

copy



64 Elbow Street,
West Kempsey NSW 2440

Indemnity for Credit Union Performance Guarantee

Warning

This is an important document.

By signing it you become personally responsible for all the amounts payable under the Credit Union Performance Guarantee described in the Details, even if you have given the Credit Union separate security.

It is likely that the Credit Union will be able to resort to any mortgage or other security which you give the Credit Union in relation to your affairs, to recover any amounts covered by this document which you fail to pay the Credit Union.

If you are an individual **this would include any mortgage over your family home.** You should seek independent legal advice before signing this document.

Details

1. Credit Union Guarantee Details

Beneficiary Name

Vero Insurance Limited (ABN 44 005 297 807)

Beneficiary Address

Level 8, 15 William Street, Melbourne VIC 3000

Amount of Credit Union Guarantee

\$200,000 Australian Dollars

Amount in words

Two Hundred Thousand Australian Dollars

Contract number and reference (or short description of contract)

Cover insurance requirements for housing development contracts.

or

Other purpose of Credit Union Guarantee

Termination date (if appropriate insert latest date guarantee will be in force, otherwise delete)

2. Details of Member/s

Name/s

Pregard Pty Ltd (ACN 067 630 022)

Address

10/150 Gordon Street, Port Macquarie NSW 2444

3. Details of Credit Union

Coastline Credit Union Ltd (ACN 087 649 910)
64 Elbow Street, West Kempsey NSW 2440

4. Meaning of Words

In the Terms and Conditions below –

You means the person or persons firm, partnership, committee, incorporated or unincorporated body named above as "Member/s". If there are more than one, you means each of them separately and any two or more of them jointly. You includes your successors and assigns.

Credit Union means Coastline Credit Union Ltd and its successors and assigns.

Guarantee means the Credit Union Performance Guarantee and this indemnity.

The singular includes and plural and vice versa.

Terms and Conditions

In consideration of the Credit Union giving at your request the Guarantee described in the Details, you agree that:

1. You will indemnify the Credit Union in respect of:
 - (a) any amount the Credit Union pays under the Guarantee and undertake that you will pay the Credit Union that amount in Australian Dollars; or
 - (b) if you are a corporation, and a receiver, a receiver and manager, administrator or liquidator is appointed to you or any of your assets, or if you are an individual and you commit an act of bankruptcy or enter into a scheme of arrangement with your creditors, the amount of all moneys the Credit Union is liable to pay under the Guarantee, and undertake that you will pay the Credit Union that amount in Australian Dollars;
2. The Credit Union may end its obligation under the Guarantee at any time by paying to the Beneficiary described in the Details the total amount the Credit Union is liable to pay under the Guarantee even though no demand is made on the Credit Union by the Beneficiary;
3. You agree that if a demand is made for a partial payment of any amount under the Guarantee, the Credit Union may at its discretion and without further reference to you, issue a replacement Guarantee for the balance of the original guarantee. This procedure may be repeated at the Credit Union's discretion. You further agree that this indemnity for Guarantee shall extend to any replacement guarantee issued in accordance with these Terms and Conditions;
4. The Credit Union is not under any obligation to you to enquire into the correctness or validity of any demand made on the Credit Union under the Guarantee;
5. You are to pay the Credit Union its standard fee for issuing the Guarantee and the Credit Union's usual half-yearly/yearly charge in advance or in arrears (as the Credit Union decides) for providing the Guarantee;
6. Your obligation to indemnify the Credit Union under this document is not recoverable by you and continues until:
 - (a) the Credit Union ceases to have any obligations under the Guarantee; and
 - (b) you have paid the Credit Union all moneys due to the Credit Union under this document, if any;
7. The Credit Union may debit any account you have with the Credit Union with any amount that you are liable to pay the Credit Union under this document at any time and if you do not have an account acceptable to the Credit Union, the Credit Union may open an account in your name for this purpose;
8. You are to return to the Credit Union the Guarantee if it is ever given to you by the Beneficiary or otherwise;
9. All amounts stated in this Guarantee are to be expressed and settled in Australian Dollars;
10. All stamp duties, taxes and charges in connection with this document and the issue of the Guarantee shall be applied to your account.

Credit Union use only

Indemnity and Guarantee must be executed in accordance with member/s normal account specimen signatures.

Dated

This 8TH day of JULY 2008

For and on behalf of
Name of Company/Business

PREGARD PTM LTD

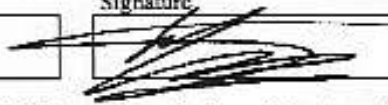
For and on behalf of
Name of Company/Business

PREGARD PTM LTD

Signature

D.M. Armstrong

Signature



Name & office of signatory (BLOCK LETTERS)

DIRECTOR

Name & office of signatory (BLOCK LETTERS)

DIRECTOR

Copy

Credit Union Performance Guarantee

30th June, 2005

TO: VERO INSURANCE LIMITED (ABN 44 005 297 807) (Favouree)

IN CONSIDERATION of your granting a (a) INSURANCE POLICY to

(b) PREGARD PTY LTD (ACN 067 630 022) (Customer)

Of 10/150 GORDON STREET, PORT MACQUARIE NSW 2444

For any amount payable or to become payable to you on any account whatsoever, COASTLINE CREDIT UNION LTD of 64 Elbow Street WEST KEMPSEY undertakes to pay on demand any sum which may from time to time be claimed by you from the

Said (c) PREGARD PTY LTD (ACN 067 630 022)

To an amount of \$200,000 (Two Hundred Thousand Australian Dollars only).

In the aggregate not exceeding \$200,000 (Two Hundred Thousand Australian Dollars only).

This undertaking is to continue until a notification has been received from the Favouree either that it is no longer required by the Favouree or until payment to the Favouree by the Credit Union of the whole of the said sum or such lesser sum as may be required by the Favouree. Should the Favouree notify the Credit Union that it desires payment to be made to it of the whole or any part or parts of the said amount, it is unconditionally agreed that such payment or payments will be made to the Favouree forthwith without further reference to the Customer and not withstanding any notice given by the Customer to the Credit Union not to pay same.

Provided always the Credit Union may at any time without being required to do so pay the Favouree the amount stated in the Guarantee less any amount it may have already paid hereunder and thereupon the Credit Union's liability under this undertaking shall immediately cease and determine.

The Seal of COASTLINE CREDIT UNION)
LTD (ABN 88 087 649 910))
Was hereunto affixed under the authority)
of a resolution of the Board of Directors)
In the presence of:)

[Signature]
(Director)
[Signature]
(Authorized Officer)

- (a) Contract, service of Agency
- (b) Customers/members name and address
- (c) Customers/members name



18 July 2007

To: Vero Warranty
Level 2, 465 Victoria Avenue
CHATSWOOD NSW 2067

Attention Mr Jamerson

Dear Sir,

RE: Bank guarantee held in favor of Vero with Coastline Credit
Union Port Macquarie NSW copy enclosed.

I am seeking the return of the above guarantee immediately.

It has come to our attention via a colleague of mine Mr Giles
Haden-Jones an architect from Perth and his Barrister that the
above guarantee may have been obtained illegally.

Please note the following points,

- The deeds of indemnity were in fact contracts for re-insurance
- Insurers are obliged under the Insurance Act to seek approval from the prudential authority (APRA) prior to entering into re-insurance arrangements
- The insurer did not obtain the prior approval from APRA
- Accordingly, the deeds of indemnity were illegal by operation of the Insurance Act.

In the event the guarantee is not returned legal advice will be obtained.

All correspondence to P.O. Box 5323 Port Macquarie NSW
2444

Yours faithfully



Barry Armstrong
Pregard Pty Ltd trading as
ARMSTRONG HOMES

Reply from my letter sent on the 18th July 2007

Barry,

I refer to your letter of 18 July 2007 seeking return of a bank guarantee held by Vero.

I am somewhat confused, however, by your reasoning in requesting a return given that the reasoning relates, it appears, to deeds of indemnity while the subject matter of your letter is a security in the form of a bank guarantee.

Deeds of indemnity (or, for that matter, any other form of 3rd party guarantee) are valid, legal documents that we rely on expressly to manage our individual risk exposures. The points you outline about deeds of indemnity are misplaced. We would encourage you to seek your own advice.

Vero Warranty's position on deeds of indemnity/securities is that they are taken for the duration of any exposure and simply 'retire' in tandem with the run-down in that exposure. While, ultimately, release/return of the deed/guarantee can be considered, this is usually well down the track.

Vero Warranty deals only through its authorised intermediaries. If you believe the circumstances of your business have materially changed you are welcome to make a formal request for an eligibility profile review through one of our intermediaries (on record we have HIA Insurance Services), or directly to us if you are no longer trading.

However, I must advise you that the brief review I've done of your eligibility and claims profile to date indicates that some years would have to pass before exposures will have run down sufficiently for serious consideration to be given to a return of the deed/guarantee - unless you propose replacing it with another form of security?

We will respond further only upon your formal application.

Regards.

Paul Jameson

**General Manager, Warranty
Warranty Division**

Vero

L2 465 Victoria Ave Chatswood NSW 2067

Locked Bag 9000 Chatswood NSW 2057

Telephone 02 9978 2274

Facsimile 02 9978 2744

Mobile 0412 511227

www.vero.com.au

Please note:

I closed my building business in 2003 in a controlled ethical manner over a 2 year period from 2001 to 2003.

The reason for the closure was the intimidation and threats we were receiving over a simple building rectification dating back to 2000.

Eventually that small building issue turned into a raw cost to me personally of over \$200,000 made up of \$135,000 plus years of legal cost, the last payment to this evil insurance monster was made on the 14th March 2008

I should be enjoying life with my wife and extended family instead I live in fear day after day with constant threats from Vero and wondering when they will damage our lives even further. I still get threatening letters for simple rectification works.

I used to build approx 85 to 120 homes per annum and employed 22 administration staff. I won so many awards for business excellence, youth training and trade training with Government funding. We brought youth into the industry.

I know of many builders closing their doors and discouraging their sons away from the industry. I also know many builders go to work each day in fear of getting brought down by the insurance monsters as I was almost brought down.

I am one of the lucky builders who got out of the direct liability away from the insurers by now servicing the industry with education. We made available an affordable way to build a home. I save owner builders 10's of thousands of dollars by providing them with knowledge and protection against unethical unscrupulous people with a guidance program designed to get them right through construction to a predictable end and to budget. We give them access to buying power and manage their entire process. I make a good return and at the same time make it possible for people to build a home at a much reduced cost.

View my website **www.ubuild.com.au**

These bank guarantees are killing us the venom contained within these insurance firm can be unleashed at any time on any builder they choose. They do not discriminate and are sending so many good people to the wall.

Every chance I get I try and talk good builders into getting out of this industry before it is to late.

They appear to be acting illegally and must be stopped before the industry is brought to it's knees.

Getting trades is a nightmare and it will only get worse.

I am available any time for further evidence on the destruction of a once great industry.

Proud old Builder of the past.

Barry Armstrong.