I am a former client of Storm Financial, having begun my relationship with Storm in early 2007 through the Redcliffe office.

My story refers predominantly to the point of reference regarding the ROLE OF FINANCIAL ADVISORS.

My first contact with Storm was through my adviser, who I will call AOB, with whom my initial contact was as a patient at my clinic. I was initially under the impression that he worked for a local financial planning firm known as Jelich Jones, which was reputable in the area and was recommended by other patients of mine.

AOB spoke to me about the benefits of investing in Storm, and we set about making time for me to attend a brief information evening.

I attended the meeting with my partner. The meeting went for about 2 hours at the local Leagues club. The information provided was very non specific and I came away wondering if I could gain more information about the products involved, as the basic material spruiked long term wealth through time in the market, with low risk strategies.

I then called AOB's personal assistant to arrange a meeting, where he explained to me the nature of the investment. He explained to me that the investment was in an indexed fund, and to calculate how much money I could initially put into this investment he required a complete summary of my financial life, which involved aspects of my income, my property, any loans which I held against my house, and any other equities which I already owned.

After receiving this information AOB prepared a statement of advice. He specifically stipulated that I should go away and consider whether I wanted to be part of the whole situation re the investment. He was not pushy when it came to signing my name on the dotted line. On every page of the statement of advice there was a section which required my signature to signify that I had read and understood the information on the page above.

My basic understanding was that AOB would advise me in the process of taking out a loan against the equity in my house, borrowing another amount of money as a margin loan, and buying into a Storm badged indexed fund, issued through Challenger financial services. He said there would be ongoing monitoring as to the progress of my asset. He suggested that I switch my existing loans from NAB to CBA, as Storm had a good relationship with CBA and was able to obtain lower interest rates through CBA. I declined and stayed with NAB. AOB also suggested that I have my house valued to reflect its current value, and give me the potential to borrow a greater value against my home for my initial investment.

The plan was to enter the market and through the long term increases in the market, continually revalue my portfolio and purchase more units of the managed fund to maintain an LVR (loan to value ratio) of between 50 and 60 percent.

I went to NAB who had valued my house at 300 000. At the time I had an existing home loan of about 210 000. I had savings of 110 000. AOB advised me to pay my home loan down to 100 000, which I did. He advised me to take a loan of 140 000 to invest into the Storm managed fund. He then suggested an amount of 110 000 to borrow from MacQuarie Bank as a margin loan. We proceeded with these loans and set about entering the market. I believe that Storm's initial fee for setting up this process was in the order of 15 000. I thought this to be high but they justified this by telling me that there were no ongoing maintenance style fees, only when I placed more money into the market.

In August 2007 AOB informed me that my money had entered the market, with the market at the time being valued at about 5500. I received a gift wrapped box of assorted wine and chocolates from Storm on completion of this transaction.

Over the next 2 months to October 2007 the market grew rapidly to about 6500. Upon this growth Storm recommended to me to take another (about) 35000 dollars to invest in the Storm badged fund, which was added onto the margin loan. Of this borrowed amount Storm took about another 3000 in fees. This took my margin loan to about 145000.
I was wary about continually adding to this margin loan, but AOB advised me that as long as I could service the interest component, which I could at the time, this would all be fine.

About November 2007 the market started its initial slow decline. Contact with AOB over this time was minimal, he encouraged a "set and forget" approach during this stage, which, reflecting on the process, was how Storm tended to operate with smaller clients like me, once they had received the initial large commission.

Between November 2007 and May 2008 I attended 2 Storm investor updates. Both briefly mentioned that the market had dropped steadily, but history showed that it would bounce back soon, and warned the Storm investor group as a whole not to panic.

At one stage between Nov 2007 and May 2008 AOB contacted me with info that the market was dropping, and this was a good time to buy some cheap units in the Storm badged fund, to the amount of about 13000 dollars, which I did, and that this borrowed amount should also be added onto the margin loan. This took the margin loan to about $158000.

In May 2008 AOB contacted me with the advice to prepay interest on my margin loan for the year ahead, telling me that it was an effective strategy for reducing income tax. The amount required was about 20000. I told him that I would pay this with my savings but he advised me to "capitalise" the amount on top of my already growing margin loan. This really worried me but I took his advice and this increased my margin loan to about 165000.

At this stage my LVR (loan to value ratio) was about 65 percent, a safe level according to AOB, and we should leave it at this stage and not make any further purchases. I expressed my concern to AOB re the fact that the market was dropping, and he told me not to worry, if there were any problems re my LVR getting close to its 85% limit it would be sorted out by Storm. I asked him how this would occur and he told me that a small amount of units in the Storm Indexed Fund would be sold to restore the LVR to a safe level.

The next 3 months passed with minimal contact between myself and AOB. Another Storm investor update in September 2008 was packed out with worried investors, as the market had begun to drop more rapidly. Emmanual Cassimatis attended this update, with reassuring words about the incredible opportunies to buy cheap units in the indexed fund during this time of "market correction".

After this was when things started to go pear shaped. I called AOB on 30 September on a Friday morning, expressing my concern that my LVR had passed above 85%, and that I was extremely close to being margin called. I told him I wanted to sell my asset in the Storm Indexed Fund into cash to prevent margin call. By this stage he was so busy with clients contacting him that he just told me not to worry and that Storm had prearranged a maximum LVR of 90% with a buffer of 5% with

MacQuarie bank, so that we were not at risk of margin call yet. He told me to sit tight and that we would not sell into cash yet.

The next major contact with AOB was on 10 October 2008. In 10 minutes when the market opened it had dropped 300 points. My LVR was now about 90%. I called Andrew and told him that I wanted to sell. By this stage I was panicking and just wanted to come away without any surplus debt- I wanted my LVR to stay at under 100%. The text message reply was “mate we’ll act as quickly as possible to fix your margin. Lets talk during the day”. No action was taken on my margin loan or asset that day.

At this stage I had realised that Storm had agreements with MacQuarie bank that were working against me- if my asset was sold when the LVR was 85%, as was the industry standard, I would have suffered a financial loss which was not as great as the one I ended up sustaining.

The next step with Storm was when they had realised that people may lose everything. In late October I was contacted by AOB and asked to come into the office to sign a document. The crux of the document was that I was giving Storm the authority to sell 50% of my asset in the Storm indexed fund into cash. Within two days they had scrapped this letter and supplied me with a document that had changed the recommendation from selling 50% of my asset to 100% of my asset.

By the end of October Storm had sold the entire value of my asset into cash. At least I had realised that I wouldn’t lose any more money in the immediate future. Storm had indicated to us at this stage that all was not lost- they would wait for the negative sentiment in the market to subside, and would reinvest our funds into the market as it recovered, or so Mr Cassimatis thought.

When my assets were sold into cash the market was at about 3800 points. In a way I was fortunate they sold when they did, as we all know the market dropped another 600 points over the next 4-5 months.

From here on in I have not seen my adviser, even to this day. I have not received an apology, and definitely no admission of wrongdoing.

On holidays in late December I read an article in the news that Storm as a company was being wound up and was in the hands of receivers Korda Mentha. Only days after this the decision was made to pull the pin on the company, given its large amount of debt.

I feel betrayed by my adviser and by the company Storm as a whole.

Earlier this year in either Jan or Feb I was now aware I would receive no further assistance from anyone associated with the Storm brand. I consulted a new financial adviser, and he recommended that I use the cash which was the proceeds of the sale of my assets to pay off my existing margin loan.

After receiving correspondence from MacQuarie Bank that they were selling off their margin loan arm to another company but the Storm loans were not included I knew that the only option was to repay the margin loan. I was able to redeem some prepaid interest.

Overall my losses from my investment with Storm Financial ended at 108K. I had 32K left over once the margin loan was paid out, plus the proceeds of my cash management trust (a cash account Storm encouraged us to keep), and I had an unsecured loan of 140K initially borrowed against the equity in my home.

I have no idea how much I was up or down at any one time due to Storm's complete lack of apathy towards my situation. I can only assume other clients felt as in the dark as I felt.

I refer to the first point on the terms of reference on the role of financial advisers. The main 2 issues I have with my adviser was

1. Agreements between Storm and MacQuarie Bank to establish a maximum Loan to Value Ratio on assets that was well above the industry standard of 85%. The LVR I believe was 90% with a 5% buffer, and my LVR got to 97%. This agreement between Storm and MacQuarie was both deceptive and exceeded a reasonably expected level of risk. These agreements also refer to point 3 of the TERMS OF REFERENCE, regarding commissions paid from MacQuarie to Storm, and the non disclosed nature of this agreement

2. Lack of adequate stop loss strategy. As the market was dropping uncontrollably every day was vital for myself and other Storm clients to be kept informed as to the the status of their investments so as to avoid a damaging margin call. Storm failed to acknowledge that the market could drop to such depths, and therefore had no strategies in place for a falling market. I believe this is the main reason why the Storm model failed- if they had

observed the industry standard of 80% LVR most people would not have lost nearly as much, and this would have avoided investors owing more than the complete value of their assets

Regarding the point of reference regarding insurance-

I am a Physiotherapist. If I am sued for negligence I have professional indemnity insurance which will pay the damages of up to 20 million dollars if the legal action is successful.

Why has Storm's former client base not been supplied with any information regarding potential legal action against its advisors, considering it is an industry requirement for them to have adequate PI insurance.

There are many other questions that go unanswered and I would like to end my submission by stating that the above 2 points regarding LVRs and stop loss strategies are what I feel should be industry standard with any firms offering financial advice. I hope that Storm, its advisors and especially Emmanuel and Julie Cassimatis are punished within the full extent of the law, as I believe they have breached their financial duty of care towards their clients.

Thank you for your consideration.