February 2009 after much distress dealing with their personnel. Colonial Margin charged huge breaking fees – 4 months prepaid interest only just covered the breaking fees. Would like to know how that was calculated – was it the same for everyone – or did they just take what was there and leave us with nothing. I believe they broke the contract by selling us up as late as they did. If you are a betting person put your money on the CBA/CML – they are always in the win win situation no matter what.

We still had the home loan – we had no money to service this loan – with very little cash and stripped of our livelihood. The Real Estate market is in a very depressed state – home values are way down- we felt we had no option but to sell. Our HOME for 32 years – the only house we ever bought – the only house we wanted to live in for the rest of our days - was put on the market in January – sold in March and settled in April 2009. With the sale of our HOME and sale of some privately held shares – the home loan was paid out. <u>NO MORE DEBT – BUT AT WHAT COST?</u>

We have no HOME – our furniture has been auctioned off for practically nothing – we have lost everything - we have gone from being proud self funded retirees to now totally dependent on Centrelink benefits. We are renting a room and sharing other facilities. We couldn't even keep our furniture – we couldn't bring it with us as there was no room and never ending storage costs wasn't an option.

It absolutely galls us when people say they know how we must feel – until it happens to them – they will never know the feeling of despair, to lose all sense of security, to lose the freedom of choice, the hurt, the heartache, to lose everything we have worked a lifetime for, the embarrassment, any mega inheritance we had accumulated hoping to pass on to our family has all gone - we are just gutted. There is not a day goes by we don't feel the hurt. Waking every morning in our surroundings reminds us of our demise.

Our dying wish is that the people concerned CBA/CML/Storm Financial – the people who caused this – these people know who they are- have some spine, guts and common decency – admit what you have done to cause this – all your backroom sweet heart deals that went wrong – come out and own up and tell the truth – stop hiding behind your lies and this mess can be in some way put right.

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Who purchased the units redeemed – was there insider trading - Is ASIC investigating this.

We believe there is more pain yet to be inflicted upon ex Storm Clients. The Tax implications on the large amounts of money received from the redemption of units, even though this money went straight to pay off the margin loans. Government departments are only interested in monies earnt and assets – never taking into account any liabilities – Centrelink is a classic example of this.

Donald Emanuel   Valmai Emanuel