

Mr Edward Tait,
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Dear Mr Tait,

Following my telephone conversation with you on Wednesday 11 Mar there a couple of issues that I need to address with you.

You expressed some indignation during our discussion that SICAG had made some disparaging remarks in connection with the Commonwealth Banks Hardship Taskforce efforts. From memory, reference was made to our stated perception that the initiative was 'too little too late'.

I therefore take this opportunity to provide for you some background that forces us to reach these conclusions.

The Question that needs to be answered in respect to your initiative is – is Colonial's statement contained in a letter from John Clothier to me dated 4 March, that former Storm clients are experiencing financial difficulties and the subsequent formation of the Hardship Taskforce, an acknowledgement that your organization is accepting culpability in causing those clients to be in financial difficulty? I would also contradict the assertion contained in that letter that this bank's customers '*are experiencing financial difficulties following Storms collapse*'. It is a fact is it not that Storm were not forced into voluntary administration by the CBA until some time after your organization unceremoniously and ruthlessly resorted to the protection of you Terms and Conditions by choosing not to contact us before selling us out of our portfolios and shutting down the Storm badged trusts, effectively cutting off our income streams? That you would then tell me in our phone conversation that it was just as well you did this as we might have been worse off is a matter that I will address later in my correspondence. I would remind you at this point Mr Tait that it wasn't us, your clients, that you were in conflict with but Storm Financial. Accordingly, if your mindset is such that you feel you can have such contempt for your customers without recourse and that contemporary Banking culture has become so devoid of any consideration for the human consequences of your actions, then you stand indicted. I remind you that this issue is now a matter of Public debate, the question having been asked in the Senate Estimates Committee hearing on 25 Feb and it is my understanding that ASIC have given an assurance that they are to investigate it and report back to the Senate at a later time. Rest assured a copy of this letter will be circulated to all Senators accordingly.

No doubt from where you sit and from your perspective on this whole diabolical mess you have concluded that your actions are honourable and will serve to assuage the Banks conscience. I will now enlighten you as to why we consider your action to be somewhat less than you perceive them.

You are mindful of the fact that your Hardship package was directed at those Colonial clients who had also obtained Equity Investment Loans using their family homes as collateral to secure mortgages with the funds augmenting those obtained through margin loans through Colonial Geared investments. As a result there was no doubt a whole string of benefits in commissions and fees and interest payments accrued to the Bank as a result. I put it to you Mr Tait that it wasn't the fact that these clients had equity investment loans with the Commonwealth Bank that caused them to be in financial difficulty. As I have stated above, it was the selling down of their portfolios and as a result, the termination of their income streams which has caused their problem. I ask the question, did this factor into your decision when it was made, to sell down their portfolios.

As a result, the appalling consequences extends beyond the Commonwealth Bank customers because, as you are doubtless aware, many clients had their equity investment loans through banks other than CBA.

It is in this context that your efforts are **TOO LITTLE TOO LATE** Mr Tait.

It is **too little too late** for D and T who following having to sell their home are living in a two room flat- D, a retired builder is unable to return to work.

It is **too little too late** for K and D who felt under so much pressure they borrowed \$60K from their daughter to pay the negative equity debt, have absolutely no liquidity and have sold their home to live in a caravan. K is 71 with a bad heart and is having to work as a builder's labourer just to feed themselves and pay the mortgage.

It is **too little too late** for J and G who have had to move out into their shed and rent their house so they can save the family home.

It is **too little too late** for I and B who are having to sell their house to live in a caravan.

It is **too little too late** for K , a 66yo widow, triple certificate nurse who has had both hips replaced and is staring knee joint replacement in the eye- meagre cash reserves and being forced to sell he home with no options available to her. Told by her Bank that 'it's all her own fault' causing profound distress.

And it is **too little too late** for Mark and Ann , both 65, Ann a retired schoolteacher since 2003 following loss of sight in one eye through myopic neuropathy- loss of blood supply to the optic nerve, also life threatening hereditary blood pressure Mark with serious coronary artery disease with three stents, attributed to hereditary and twenty 23 years driving cabs.

Mr Tait these are only a few- the list it endless- and you wonder why I might be outraged by your expression of indignation to our perceptions of your Hardship package. With respect, both you and I are sitting on an emotional time bomb, it is not just financial difficulties these people are experiencing. It is the fact that they have been stripped of

every option they had in life – what they had strived for all of their working lives- that is causing them their distress. They are not stupid people and I would make the assertion that if anyone of them had had any inclination that the safety nets built into this model were not going to be there for them and that your organization and Storm were not going to continue working together in their interests, they would not have gone anywhere near your product.

I now come to your contention that we should consider ourselves lucky that we were sold out of our portfolios when we were. With all due respect to you Mr Tait, such a belief could only originate from one whose perception of the human side of his equation is that they are nothing more than a list of numbers in his bottom line. I assume that your comment implies that the market may have become much worse and that your benevolent actions saved us from further losses. We are told by ASIC that the magnitude of negative equity amounted to a figure of around \$20 million , a mere drop in the bucket when stacked up against the billions given to the Banks as part of the Deposit Guarantee. I find your comments somewhat spurious considering the Bank is now promoting on its website, an almost identical investment product as that engaged in by your Bank in conjunction with Storm, in which with an upfront 10% fee, a return of 13% is being guaranteed. If this doesn't portray a belief that the Equities Markets will recover, then I fail to understand the rationale underpinning the product.

Finally Mr Tait,I believe that I would be amplifying the widely held and not unreasonable belief that Banks hold a position of some privilege in our Society. The billions referred to above, contained in the Deposit Guarantees, would bear testimony to that. Furthermore on a wider global scale, the indisputable belief that it is the greed of Banks that have brought the world to its knees economically, is undeniable. It is also my belief that there is something systemically wrong with a society that enables Banks to aspire to be among the most prosperous institutions in our economics structure. From my own short career in Banking I concluded that in the past, Banks would not go anywhere near a product that, when properly stress tested, was found to attach the risk of the Bank having to turn on their customers in such a ruthless and unconscionable manner as has been witnessed in the CGI/ Macquarie/ Storm catastrophe they would not promote it.

Finally Mr Tait I do not believe that such events can be allowed to happen again and as such I believe the actions of the Bank will be acknowledged for what they are and the necessary reforms will be implemented to prevent good, hard working, honest people suffering a similar fate in the future. In the meantime I would implore you and your Banking Industry colleagues to reflect on the human catastrophe that has resulted from their conflict with Storm and bring some real compassion to redress this human disaster.

Yours Sincerely,

Mark Weir
Co Chairman, SICAG