

# Townsville Bulletin

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## Banks withdraw support for financial giant

Photo: DARREN HILDER



# Storm collapse

TOWNSVILLE-based financial planning company Storm Financial was under siege last night after the banks withdrew their support and clients began talking to lawyers about a class action.

*The Bulletin* understands investors from the North face losses of up to half a billion dollars.

In a day of high drama, at least two law firms confirmed they were working on class actions against Storm.

Commonwealth Bank subsidiary Colonial First State terminated the four Storm Financial Index Sharemarket Funds and started selling out the funds' assets.

Storm bosses were last night bunkered down at their Sturt Street office trying to save the company and joint managing director Emmanuel Cassimatis said they may take legal action against the Commonwealth Bank.

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*Lingerie Special*  
» Liftout inside

# NQ Storm investors may

Cassimatis's considering legal action against CBA

By TONY RAGGATT

TOWNSVILLE-based financial planning company Storm Financial was collapsing like a house of cards last night as the Commonwealth Bank stepped in to close down its Storm branded sharemarket funds and sell down its clients.

The action will lock in huge losses for its clients with estimates the costs to investors in the Townsville region alone could be as high as \$500 million.

The principals of the national firm, Emmanuel and Julie Cassimatis, last night were bunkered down in Storm headquarters in Sturt St working the phones trying to assure clients and fund managers they would survive.

In a day of high drama:

- At least two law firms confirmed they are considering class actions against Storm claiming clients have been given inappropriate financial advice to suit their circumstances;

- Commonwealth Bank subsidiary Colonial First State terminated the four Storm Financial Index Sharemarket Funds and started selling out the funds' assets;

- The Commonwealth Bank took the unusual step of contacting Storm clients direct and offered them free financial advice through the Financial Planning Association; and

- Storm joint managing director Emmanuel Cassimatis denied claims their clients had been given inappropriate advice and said Storm was examining legal action against the Commonwealth Bank over its actions.

Storm Financial and the Cassimatis's have been a Townsville success story growing a small financial planning agency, when they merged their operations in 1991, into a national player with 13,000 clients and \$4.5 billion under advice.

However, the Storm model of leveraging clients to the hilt has come undone in the big sharemarket collapse of 2008.

Commercial litigation partner at Connolly Suthers Greg Humphries said the firm was pursuing claims for clients who had fallen victim to the savage downturn.

He said the clients had been advised to invest in the stock market using borrowed funds secured on the shares and on their homes.

"As the stock market fell, they received margin calls on their loans which resulted in the shares being sold for a price less than the loans," he said.

"Some of these clients will



STAIRWAY TO HEAVEN . . . this is the ground floor entrance graced by Queensland's rich list top 22 — a couple worth a staggering \$450 million

## At home with our rich and famous

THEY live the lifestyle of the rich and famous.

One is the son of a Greek immigrant who used to run a corner store; the other is one of nine children whose father was a jockey — they are Emmanuel and Julie Cassimatis, who have risen to be Townsville's richest people, amassing a fortune reputed to be about \$450 million.

The *Sunday Mail's* Queensland Top 100 Rich List released earlier this year placed the Storm Financial owners at number 22.

The Cassimatis' Melton Terrace home boasts a \$3.8 million price tag.

It was designed around a \$75,000 Waterford crystal chandelier and took three years to construct.

Eight bedrooms are scattered throughout five levels, all featuring uninterrupted views of the harbour, Cleveland Bay, Ross River, Magnetic Island and Townsville City.

In the foyer, varnished Castle Hill rock face emerges from a polished marble floor, an entry to the four-car garage, and a stainless steel lift and a timber staircase, which winds through all five levels.

"I call this the stairway to heaven," a real estate agent said.

Level two features a guest's quarters, with its own kitchenette, bathroom, drawing room and private terrace.

Four bedrooms, a family room, two bathrooms, a laundry, terraces and a deck with portholes to look into the pool on the floor above is on level three.

On the highest floor, the house features a master



Emmanuel and Julie Cassimatis

suite with an opulent marble ensuite and a spa with panoramic views.

The master bedroom has two decks, one with a private stairway to the pool.

The fifth floor has a private study, a mini kitchenette and two bedrooms.

Just as impressive is the company's \$5 million premises in Sturt St where no expense was spared — even when it came to the toilet.

"It's in another stratosphere," a senior staff member described it, comparing it to five-star hotels in Paris or Italy.

The entrance leads straight to an open-plan kitchen where you can sit and chat, have a coffee or a cool drink and be tempted by the cakes and treats.

Behind the table is a wall of glass that stretches for much of the length of the building, providing views over the city and Ross Creek to the east and south. Below the floor-to-ceiling glass, a reflection pool runs along the edge of the building outside.

Staff say Emmanuel and Julie are a dream team — Emmanuel with the vision and Julie with the practical know-how to make it work.

Storm has about 13,000 clients across Australia and about \$6 billion in funds and liabilities under advice.

The company has 38 financial advisers, two authorised representatives and 164 staff in 14 offices across Queensland, New South Wales and Victoria with a head office in Townsville.

— LENDL RYAN



be forced to sell their homes to pay out the balance of their loans."

Litigation specialist Slater and Gordon are also circling.

One of its solicitors, Damian Scattini, said they had been approached by Storm clients and their preliminary view was that it was highly inappropriate for

people at or approaching retirement to be betting their houses on the premise that sharemarkets never fall.

"It's a debacle," he said. "It looks like something that is our bread and butter."

Townsville economist Carey Ramm said a lot of people were in deep financial stress associated with margin lending.

"We are talking about potential losses of about \$500 million within the region," Mr Ramm said.

"It's enormous wealth destruction when you consider the North Queensland economy has a gross regional product of only \$10 billion per annum."

The responsible entity for Storm's four sharemarket

funds, Colonial First State, told clients yesterday they were terminating the funds and selling the assets.

A Commonwealth Bank spokesman said withdrawals from the funds meant they were no longer sustainable.

He said the bank's margin lender, Colonial Geared Investments, was calling in

margin loans on close to 450 Storm clients and had found that some of them had not been advised by Storm that their accounts were in margin call.

The bank had then asked the Financial Planning Association to help by providing advice independent from Storm and that the bank would pay for the advice.

# lose \$500m in meltdown



CRISIS . . . Julie and Emmanuel Cassimatis at the sod-turning for the Sturt St redevelopment; above right, Mr and Mrs Cassimatis on left with the Storm Financial team; middle right, Mr and Mrs Cassimatis with Adrian Cosenza at the Commonwealth Bank dinner; bottom right, employees leave the Storm Financial building late last night

## Timetable of Storm Financial's reaction to the global credit crisis

**October 8:** Storm Financial sends a letter to clients recommending they switch up to 100 per cent of their shares to cash, raising concern that the advice did not appear to be tailored to individual clients.

**October 21:** Storm Financial sends another letter to clients saying there are two layers of action, one for accounts that do not need any action and another where it is prudent to quarantine some of the portfolio in cash.

**October 29:** Southern media reports claim Storm's business model — getting clients to borrow against their homes and any other asset to buy stock — is fatally flawed.

**October 30:** Storm denies the claims, saying leverage is only appropriate for some clients. Joint CEO Julie Cassimatis says her company will weather the storm but that it has cancelled any luxury holidays for their staff or shareholders.

**November 19:** The son of two Townsville retirees, the Dietrichs, says they have lost their home and life savings in the sharemarket crash and may have to live out their days in a caravan but Storm Financial denies they are at fault or that the retirees' position is that bad.

**November 29:** Storm confirms 28 jobs have been cut across the organisation and

says the unprecedented global market conditions have prevented the company from pursuing its acquisition strategy but that it was still part of their plans when things improve.

**December 10:** The responsible entity to Storm's indexed sharemarket funds, Commonwealth Bank subsidiary Colonial First State, terminates the funds and the bank calls in margin loans to hundreds of Storm clients, offering them free financial advice. Storm threatens to sue the bank. Lawyers threaten individual and class actions against Storm alleging inappropriate advice.



"We are concerned with what's happening ... this is not a regular occurrence," the bank's spokesman said.

In a statement from Storm last night, Mr Cassimatis said the company was examining whether it had cause to take legal action against the Commonwealth Bank (CBA).

He said accusations clients had been given inappropriate advice were baseless and de-

signed to direct attention from the CBA's own actions.

"Storm and the CBA have had a long-standing and very fruitful relationship for over 20 years," he said.

"Storm's largest supplier is the CBA and the CBA has profited greatly over these years from the Storm/client relationship.

"However, the CBA has chosen to abandon clients at

the worst possible time, despite our concerted attempts at the highest level to devise a solution which would have protected those very clients.

"It sickens me to think anyone would use the predicament investors face due to the global market meltdown for their own purposes but that appears to be what's happening by CBA offering its own financial advice to clients."

A Storm spokesman said the suggestion that Storm Financial was collapsing was ludicrous.

"We are not a fund manager, we are a financial adviser, we can use any fund we want," the spokesman said.

"We have a large client base and we are still actively assisting clients.

"This is not over by a long shot."



## TOWNSVILLE TOP MEATS

- Whole Prime Rump** Sliced FREE!  
**\$6.99kg**
- Whole Victorian Rib Fillet** Sliced FREE!  
**\$12.90kg**
- Victorian Lamb Legs** Yum!  
**\$8.99kg**
- Yearling Blade Roast** Lean and Tender!  
**\$6.99kg**

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