

Storm lender on a \$10m buying spree

Duncan Hughes

The owner-manager of a top-performing Bank of Queensland branch linked to adviser Storm Financial went on a buying spree, amassing about \$10 million of industrial land, flats and houses until just weeks before Storm's collapse.

Declan Carnes and his wife picked up luxury real estate and large tracts of vacant land zoned for industrial and residential development between May 2006 and November 2008, when Townsville's North Ward branch won awards for being the nation's top performer.

Other properties were bought in the name of the wife of Matthew Buchanan, co-owner of the branch. The North Ward branch boasted monthly lending peaks of more than \$20 million, an amount which was described by other owner-managers as "astounding".

The property buying spree also coincided with the peak of Storm's success, when funds and loans under advice and management soared from about \$3.6 billion to some \$4.8 billion, audited annual income topped \$69 million and work from across Australia was being funnelled through its Townsville headquarters.

Mr Carnes, owner-manager of the North Ward branch that is less than a kilometre from Storm's now vacated headquarters, denied the record volumes of lending by his branch were all connected to Storm.

"We would be the only owners that start at 5am each morning and go home at 9pm each night," Mr Carnes said. "I also spent 10 years in Brisbane [before setting up the North Ward branch] and am there two to three times a month with clients. It's all about long hours, relationships and returning phone calls."

He said that even without the Storm lending, the branch would have outperformed its nearest Bank of Queensland rival by about \$50 million a year.

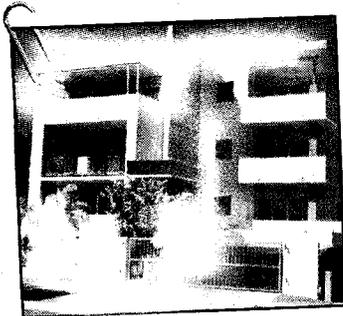
The branch's amazing lending performance and its links to Storm have been under review for about eight months by the Australian Securities and Investments Commission and a federal parliamentary investigation, and are the target of a pending legal action by Slater & Gordon on behalf of aggrieved Storm investors.

The North Ward branch of the Bank of Queensland and the nearby Commonwealth Bank of Australia branch at Aitkenvale are both alleged to have become entwined with Storm by providing home loans to Storm clients that were leveraged to invest in storm-badged products. BoQ only provided home loans.

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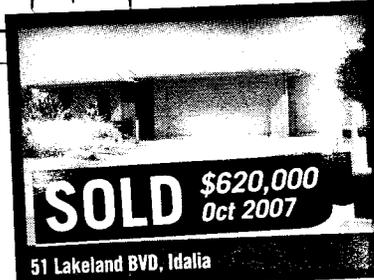
Rooms with a view

Property purchases linked to Declan Carnes



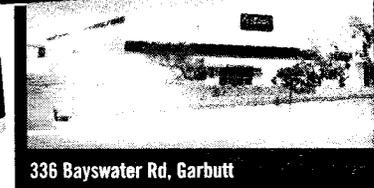
50 Primrose St, Belgian Gardens

SOLD \$470,000
Mar 2008

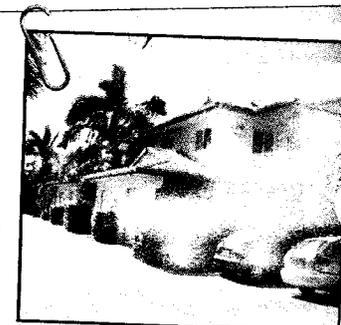


51 Lakeland BVD, Idalia

SOLD \$4 million
May 2007



336 Bayswater Rd, Garbutt



181 Mitchell St, North Ward

SOLD \$295,000
Dec 2006

SOURCE: AEC, R

CASSIMATIS SILENCE 'COWARDLY AND SCANDALOUS'

Storm Financial founder, chairman and joint chief executive Emmanuel Cassimatis has caused outrage by failing to make a submission to the federal parliamentary inquiry investigating its collapse.

Mr Cassimatis, whose multi-millionaire, flamboyant lifestyle was used to market Storm, had previously used his now-defunct website to tell an estimated 14,500 former investors he would "use his dying breath in the pursuit of justice".

A leaked copy of a letter to the Parliamentary Joint Committee on

Corporations and Financial Services chairman Bernie Ripoll reveals he declined to give his account of the collapse because it could "prejudice the liquidators' examinations", which could "harm the interests of Storm's creditors, former staff and clients".

The deadline for submissions was last Friday.

That's despite a parliamentary privilege protecting his evidence from being used against him in any future action.

Former Storm national development manager Ron Jelich

described Mr Cassimatis's failure to assist the committee as "cowardly and scandalous".

Nationals senator John Williams, committee member, when told about his failure to make a submission, said "What the hell is going on?"

Mr Cassimatis said he was keen to join this committee established as a golden opportunity to explain what happened.

Senator Williams said Mr Cassimatis could be compelled to appear before the committee's Brisbane hearings in September.

Duncan Hughes

Former Storm national development manager Ron Jelich said: "It is undeniable the relationship between Storm and the North Ward branch was hand in glove. Work was coming into Storm from all over the country and a huge chunk was going out to that branch."

Storm collapsed in January after failing to repay a loan to CBA, triggering devastating losses — estimated to have topped \$3 billion — for thousands of former clients.

According to ASIC records, Mr Carnes is the director of three companies, Senrac, Madjax and Diago, which list their addresses as his home address in Idalia, a suburb of Townsville, and which between them own seven investment properties.

Senrac purchased a \$186,000, 2044 square metre block of residentially zoned land and a \$510,000 four-bedroom house in 2007 and 2008 respectively.

Madjax Investments purchased a \$4 million, 17,000 square metre

block of industrial-zoned land and a \$470,000 luxury, two-bedroom apartment in Belgian Gardens, a Townsville suburb, also in 2007 and 2008 respectively.

Diago Investments bought adjoining houses in Garbutt, a Townsville suburb, each for \$583,000 on the same day in July 2007 and a

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Former Storm executive
Ron Jelich

\$1.2 million, 7276 square metre parcel of vacant residential land subdivided into eight blocks in 2006.

Mr Carnes' wife, Pauline, is listed as the owner of a \$370,000, 914 square metre vacant block of land in Castle Hill, another Townsville suburb, and as a co-owner of a \$415,000, 1000 square metre, block of rural land purchased in 2006.

Matthew Buchanan's wife, Marina, is the owner of a \$250,680 square metre block of residential land in Kirwan, a Townsville suburb, and a \$295,000 two-bedroom apartment in No Ward, which were purchased in 2006 and 2007.

"There are some branches that well, and those that don't," Mr Carnes said.

"Our business is based on relationships and customers keeping coming back to us."

According to bank documents his branch was estimated to be earning about \$100,000 in up commissions a month at its peak in 2007. And some \$24,000 in transactions were being paid year from lending alone.

In addition, it earned a percentage of the total loan by fee income from setting up the and related transactional according to estimates based on bank's commission rates.

A Bank of Queensland spokeswoman declined to comment.