



30 March 2009

STORM FINANCIAL CLIENTS

Dear Clients,

STORM FINANCIAL UPDATE

Storm to be wound up / liquidated

As you may have heard, on 26 March 2009, Justice Logan of the Federal Court ordered that Storm Financial Limited (**Storm**) be liquidated. This is good news and what we would have voted in favour of at the second creditors meeting.

Ivor Worrell and Raj Khatri of Worrells, who were the administrators of Storm, have now been appointed as the liquidators.

This means that once the CBA's receivers, KordaMentha, have completed their task of recovering sufficient money from Storm's assets to satisfy Storm's debt to the CBA, the liquidators will be responsible for collecting and selling Storm's remaining assets, investigating and pursuing any legal claims Storm may have (for example, against its directors, or to recover payments made while it was insolvent) and distributing the proceeds to creditors.

What does this mean for you?

Storm's liquidation means that there will be no vote on the Deed of Company Arrangement proposed by Mr and Mrs Cassimatis. We therefore no longer need proxy forms to be sent to us. We will however, continue to collect your proof of debt forms as they may be relevant in the liquidation. If you have not yet sent in your proof of debt form, please do so as soon as possible. The form can be found on our website in the Class Actions – Storm Financial section.

You will recall from our previous letters that we are investigating all options available to former Storm clients. That includes any prospect of recovering money from Storm, Mr and Mrs Cassimatis personally and the banks involved.

When a company, such as Storm, is in liquidation, potential plaintiffs cannot sue the company as of right. They need to apply to the Court for permission (called "leave") to sue. We are confident that a Court would grant leave to commence proceedings against Storm for negligent advice as there is an insurance policy that would likely respond to the claims. We are in the process of consulting with

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barristers with a view to seeking the Court's leave. Should it be granted, we would commence claims against Storm as soon as possible. We would need to enter into formal costs agreements with those former Storm clients whom we believe are eligible to make such a claim and who wish to do so. We will write to you about this process in the near future.

Potential claims against Mr and Mrs Cassimatis and the banks are not affected by Storm's liquidation. Our investigations are continuing as against these parties.

Response to recent emails sent via the SICAG email list

We are aware of a number of recent emails sent to former investors via the SICAG mailing list concerning Slater & Gordon's involvement in this matter. While we do not wish to divert our resources to engage in an ongoing and unnecessary debate, we would like to make some general comments in order to set the record straight:

1) The effect of liquidation on creditors

We are well aware of the order in which creditors would be paid in the Storm liquidation and the issues that may create for former clients if Storm does not have sufficient financial resources at the end of the day. Firstly, as stated above, we confirm that we are exploring **all** options available to former Storm clients including claims against Storm, Mr and Mrs Cassimatis personally and the banks involved. Secondly, Storm's insurance policy, to the extent that it covers the alleged negligence and subject to its monetary limits, is likely to be available to meet any claims.

2) Meetings with Mr and Mrs Cassimatis

More than a month ago, we met with Mr and Mrs Cassimatis' lawyers. We later had a second meeting together with Mr and Mrs Cassimatis themselves. We heard their perspectives on what led to the events of December 2008. It was clear to us from those meetings that their motivation in promoting the DOCA was primarily to protect their own interests and not those of their former clients. It is therefore untrue that we are "not willing to speak to two of the primary participants to get their side of the story".

3) Communications you receive from Mr and Mrs Cassimatis and their advocates

We do not know what steps Mr and Mrs Cassimatis propose to take now that their proposed DOCA cannot be accepted. We understand that Mr and Mrs Cassimatis contend they are well placed to run the litigation against the CBA. However we are concerned that they would be unwilling to raise issues that may be very beneficial to former clients' claims against the banks but which may also reflect poorly on their conduct as your former advisers.

In short, there is likely to be a conflict of interest and accordingly we would strongly caution any former Storm client from aligning themselves with Mr and Mrs Cassimatis and their advocates or unreservedly following their advice and suggestions.

We note that:

- ASIC considered that the Cassimatis DOCA and the Information Memorandum, authored by Mr and Mrs Cassimatis, was misleading in a number of important respects;
- Justice Logan in his judgment stated that:
 - the Information Memorandum gave rise to concern about the candour (that is, the honesty and frankness) of Mr and Mrs Cassimatis;
 - to describe the Cassimatis DOCA as the “simple solution” (as it was in the Information Memorandum) seriously misdescribed the contingencies involved in the payment of the \$2M under the DOCA and the difficulties involved in recovering money for creditors;
 - when he considered the tone of the Cassimatis website, he doubted whether Mr and Mrs Cassimatis would bring to decision-making under the DOCA the same clinical detachment that creditors are entitled to expect from a liquidator.

4) *Our role as your lawyers*

We confirm that we cannot provide financial advice to you. Our expertise is as lawyers, not financial advisers. However that is not to say that we do not understand the underlying issues. Slater & Gordon has a proven history of success in representing ordinary Australians in large scale disputes with major companies throughout Australia and beyond. We also have relationships with financial advisors who are competent and ethical and whom we may call upon to assist you at the appropriate time.

5) *Our fees*

While we have already devoted hundreds of hours of our time to the Storm matter, we reiterate that there is no obligation to pay our fees and other costs until you enter into a formal written costs agreement with us. That agreement will fully explain how we calculate our fees and costs and at what point they become payable by you. If a successful outcome is achieved, you will not be in a worse position than you are now by virtue of the legal costs involved.

Going forward – contacting us

Over 1,300 former Storm clients have now contacted us for assistance. We have heard many saddening and shocking stories of how peoples’ lives have been deeply affected by the Storm collapse. Because of the large number of enquiries, we appreciate your patience and understanding if we cannot provide you with a swifter and more personalised service at this time. Please be assured however,

that we record and monitor all enquiries and will respond in due course as quickly as possible.

As we often receive a high volume of calls regarding similar issues, we have put together an updated list of answers to frequently asked questions (**FAQ**). A copy of the FAQ accompanies this letter.

If after reading the FAQ and our previous letters you have any queries relating to the Storm matter, the best way to contact us is to send a *brief email* summarising your question or issue to storm@slatergordon.com.au. This email address is constantly monitored and we will answer queries as quickly as we can.

If you know someone who has not yet registered with us and would like to do so, please ask them to email their details to newclientservices@slatergordon.com.au or telephone 1800 555 777 instead.

Summary

What has happened?

- Storm has been placed into liquidation by order of the Federal Court

What should you do?

- If you haven't already sent your proof of debt form, please send it by:-
 - Email to storm@slatergordon.com.au; or
 - Facsimile to (07) 3220 177; or
 - Post to GPO BOX 895, Brisbane QLD 4001.
- Wait for further information from us about claims against Storm and other parties
- If you have any queries, please read the FAQ and our previous letters. If you still have a question after doing so, please email storm@slatergordon.com.au.

We will endeavour to contact you in the next 2 to 3 weeks about further steps in your claim.

Yours faithfully



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SLATER & GORDON

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