

**SELECT COMMITTEE INTO THE
FINANCE BROKING INDUSTRY IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
WEDNESDAY, 18 OCTOBER 2000**

Members

Hon Ken Travers (Chairman)

Hon G.T. Giffard

Hon Ray Halligan

Hon Greg Smith

Hon Norm Kelly

Committee met at 10.27 am

CASELLA, MR DOMINIC,
Property Developer,
Suite 3, 80 Walters Drive,
Osborne Park, examined:

The CHAIRMAN: Good morning. At this stage, it is not the committee's view that Mr Pastorelli needs to appear as a witness. He may assist Mr Casella with documentation, who must ensure that only he answers the questions. You should answer questions based only on your knowledge of events. It is fine for Mr Pastorelli to assist your recollections; however, they must be your recollections and not those of a third party. You will have signed a document entitled "Information for Witnesses". Have you read and understood that document?

Mr Casella: Yes.

The CHAIRMAN: These proceedings are being recorded by Hansard. To assist the committee, Hansard and the record, could you please quote the full title of any document you refer to during the hearing. A transcript of your evidence will be provided to you. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before speaking about the matter. Further, the committee may, of its own motion, resolve to take evidence in closed session. The taking of evidence in closed session might be relevant if the committee believes the evidence will breach term of reference (3) of its inquiry that states -

The committee in its proceedings avoid interfering with or obstructing any inquiry being conducted into related matters and in particular inquiries by -

- (a) the police;
- (b) any liquidator or supervisor of any company;
- (c) the Gunning inquiry;
- (d) the Australian Securities and Investments Commission; or
- (e) any prosecution.

However, even if evidence is given to the committee in closed session, that evidence will become public when the committee reports on the item of business to the Legislative Council, unless it grants an ongoing suppression order when the committee tables its report.

I emphasise the third term of reference. If there are matters that you wish to raise with us or if a member asks a question that you believe relates to a current inquiry by the police, the prosecution or the liquidator, you should indicate that to us. In the past we have gone into a private session at the end of the public session to go over those questions.

Do you have an opening statement?

Mr Casella: I appear before this committee to give information that may assist in its inquiries into finance brokers. I have been a property developer for 17 years and have borrowed many millions of dollars from banks such as Westpac Banking Corporation, National Australia Bank, the Commonwealth Bank of Australia and finance brokers such as Blackburne and Dixon Pty Ltd and Global Finance Group Pty Ltd. All my dealings have been done in an honest and proper way. In borrowing from Blackburne and Dixon, I dealt with Owen Blackburne and, after his death, with his

wife Kaye and Mr Ken O'Brien. I bring two deals to the attention of the committee: The Eaton deal and the Parmelia deal.

I approached Owen Blackburne to obtain finance for the Eaton deal for me and my partner, Thurston Saulsman. Owen assured me that finance would be okay, but kept stalling until the deadline of approval. Just prior to the deadline, Owen telephoned and asked me to attend his office. During that meeting, he said that the deal would go through only on the basis that he got a one-third interest in the deal, and he wanted me to hold his share in trust. He told me that his accountant, Serge Desveaux, and his lawyer, Ross Gillon, would prepare the relevant documents. I felt uncomfortable with this proposal as I believed it to be unethical and that it amounted to blackmail, but, as Owen's lawyer prepared the documents, I was not aware that it was illegal. The deal was an embarrassment to me, as I had to explain to my partner that I was to hold a one-third share for Owen and that unless Owen received that share, there would be no deal. My partner and I had no option but to take the deal on Owen's terms, as Owen took us to the deadline and it was not possible to obtain finance elsewhere and the lender's solicitors wanted a letter of approval by a certain date. Serge wanted a blank transfer signed by me in relation to this deal, so they could transfer it any time in the future. Serge held the transfer. I was not aware that signing the blank transfer was illegal. In early 1999 I reported this matter to the Ministry of Fair Trading and got a pathetic reply. After Owen's death Kaye and Serge wanted to sell the one-third interest for more than \$1.1m. In the Eaton deal Owen was paid full brokerage fee plus \$50,000, as he urgently needed the money. Because of this he wanted Saulsman and me to take \$50 000 each, plus the one-third share in Eaton. He was not liable for any loss and gave no personal guarantees. This I now know is a secret commission and is illegal. Kaye was fully aware of this deal, and after Owen's death wanted to sell the one-third interest to me.

In regards to the Parmelia development, I should have made at least \$500 000, as I had pre-commitment for six of the seven shops. The builder in this development was Surman Constructions, and when the final payment was due, I discovered that \$305 000 was missing. Mr O'Brien did not know what had happened. After investigating the account, it was seen that Stefo had taken the money from the trust, with two cheques, authorised by Owen and Kaye. I inquired with Julie Jones, the accounts manager, and she could see that something was wrong. As Julie knew that it was something bad, she told me that she would keep a record, should I need it in the future. She told me she kept a record and details behind a picture of her grandfather, at her home.

I was telephoned by Serge on one occasion, when I had a Mr David Condon with me in the car. Serge said he needed to see me urgently. I told him that I had Condon with me, and that I would go to his office in West Perth. I went there with Condon and in the small boardroom Kaye was waiting. Serge did not want Condon in the meeting, so Condon went and waited in my car. At this meeting Serge gave me a piece of paper saying that I had given Owen the okay to take the \$305 000 from the Parmelia account. I said that it was lies and that I was not going to sign it. Serge said it had to be signed as there was a problem with the board that had to be sorted out urgently, and there would be no problems for me. Kaye was very upset and said the document had to be signed. I said there was no way I would sign something that is false. She said her children would be devastated and would not believe that Owen would have stolen money out of my account. Serge asked what he could do to alter the document, because it had to be done urgently. I told Condon about it, and he told me that I should not sign any false document. The next day Serge was pestering me, so I decided to vary the document a bit, and then gave it back to him. He was very thankful and told me that he would make sure I got looked after. I regret having done this for Kaye as it has cost me at least \$1m in losses, and as such investors stand to lose big money. In court proceedings I am about to commence, Kaye will have to pay out a large sum of money.

I cannot remember the date, but some months later a Mr Wallace from the Ministry of Fair Trading told me that the letter I had signed put a stop to the investigation he was conducting into this particular deal. I was not impressed with Minister Shave revealing my name in *The West*

Australian. I thought my complaint was kept confidential, but what Mr Shave did has put me at great risk. Shave could only have got this information from someone in his department, or Kaye Blackburne. I am led to believe that Shave breached sections of the Finance Brokers Act. He also reported me to the police and reckoned that I was selling my home to possibly defraud or do a runner on the investors. This is absolutely unbelievable behaviour from a minister and caused stress and concern to the investors.

I was not approached to give evidence to the Gunning Inquiry, but Jeff Herbert from PPB Ashton Read, the liquidator for Global Finance, from which I was a large borrower, attacked me personally and tried to damage my character and reputation. Herbert is funded by Shave's department to the tune of \$700 000 or more, and it could be seen that he was trying to score points with Shave by taking the heat off him. It was disgusting to see Herbert's attack on me. Herbert in my opinion is a stooge and a puppet for Shave.

Herbert also recently accepted appointment as liquidator for five of my companies. I've been told by numerous investors and accountants that Herbert is an idiot, and as an officer of the court he should not have taken the position of liquidator of my companies, when he is the liquidator of Global Finance. This is a major conflict of interest. Herbert is also the best mate of a crooked banker, Greg O'Brien from the CBA, who put my companies into liquidation. This O'Brien is also working in with Herbert's associate Max Prentice, from the PPB office in the east, to be my trustee in bankruptcy proceeding currently before the courts, which I am defending. I have been advised that you cannot have a liquidator for a company and a trustee for bankruptcy for the same associate person from the same firm. Max Prentice is a person who is supposed to make my life one big misery, and is supposed to be the meanest, cruelest mongrel and has been specially chosen for me. The reason why the CBA want to bankrupt me and have crooks of the likes of Herbert and Prentice, is so that all the dirt I have on the bank, for example fraud, defamation, duress, unconscionable conduct and especially that I am aware that a former state manager of CBA was corrupt and got a sling of \$250 000 for a city project, and this way, by trying to bankrupt me, gets everything swept under the carpet so that I will not be able to fight any actions against the bank without the approval of the trustee in bankruptcy.

The CHAIRMAN: I take it that when you refer to Owen you are referring to Owen Blackburne, and that Kaye is Kaye Blackburn, and Serge is Serge Desveaux. You mentioned that Owen required, and took, a third interest in the Eaton development. Did he contribute anything, such as capital or expertise, to that project?

Mr Casella: He did not contribute anything except that he organised for the finance to be approved.

The CHAIRMAN: For that he was paid a separate fee?

Mr Casella: Yes.

The CHAIRMAN: Was Mr Desveaux aware of the nature of that arrangement?

Mr Casella: Mr Serge Desveaux was part of that whole arrangement.

The CHAIRMAN: You also mentioned that Mr Blackburne was paid a full brokerage fee plus \$50 000 because he needed the money urgently. Was that money taken from money that was borrowed through Mr Blackburne?

Mr Casella: Yes.

The CHAIRMAN: That money was already borrowed for the development of that project?

Mr Casella: Yes. I have supplied a letter in my submission, I think it is number 16. Owen Blackburne was in need of money. He was short of money. He wanted \$50 000. He insisted that my partner and I take \$50 000 each. Serge Desveaux refers to it in the letter, saying that I was reluctant to take that money because I did not think that we should take money out of the account.

However, as he needed the money, he wanted us to take \$50 000 each as well. It is referred to in the letter.

The CHAIRMAN: Could you explain those documents to me?

Mr Casella: The third paragraph of the letter relates to the \$50 000. It states -

As you may recall, Dominic Casella had reservations about that payment, but you and the late Owen Blackburne were both in agreement to the payment.

Would you like me to read the letter to you?

The CHAIRMAN: Yes.

Mr Casella: It was a letter from Stefo Nominees Pty Ltd, signed by Serge Desveaux. On numerous occasions Serge told me that he had full control of Stefo. He would sign Stefo letterheads. The letter of 27 August 1999 is addressed to my partner Saulsman and is headed Eaton Development Unit Trust. It reads -

Regrettably we have so far not heard from your solicitor, Gavan Kelly, despite the numerous assurances of David Condon and yourself. I confirm that I have the authority of the directors of Stefo Nominees Pty. Ltd. to write this letter to you.

I was the accountant of the late Owen Blackburne and privy to most of his financial dealings. As you may recall, I was present at the meeting at which consultancy fees of \$50,000 were paid to the nominees of the late Owen Blackburne, David Casella and yourself.

This was to Saulsman. The letter continues -

These fees were paid from funds which were not of an income nature.

I paid tax on that money. He told me that I did not have to pay tax. However, I was fined and received an extra \$50 000 penalty from the tax office. The letter goes on to say -

As you may recall, Dominic Casella had reservations about the payment, but you and the late Owen Blackburne were both in agreement to the payment.

Discussions of payments of profits took place numerous times, in which the late Owen equivocally expected payments to be made and not carried forward as you implied to me.

A few days before his death, Dominic and Owen had a long meeting at Owen's place and both of them discussed how soon money would be paid. Dominic went home and came back with a board to pinpoint the stages of the development and the flow of money. You may also recall how you were keen to obtain a tax loss company to set off the imminent profit distributions.

The foregoing is to demonstrate to you that Owen would never have been a party for distributions to remain unpaid.

That is false. It was always agreed that the money would go towards paying off the debt, and then we would get distributions. However, Serge needed money for Kaye. The letter continues -

I could elaborate on more instances. Dominic Casella's notes written in his diary would support the above.

That is not true. It continues -

Stefo has paid the tax on the distributions for the two years, totalling \$98 672.26. . . .

Stefo should have been informed of the distributions in writing, and not for us to find out what had taken place eighteen months later.

This outlay has caused a large drain on the company's cash flow and we ask for immediate repayment of that sum.

The CHAIRMAN: Sorry to interrupt you Mr Casella. I remind members of the public gallery that only accredited media can take notes.

Mr Casella: The letter goes on to say that -

We have also on previous discussions voiced our concern about the financial statements, and so far you have totally ignored our request. We do not want surprises from the Australian Taxation Office with additional taxes and penalties. We are going to take steps to protect our position.

We look forward to receiving a cheque from you as soon as possible.

Stefo required \$243 000 as a distribution.

Hon NORM KELLY: Do we have documentation about the original agreement?

Mr Casella: Yes.

Hon NORM KELLY: Where is it?

Mr Casella: Are you referring to the original agreement for the third share?

Hon NORM KELLY: Yes.

Mr Casella: Neither Serge nor Ross Gillon provided any documents to us for the third share. We were given no paperwork. I had to sign a blank transfer for Serge and the only thing I received was a copy of that blank transfer, because I requested it. I still have the original.

Hon NORM KELLY: Basically, you entered into a verbal agreement.

Mr Casella: The lawyers prepared it all. My partner and I had to sign it but they would not give us a copy of the original agreements. All I managed to secure was a copy of the fax of the original transfer, which I marked as number 19.

The CHAIRMAN: I refer to the letter from Stefo. Was the tax that they said they paid for the whole of the development?

Mr Casella: No, just on the profits.

The CHAIRMAN: They received \$50 000. Looking at this, it suggests that they paid \$50 000 in tax, or \$41 000 in tax plus a penalty.

Mr Casella: The actual profit, the distribution for her, was \$98 000. That made \$300 000 profit that year. Her tax would have been \$41 652 plus a penalty, to total \$50 000. That was for 1995-96. There must have been a similar profit in 1996-97. They had a tax liability of \$98 000. Profits were \$243 970.

The CHAIRMAN: They are saying that they had already paid tax of \$98 000, based on \$243 000 profit. They are claiming that they had not received that profit. Had they received the profit at that stage?

Mr Casella: It was notional profit. It was a real profit but the money had gone towards reducing the debt. I had the same problem, as did Saulsman. We had to pay tax on money that we did not physically receive. It is called a notional distribution for tax purposes.

The CHAIRMAN: You also said you intended to eventually change the document on the Parmelia deal that Mr Desveaux wanted you to sign and give back to him. Do you have a copy of that document?

Mr Casella: Yes, those are either items 23 and 24 or 24 and 25; they are similar.

The CHAIRMAN: They have no heading on them. They state -

Owen asked me to buy his property in Hardy Road.

Mr Casella: Yes. They look similar but they are different.

The CHAIRMAN: This was a document that Serge Desveaux provided to you?

Mr Casella: Yes, the one that has handwriting at the bottom of it. When I went to his office he already had it in his hands. He put it before me and wanted me to sign it. I refused to sign it. He was very upset and Kaye was very distressed. Apparently there was an investigation by the board in relation to this deal and they needed to sort it out urgently.

Hon NORM KELLY: It is basically an unofficial statutory declaration that he asked you to sign?

Mr Casella: Yes. I did not sign it on that day. David Condon, who is also a finance broker, was with me when we went to the meeting. He was with me in my car to go to another meeting. I received a call on my mobile phone and I went straight to Serge's office with David. Serge did not want David Condon in the meeting. He really needed this document signed and I would not sign it. I even asked David Condon about it when I went back to the car and he said, "Dominic, don't sign it because it's an unofficial stat dec that you are signing and you are going to be committing perjury. If the board is already on to it, I wouldn't sign something that's false."

The CHAIRMAN: In what suburb is the Hardey Road property?

Mr Casella: Owen had got himself into a bit of a problem and needed to dispose of some assets. I had looked at the property previously when it was at a much lower price, and he wanted me to purchase the property from him. He told me he would organise 100 per cent finance. He was prepared to carry the price he needed to obtain as a second mortgage, and the amount I would owe would come out of another property in Kalgoorlie. What he says in that document is not correct. However, he wanted it to look like the money was coming from the Kalgoorlie property; this was his own doing. However, the Hardey Road property was a property I purchased from him.

The CHAIRMAN: In what suburb is Hardey Road?

Mr Casella: I am sorry, Wattle Grove.

Hon NORM KELLY: In the revised version of the document, is it basically the paragraph that starts "A few weeks later" that has been changed?

Mr Casella: Yes.

Hon NORM KELLY: On a quick skim of the letter, that is the only change.

Mr Casella: I have to be quite honest about it. They are still lies anyway; however, I tried to water them down. I did not want them to be totally blatant. It is a watered-down version but it is still false.

Hon GREG SMITH: You bought the Hardey Road property?

Mr Casella: Yes.

Hon GREG SMITH: How was that financed?

Mr Casella: Owen Blackburne organised the finance and obtained the full proceeds for me.

Hon GREG SMITH: At what value?

Mr Casella: I cannot remember the value but I think it was about \$1.1m or \$1.2m.

Hon GREG SMITH: Was that the valuation provided for the property to obtain finance? Was it financed through mortgages with private investors?

Mr Casella: That is right. Owen already had mortgages on it.

Hon GREG SMITH: Were you aware that it would be financed in that way?

Mr Casella: Yes.

Hon GREG SMITH: Were you aware that it was valued at an inflated price with which you did not agree?

Mr Casella: No, on that property which was Owen's, he did not ask me to organise a valuation because the property still was not zoned residential. It was zoned rural with an exhibition zoning under which you could display goods, machinery and whatever. However, I was not required to get a valuation of that property.

The CHAIRMAN: Do you know if a valuation was used when the mortgage was arranged with the investors? Did the proposals that went out seeking the finance have a valuation attached to them? If so, who organised that?

Mr Casella: I will put it this way: Normally you would get a valuation but in this particular case, because it was Owen's own property, I do not know if he had a valuation organised for it because he had an in-house valuer called Owen Griffiths who used to work out of Owen's office.

Hon GREG SMITH: You were asked to buy the Hardey Road property?

Mr Casella: Yes.

Hon GREG SMITH: You considered the price to be too expensive?

Mr Casella: I believed it was too expensive because the zoning was not residential at the time.

Hon GREG SMITH: What did you believe its value was, from memory?

Mr Casella: I believe it was at least a couple of hundred thousand dollars less.

Hon GREG SMITH: You then borrowed funds and mortgaged it for the value for which you agreed to purchase it?

Mr Casella: Yes, but Owen did it for me. It was an in-house deal and his own property and he organised the finance. I did not have to do anything.

Hon GREG SMITH: However, you were borrowing the money?

Mr Casella: Yes.

Hon GREG SMITH: Therefore you would have been a party to a mortgage agreement with these people who put in the money?

Mr Casella: Yes.

Hon GREG SMITH: You would have been aware that it was being mortgaged for more than its true value?

Mr Casella: Yes, I would say so.

Hon GREG SMITH: You were borrowing 100 per cent of the value?

Mr Casella: I think probably 120 per cent or 130 per cent of the value on that one. What would happen is Owen would want to accrue the interest for about 12 months, plus he would want his brokerage fee out of it and there would be stamp duty associated with it. I would say I probably borrowed 120 per cent or 130 per cent of the amount I purchased it for.

Hon G.T. GIFFARD: Of the inflated value?

Mr Casella: In this particular one I am 100 per cent positive there was no valuation for it. However, in order to sell the project to the investors he would probably have to say, "We believe this property is worth X amount and we have a valuation to support it." However, I did not have to get a valuation for this particular property.

Hon G.T. GIFFARD: No, but you just told us that you thought it was over-valued by a couple of hundred thousand dollars?

Mr Casella: The price he was asking of me, yes.

Hon G.T. GIFFARD: Then you raised money that represented 120 per cent of the inflated value?

Mr Casella: That is right, of the price I was paying for it.

Hon GREG SMITH: However, as the mortgagor, you would have been in possession of mortgage documents?

Mr Casella: Yes, I would have been given mortgage documents.

Hon GREG SMITH: Do you know the value that was placed on the property in those documents?

Mr Casella: When Owen used to put out a proposal and sell a project to investors I was never privy to that information. For instance, he would normally include in the documents a property title search and a bit of a valuation report. He would put some details about me, the potential of the property, and when it would be paid out. He would compile a report and in this particular instance a report would have been issued by his office, probably through Ken O'Brien, and they would have had to do a sell job on it.

Hon GREG SMITH: Ultimately you were responsible for repaying the debt against that property?

Mr Casella: Yes.

Hon GREG SMITH: Were any other guarantees provided by you?

Mr Casella: The only other guarantees were by me and my wife.

Hon GREG SMITH: Against other assets?

Mr Casella: No, there were no cross-collateralised dealings. It was strictly on that property.

The CHAIRMAN: Did you also give a personal guarantee on most of the deals?

Mr Casella: That property was purchased in the name of a company called Selec Pty Ltd and the only guarantors were me and my wife.

The CHAIRMAN: As well as on any assets that you owned - say, assets in other companies?

Mr Casella: No, they did not take it across guarantees. It was strictly my wife and I who owned that property.

The CHAIRMAN: I am suggesting that if you give a personal guarantee than any of your personal assets -

Mr Casella: Could be affected, yes.

The CHAIRMAN: Yes, so they could ask you to pay the money, and if you do not have the money, any assets you owned in another company would become liable.

Mr Casella: Owen Blackburne knew I had other companies, but he did not say that he wanted my other companies to be guarantors as well. It was not done like that; it was done as a personal guarantee.

Hon RAY HALLIGAN: It was an unsupported guarantee.

Mr Casella: No, it was a supported guarantee.

Hon RAY HALLIGAN: If it is supported you put forward your assets, and you allow them to take a mortgage over those assets. When it is unsupported, it is just the guarantee.

Mr Casella: No. There was a mortgage on that property and a personal guarantee given by my wife and me was attached to that property.

Hon GREG SMITH: Was this the only occasion that you borrowed against an asset when the amount borrowed was greater than what you believed was the value of the property?

Mr Casella: I also purchased a house from him. Again I obtained 100 per cent finance. I felt I was getting better value than his asking price. I did borrow 100 per cent.

Hon GREG SMITH: Were there any other deals on which you borrowed more than the value of the property? For example, in the Eaton development, what was the purchase price of the land?

Mr Casella: The purchase price of the Eaton land was about \$4.25m. We had vendor finance that was carried by way of a second mortgage, and we had a first mortgage to Blackburne and Dixon of, I think, a few million bucks.

Hon GREG SMITH: What were the total borrowings against the Eaton property?

Mr Casella: It would have been 100 per cent borrowings for the Eaton property.

The CHAIRMAN: When did the Eaton deal occur?

Mr Casella: The Eaton deal occurred in the 1992-93 year. I have copies of the contracts in there.

The CHAIRMAN: Are they among these documents?

Mr Casella: Yes. They are Nos 13 and 14

Hon GREG SMITH: Who was the director of the Eaton development company?

Mr Casella: I was a director, and there was a guy called Thurston Saulsman.

Hon GREG SMITH: For what purpose did you purchase that land?

Mr Casella: It was a long-term subdivision of 1 200 to 1 400 lots. Eaton is just before Bunbury.

Hon GREG SMITH: I know where it is. The purchase of that block was funded by a second mortgage from the people you bought it from, so it was vendor finance?

Mr Casella: Yes.

Hon GREG SMITH: As well as a first mortgage through a pooled mortgage arranged by Blackburn and Dixon?

Mr Casella: That is correct, yes.

Hon GREG SMITH: That was for what you would consider to be 100 per cent of the value of the property?

Mr Casella: Let me put it this way: It was about 600 acres and we bought it as a rural property subject to getting residential zoning approval. Once the zoning had gone through, the property was worth somewhere in the vicinity of, and anything up to, \$8m to 9m.

Hon GREG SMITH: What subsequently happened with the Eaton development? What was the history?

Mr Casella: It is still going on. When Owen got his one-third interest in the deal - we still do not have documents on it - the lawyer and Serge put in the deed that a 75 per cent majority was required to make any major decision. Even though my partner and I -

Hon GREG SMITH: When you say 75 per cent, was that the equity to borrow money?

Mr Casella: No, a 75 per cent majority from the point of view of shareholdings. Normally if there are three parties in a deal, two can outvote one. In this case we had to have agreement of 75 per cent of the shareholding to make any decision. Owen Blackburne could never be voted out because we would hold, theoretically, only 66.6 per cent, and the deed was drawn up so that 75 per cent approval was required for decisions. We could not do anything about getting the okay from Serge and Owen Blackburne. What was the question again?

Hon GREG SMITH: It was the history of the Eaton development. How many blocks did you say there were? Was it 1 200?

Mr Casella: It was 1 200 to 1 400. I believe that about eight or nine stages have been developed to date. What has happened is that the partner I have in this deal, Saulsman, who is also a major borrower of Blackburne and Dixon, has done a deal with Kaye Blackburne to purchase her units. He has already paid her, I believe, somewhere in the vicinity of \$100 000. I am not aware of the

payment arrangements, and whether she would get some land back or some blocks. However, it is my belief that he used the assets of the company to buy out her share.

Hon GREG SMITH: Who now owns the Eaton development or is a director?

Mr Casella: I am not a director of the company at the moment, and I am not in a position at the moment to take the matter before the courts, but I want to get this deal. Mr Saulsman reckons he has kicked me out of the deal, but I have not got any documentation from his lawyers. I just do not have the funds to take this matter before the Supreme Court. I believe that he has done some shonky deals in there, and he has controlled it as if it is his own. I do not have any documents at all on that matter. This is another shifty deal.

Hon GREG SMITH: Is that company in liquidation or is it still operating?

Mr Casella: Eaton is not in liquidation, no.

The CHAIRMAN: You must still have a shareholding, so how would he be able to kick you out?

Mr Casella: He should not be able to, but he reckons he has kicked me out. He used a clause that he calls a suicide clause. I have never heard of this sort of clause. However, he reckons that I have been kicked out of the deal. It is very suss. I have been trying to get documents from the accountants for the Eaton development - a company called Stanton Partners - but they refuse to give me documents. I cannot get any paper work associated with this deal. David Condon took on the directorship on my part, and he has been kicked out of the deal as well. He was only a director, but not a shareholder. He is no longer a director. This will be the subject of another investigation.

Hon GREG SMITH: Did you complain to the Finance Brokers Supervisory Board about the Eaton deal?

Mr Casella: Yes.

Hon GREG SMITH: Did that deal take place in 1993 or 1994 ?

Mr Casella: It was in 1992 and 1993.

Hon GREG SMITH: Why did you wait until 1999 to raise the issue?

Mr Casella: At the time, my partner, Saulsman - I do not get along with Saulsman at the moment - and I had no choice but to go ahead with the deal, otherwise Owen would not finance it. The situation was that while we had it financed totally with Blackburne and Dixon, it would have been difficult for us to get it refinanced elsewhere. If we had put heat on it, Owen would probably have called up the mortgage. The loans from Blackburne and Dixon were always set up for 12 months. They kept rolling the deals over so that they got another brokerage fee at the end of every 12 months. My partner and I always wanted to kick Kaye Blackburne out. We wanted her out of the deal. We found out what was done was bloody unconscionable, fraudulent, bribery - whatever you want it call it. Come 1999, my partner and I agreed that we really wanted to get her out of the deal. That was because she was not contributing, and as you can see, she was putting demands on us for money. The only money I ever got out of Eaton was \$50 000 in 1993. That was the only money I received out of Eaton, even though I am owed in excess of \$500 000 or \$600 000 in distributions and loan moneys. That is because I have put money into the deal. I still have not been able to get that money.

Hon NORM KELLY: How much money did you put into the deal?

Mr Casella: About \$100 000-odd. For instance, because we were managing the development, we would draw X amount of income, I think about \$30 000 a year for me and \$60 000 for my partner, plus the distributions. I have not received any money other than that \$50 000.

Hon GREG SMITH: You put in \$100 000 of capital and borrowed \$4.6m?

Mr Casella: Yes, something like that.

Hon GREG SMITH: You paid yourself \$100 000 a year out of the company?

Mr Casella: Someone had to manage the situation. It was a major deal, as I said. It was in excess of 1 200 or 1 400-odd lots, and we were taking X amounts of income, I think \$30 000 for me and \$60 000 for my partner, for managing this deal.

Hon GREG SMITH: It seems that you were quite comfortable or had no problems with the whole set-up for a period of six years, and then after six years you decided -

Mr Casella: I will explain that. It is very easy. While we had all the exposure with Blackburne and Dixon, it was difficult for us to go to her and say, "We want you out now and we are going to finance it elsewhere." It would have made it very difficult for us to refinance that.

Hon GREG SMITH: Why?

Mr Casella: Because, for instance, a bank would lend 60 per cent of valuation, or 60 per cent of purchase price, whichever was the least, so it would always be difficult. Also, the types of deals we used to organise with Blackburne and Dixon meant that we would accrue the interest, whereas banks do not like having accrued interest in a deal. They want the payments to be made on a monthly basis, out of the cash flows. In this case, we would actually borrow the servicing money that we required.

Hon GREG SMITH: Did you approach any other finance brokers to see whether you could refinance?

Mr Casella: I did not approach anyone.

The CHAIRMAN: On that point about how the deals were set up, did you go to the finance brokers and suggest it? How did the first deal like that occur? You became involved in a finance broking deal where you were borrowing 100 per cent of the valuation, although that was obviously never told to the investors, and you were borrowing accrued interest - I assume a year's interest in advance - and some other expenses. Can you recall how that occurred the first time?

Mr Casella: I always operated in that manner, because about 100 per cent of my deals were always land, and I was always in that value-adding process whereby if I bought the land and it cost me \$500 000, and I was going to do a subdivision that would cost me another \$500 000, and the property would be worth \$1.6m, we would use 65 or 70 per cent of the end value of \$1.6m.

The CHAIRMAN: Was Blackburne and Dixon the first finance broker that you used?

Mr Casella: I used the Commonwealth Bank for about 17 years.

The CHAIRMAN: Doing that sort of deal?

Mr Casella: Doing those sorts of deals.

The CHAIRMAN: Where it would lend you 100 per cent on the end valuation rather than the purchase price?

Mr Casella: It would have cross-guarantees and would cross-collateralise. Everything was in one pot.

The CHAIRMAN: You would borrow 100 per cent of the valuation of one property, but the total of your properties would be brought together and they would all be mortgaged against each other, and you would still have 40 per cent equity of your own, and the bank would then do 60 or 70 per cent of the total valuation across all of the deals?

Mr Casella: Yes. Sometimes I had a freehold property and the deeds were held by the bank. For example, one property was worth \$1.4m or \$1.5m and was totally freehold, and I would buy another property for another \$700 000, \$800 000 or \$1m, and it would use that property to prop up the percentage. It would be used as an overall percentage.

The CHAIRMAN: But when you went to finance brokers, that cross-collateralisation did not occur, so obviously the banks felt they had security. Who came up with the idea of doing it as a stand-alone deal, where you would borrow 100 per cent of the valuation of the property? Did that idea come from you to the broker, or did the broker suggest it to you?

Mr Casella: I used to put it to the broker and say, "This will be the end value. I want to borrow on this end value. I do not want to have any proportional discharges. The total proceeds that come in will go towards discharging the mortgage." I have been doing this for 16 or 17 years. I have always done it like that.

Hon GREG SMITH: Did you ever get into difficulty doing it before?

Mr Casella: No, just mainly in the past two years.

Hon GREG SMITH: You did not go bankrupt 10 years ago?

Mr Casella: I have never been bankrupt before, and I am not bankrupt yet, but there are bankruptcy proceedings against me, which I am fighting. At the moment it is impossible to get finance. I am not what you would call a bankable person, and the brokers at the moment cannot raise funds. It is quite difficult.

Hon GREG SMITH: When did you need to go to a broker? I imagine that after you were unable to obtain bank finance, you then went to a finance broker to obtain funds?

Mr Casella: I had an ongoing situation with the Commonwealth Bank where I had borrowed \$12m or \$15m-odd, but one of the problems I had with the bank was that everything was cross-guaranteed and cross-collateralised, and it was difficult to pull cash out. I preferred to do stand-alone deals; so as soon as I finished one deal, I would get my money out of it and pull cash out. The banks were not receptive to that situation.

Hon NORM KELLY: When you had that \$12m to \$15m worth of loans with the Commonwealth Bank, was that at the one time?

Mr Casella: Yes.

Hon NORM KELLY: Because it was lending you only up to 60 or 70 per cent, you would have had a net worth of about \$20m in the properties to be able to do that -

The CHAIRMAN: A personal equity of about \$5m or \$6m.

Mr Casella: Yes.

Hon NORM KELLY: When you went to the finance brokers and gave a personal guarantee for loans, did you make the brokers aware that you were mortgaged to that degree to the Commonwealth Bank?

Mr Casella: That was of no concern to them.

Hon NORM KELLY: The reason it was of no concern is that that personal guarantee could be worth nothing, because your assets were already committed to the Commonwealth Bank?

Mr Casella: No. They only took the property as security. They were not interested in any outside properties. They were not interested in any cross-guarantees. They were lending the money.

Hon NORM KELLY: The finance brokers?

Mr Casella: Yes. I would say to the finance broker, "This is the deal; this is how it stacks up." I would not need to give any other securities for it. It was strictly that property there.

Hon GREG SMITH: Would you provide valuations to substantiate that deal?

Mr Casella: Owen would request the valuation. He would organise to have one done through his internal office. By the way, Eaton was valued by either Alan Griffiths or Alan Moore; I cannot remember. He valued the Eaton one, but the valuation would have to support that loan.

Hon GREG SMITH: That would be a valuation that Griffiths did, if it was done by Griffiths, on the finished concept or on the -

Mr Casella: All mine were on the finished concept - on end value.

Hon NORM KELLY: What is your opinion of a broker who suggested to potential lenders that they had a guarantee from the borrower and that the borrower had a value of whatever amount to put into the proposal?

Mr Casella: It did not concern me. All I was interested in was doing the deal and paying the people back their money. My preference was to do deals with a one-year life for most of my loans so that I could pay out the loan within one year. That is why I never proceeded - Eaton is one of the biggest deals I have ever done. I would not do a two or three-storey development; everything was either ground level or a subdivision. I rather liked the \$1m or \$2m deals that I could get out of within a year.

Hon NORM KELLY: You prefer to have the 12-month loans. You said earlier that the brokers prefer to have 12-month loans so that they get their commissions.

Mr Casella: They get a roll-over fee.

Hon NORM KELLY: Is that a mutually acceptable situation?

Mr Casella: Yes.

The CHAIRMAN: Is it correct to say that you first put the idea to the brokers that that was how you wanted to proceed? Did they ever ask for any further information? Were they happy with the proposal or did they question it?

Mr Casella: They would have to do a sell job on it. For instance - I am not saying this is the exact case - if I were Owen Blackburne or a financier selling the property to the investors, I would say that Dominic Casella is a respectable person who is a licensed estate agent with a lot of experience in these fields. I would show them 12 or 15 brochures of developments that I have done that have all been successful and paid out and tell them that the valuation on this property is X amount of dollars. I would also tell them that there are pre-sales and pre-commitments - it is a sell job. I never associated myself with the lenders. The lenders would never ring me up or contact me. I used to meet them every now and again on site. They would tell me who they were and I would be nice to them. Usually we never had any problems.

The CHAIRMAN: The brokers knew very well that they were going out to sell a deal that was basically based on a trust or an expectation that you would be able to pull the deal off and make a profit out of it, and that that was the only way it was going to be repaid. Although they were representing to the investors that it had a 70 per cent equity, in effect there was no equity in it.

Mr Casella: There was no equity in some of them. When I say no equity, I mean that the equity was in the end value.

The CHAIRMAN: The equity was in your skill as a property developer, but that was not conveyed to the lenders. The brokers were deliberately going out to sell a deal.

Mr Casella: If someone was lent 70 per cent of the end value, there is nothing wrong or illegal in that because it is a development project. If, like the Papotto deal, for example, the investors were told that this character put in X amount of dollars but he had not, or if the value of the property was inflated, for example, a property which was worth \$1m, and I told them that I was buying it for \$1.7m and am putting a \$700 000 deposit on it when I am only paying \$1m for it, that is fraudulent, a misrepresentation, and false pretences.

The CHAIRMAN: I am not suggesting it was fraudulent on your behalf if you presented all of the information of the deal to the broker. The point I make is that the broker knew the arrangements and went and sold it to another person. I would have thought that that would be a fraudulent act if

they said to people, "Here is a property and this person is borrowing 70 per cent of the valuation", but they do not make it clear that it is a valuation on potential on the expectation that you as a property developer will be able to achieve the \$2.5m that is the end evaluation. If the property itself is worth only \$1m, the investors may have borrowed \$1.5m because of the \$500 000 worth of development capital interest payments.

Mr Casella: I agree. If the investors were told that this guy is not putting any hurt money or pain money into it, the investors would rather lend the money to someone who will have some hurt or pain money in it.

The CHAIRMAN: If I came to you with a deal like that and you knew that I was a good developer, would you lend me the money?

Mr Casella: If you told me that the land was worth X amount of dollars and this is what it will retail for and you could show me some pre-sales, and if I could see the end value, I probably would. In most cases many people would not like to lend money to someone in that situation.

The CHAIRMAN: You would want to establish my capabilities to be able to achieve the end price. That would be very different from looking at a document which states that the property is worth \$2.7m and we are lending only \$1.5m on it.

Mr Casella: Many investors knew this. For example, if the land was worth only \$1m and one wanted to raise \$1.8m on it through the investors to cover the development costs, the interests, the stamp duty and the brokerage, the investors know that, because one sells it on that basis. It is like a bank. If a bank does a house deal, it will lend \$130 000 on a house and land package deal but the land is worth only \$50 000. If the house costs \$80 000 to build, the banks are lending on end value. In reality that is what a bank does. A house and land package deal is an end-value situation. The banks lends the customer \$120 000 or \$130 000 on a block of land which covers funds to pay out the land and to develop the house.

The CHAIRMAN: The banks also normally expect their customers to have equity in the project.

Mr Casella: Perhaps \$5 000 of \$10 000, or whatever.

Hon GREG SMITH: How can you reconcile the difference between the Papotto deal, which I am not familiar with, and the Hardy Road deal? You borrowed 120 per cent of the value of the property in the Hardy Road deal.

Mr Casella: I purchased land only. I have been made aware that the police have been investigating my files. I have never gone to a financier and told them that I am paying \$1.5m for this property and I need to borrow only \$1m when the property only paid \$1m. I have never done that type of thing. For instance, I know that the purchase price put on the contract was not the true purchase price for the Papotto deal at Dunsborough. It was inflated to make it appear that there was a deposit of X amount of dollars invested in it. That is fraudulent. I saw in the Gunning report that Mr Papotto brought the money in a suitcase. The financiers did not check that out. I am not having a go at anybody, but if I were a lender, I would have asked where the money was and if it had been paid etcetera. That is fraudulent. In my case I have never said that the property is worth X amount and I am putting X amount down. I always work on the end value only.

Hon GREG SMITH: I asked you earlier whether you had approached other finance brokers to finance any of your deals. I have forgotten your answer.

Mr Casella: The Commonwealth Bank was my main lender. I have used Westpac and the National Australia Bank to borrow millions, but it was harder with the banks because they wanted to see cash flow. I do not have any cash flow. My cash flow was from buying, selling and re-financing. That mode of operation was not acceptable to many of the banks, but it was okay with the Commonwealth Bank. The Commonwealth bank was happy with it until the State manager had a blue with one of his corporate managers. I was what is called a managed client. The corporate

manager probably had about 10 managed clients, of which I was one. The two managers had a fight and all of the clients the corporate manager was looking after were given the bullet. A lot of shonky things went on, which are the subject of a court case at the moment. From there I went to Blackburne and Dixon Pty Ltd, and from Blackburne and Dixon I went to Margaria. I do not go looking for other financiers. If I can hook on to one and stick with one, I like to have long-term relationships, whether they are for seven, 10, five, six or eight years. I tend to use the same people all the time. I did not need to look for other financiers.

Hon GREG SMITH: For how long had you known Mr Margaria before that?

Mr Casella: Actually, I knew John many years ago when he had a tavern - the Broadway tavern. I had not seen him for many years, until about 1992, 1993, when he started working for Blackburne and Dixon. In fact, I did not even recognise him at first.

Hon GREG SMITH: It was alleged at the Gunning inquiry that you financed Mr Margaria to establish Global Finance Group Pty Ltd.

Mr Casella: Yes. What happened there was that John Margaria was working for Blackburne and Dixon. John was earning a lot of money at Blackburne and Dixon, and he was the one who was setting a lot of our deals. As a worker there, he was getting instructions to go and fill up these deals, and he was very good at his job. A partner called John Miller and I decided we would have a talk with him, that we would like to get involved and start up a finance company. We agreed that we would try to do a deal in which we were a third each in a finance company, and then we would put him in for a third of a deal in property developments. It was a means to lend to other people as well.

Hon NORM KELLY: When you say you would put him for a third of a deal in property developments, would that be his payment, or on what basis was that?

Mr Casella: The idea was - it was my idea actually - to go into business with him, because he was a genius of a person, as far as I could see, as a broker; he could raise money. I can honestly tell you now that he has never done anything shonky to me. I have not talked to him for 18-odd months. However, at the time when he was at Blackburne and Dixon, I said to him, "You should be working for yourself. You've got your own finance brokers licence. Would you consider trying to do a joint venture with us?" My partner Miller and I said at the time that we -

Hon GREG SMITH: Did you provide financial support for him to set up his business?

Mr Casella: Yes, we did. I cannot remember whether we put up \$40 000 or \$50 000 to start him off.

The CHAIRMAN: Was that each or the two of you together?

Mr Casella: My partner Miller and I put in \$40 000 or \$50 000, I think.

The CHAIRMAN: Was that between the two of you?

Mr Casella: Between the two of us.

The CHAIRMAN: Did Mr Margaria put in anything?

Mr Casella: He had his licence.

The CHAIRMAN: Therefore, you funded the whole cost of setting it up, and he brought his licence and expertise?

Mr Casella: Yes.

Hon GREG SMITH: You also made him a third partner in a deal.

Mr Casella: That is what the situation was. My partner Miller and I were going to be a third each in the finance company. John Margaria would then be a third in the property developments with Miller and me. What actually happened was that this partner of mine, Miller, had a disagreement

with John Margaria, in that Margaria said, "Look, I need at least X amount of dollars to survive. I'm going to be working here. I should be getting a wage." The profit was going to be a third, but he had to take a wage. I believe it might have been about \$1 000 a week. I did not think there was anything wrong with that. However, my partner John Miller said, no, that this was a performance-driven situation and that we should not allow Margaria to take \$1 000 a week. I tried to be the peacemaker and I said, "No, I think John Margaria is right. He should get \$1 000 a week and the balance is a third." Miller was not happy with that. John Margaria came in one morning and said, "I don't want to be partners with you guys. That's it. I want to run my own show, and I'll pay you the money back. I want to pay you back the money." He said to me, "I don't want to have anything to do with Miller." That totally finished off the arrangement that we had for him to be a partner with us in property and for us to be partners in his finance business.

Hon GREG SMITH: How can you reconcile your opposition to Owen Blackburne's wanting to be a third partner, or being a third partner -

Mr Casella: Not Owen.

Hon GREG SMITH: Originally in 1992 -

Hon G.T. GIFFARD: Go back to the Eaton development.

Mr Casella: Yes.

Hon GREG SMITH: I think you set up Global in 1998.

The CHAIRMAN: 1994, I think.

Hon GREG SMITH: Margaria had the same modus operandi as far as setting up a deal again. History seems to be repeating itself.

Mr Casella: No, that situation with Owen Blackburne was a situation in which we were taken right to the deadline, right to the wire. There is a document in here from Young and Young, the solicitors. We were compelled to have a letter of approval from B & D. Owen stalled and stalled. There was never any talk of his coming into the deal with us. He was going to get his brokerage and that was it. When he put the proposition to me, it was the day or two before the finance approval was required by the solicitors on behalf of the vendors. Now, I was not happy. If he had told me that from the start, I probably could have considered other options or other situations. However, that was put to us with no choice. We were left with no option but to accept it, because we could not go elsewhere looking for money.

Hon G.T. GIFFARD: Notwithstanding how that came about, that was a situation in which your broker got a third share of the proceeds of the property development. Is it not the same as the deal you entered into with Mr Margaria?

Mr Casella: No, that is not correct.

Hon G.T. GIFFARD: In terms of who got the proceeds from the property development, can you explain to me how it differed? I understand what you are saying about how it came about; that is, he stalled and he basically put it to you at the eleventh hour. What I am putting to you and what I think Hon Greg Smith was alluding to is that it would appear that the Eaton development at least gave inspiration to this business proposition that you put to Mr Margaria some years later.

Mr Casella: No, not at all.

Hon G.T. GIFFARD: How did it differ in terms of who got the money at the end of the day? Can you explain that to me?

Mr Casella: Okay. I was never going to be a party or a partner in Owen Blackburne's business.

Hon G.T. GIFFARD: Can you explain to me what the distinction is in terms of who gets the money from the property development? How did it differ in real terms? I understand whatever

layers of business arrangements you want to put on top of it, but as to where the money went, which is a critical -

Mr Casella: How do you mean, where the money went? Which money? What are we talking about?

Hon G.T. GIFFARD: You talked about the Eaton development.

Mr Casella: Yes.

Hon G.T. GIFFARD: Mr Blackburne asked for a third.

Mr Casella: Yes.

Hon G.T. GIFFARD: Some years later you put a deal to Mr Margaria whereby he would get a third of the property developments -

Mr Casella: Yes, because I felt he was a good operator.

Hon G.T. GIFFARD: - for finding the finance, which is what Mr Blackburne did in the Eaton deal. In terms of where the money went for raising money and for the proceeds of the property development, can you explain to me how that differs? I do not understand how it differs.

Mr Casella: Put it this way: It was my suggestion - I was the one who put it together - that I should try to get into a deal in which we would get into a finance company. It was I. John Margaria never asked me to fund him or to do any deals.

Hon G.T. GIFFARD: I understand what you are saying.

Mr Casella: Because I wanted to get into a finance company, I did not see anything wrong with trying to get him into a third of a deal if we were a third into the finance company. However, it has no relevance - I have never even given any thought to why that is different to the Owen Blackburne one. The Owen Blackburne one was a total blackmail situation. That was a last-minute situation that I was not happy with.

Hon G.T. GIFFARD: Was that the only deal with Owen Blackburne in which that happened, in which he got proceeds of a property development with you?

Mr Casella: Eaton was the only one.

Hon G.T. GIFFARD: He took money, is that right?

Mr Casella: He had a development in Kalgoorlie.

Hon G.T. GIFFARD: And he just took money? How much was that - \$305 000? What happened to that \$305 000?

Mr Casella: That is a different thing altogether.

Hon G.T. GIFFARD: Yes, but what happened to that?

Mr Casella: How do you bring that \$350 000 into it?

Hon G.T. GIFFARD: I am wondering what happened to that \$350 000?

Mr Casella: He used it for his own personal self, for his own problem. It was nothing to do with me.

Hon G.T. GIFFARD: It was just an unauthorised deduction?

Mr Casella: Do you want me to finish on the other matter first?

Hon G.T. GIFFARD: Sure.

Mr Casella: In relation to the other matter, I put it to John Margaria that I would like to get involved in a finance company with my partner, John Miller. If he allowed that, we would allow him to come a third into deals with real estate development.

Hon NORM KELLY: Was there any limit to the number of deals?

Mr Casella: No. All the deals we would be proceeding with after that would be funded through the company; that is how we would operate. I am glad it did not happen, actually. As you can see now, it would have been a major problem. It all fell over.

The CHAIRMAN: Does Mr Margaria have any interest in any of your current deals?

Mr Casella: Mr Margaria does not have an interest in any of my deals. He has never asked and he has never wanted to be in property development, his baby has always been finance. He loves finance and he has never asked me for a share in a deal or anything.

The CHAIRMAN: I think you said the Eaton deal with Mr Blackburne occurred around 1992-93?

Mr Casella: Yes.

The CHAIRMAN: As I understand it, on occasions you sought finance through Mr Blackburne after that deal?

Mr Casella: Yes, on numerous occasions, and he never asked for any third shares in those deals.

The CHAIRMAN: There was an earlier comment about blackmail, and it sounds like it was -

Mr Casella: Yes.

The CHAIRMAN: It strikes me as a bit odd that you would then go on to deal with that same person after he had blackmailed you.

Mr Casella: To give you an idea, that happened around 1993 - I cannot remember the date when Owen died.

The CHAIRMAN: August 1994.

Mr Casella: Yes, I think it was. February 1994, I think.

The CHAIRMAN: My recollection is that it was late 1994 when he died; it might have been September.

Mr Casella: Owen was very sick for seven or eight months. He was only in the office for about half an hour a day. I was living next door to him and he used to ring me from his home. His office was directly next door, but he was very sick. At times he could not even walk. From the point when he approved the loan on the Eaton deal to him taking that \$50 000 which we were all paid, I have to be honest, I do not recall doing another deal with him.

The CHAIRMAN: When did the Parmelia deal occur?

Mr Casella: It occurred in about 1994. I have it right here; I can tell you the exact date. The Parmelia deal commenced in February 1994.

The CHAIRMAN: That would be after the Eaton deal?

Mr Casella: Yes, it would have been.

The CHAIRMAN: Were there any other deals? You obviously have a list there.

Mr Casella: He never asked for a third in this one.

The CHAIRMAN: Someone has blackmailed you to take a third interest and clearly distressed you in the way he operated. If someone did that to me I would not trust him to do another deal. I cannot work out why you would go back to him.

Mr Casella: This deal would have been set by Ken O'Brien in the office. This started on 9 February 1994, from what I can see. As I said, I might have done only one or two deals, but if I go through my files I can look it up. I do not think I did more than a couple of deals.

The CHAIRMAN: I understand Mr Blackburne made the final decisions in the office. Even if you were talking to Ken O'Brien or John Margaria, it would have to get the final tick of approval from Mr Blackburne?

Mr Casella: Yes.

The CHAIRMAN: I am aware of allegations that Mr Blackburne did that with someone else on numerous occasions, taking a third interest in their deals, and I never quite understood why people would keep going back to someone who had done that to them.

Mr Casella: Eaton was a big deal. Instead of having the finance on one lot he required five or six separate properties. For instance, the property originally was on one title and he wanted to finance it by breaking it up and having an approval in place, so that there would be five super lots and the mortgages would not have to be too big. That way he could distribute it over six properties. He mentioned from the outset that he would like to finance it in five or six different parcels. That is what we finished up doing.

Hon GREG SMITH: As I understand it, in 1994 the Parmelia deal would have been the last deal you did with Blackburne and Dixon?

Mr Casella: I did have a partner, a guy called John Miller, and we had six or seven companies. John Miller and myself were still financing deals through Blackburne and Dixon.

Hon GREG SMITH: Until what stage?

Mr Casella: Until about 1995-96, 1997 even.

Hon GREG SMITH: When did John Margaria start Global Finance?

Mr Casella: Shortly before Owen Blackburne died, whatever date that was.

The CHAIRMAN: It was late August 1994.

Mr Casella: Margaria probably started some time in June 1994, several months before Owen died.

Hon GREG SMITH: Over a two year period you transferred most of the borrowings you had through Blackburne and Dixon across to Global?

Mr Casella: I was doing my new deals and new projects, through John Margaria, with Global.

Hon GREG SMITH: They were generally 12-month deals?

Mr Casella: Usually 12-month deals.

Hon GREG SMITH: What did Owen Blackburne end up getting from you, other than his commissions, to obtain finance for you for doing your deal at Eaton?

Mr Casella: What other things did he get from me?

Hon GREG SMITH: He got the one-third share in the deal?

Mr Casella: Yes, plus his full brokerage.

Hon GREG SMITH: What did John Margaria get for organising your finance at Global?

Mr Casella: He took a 2 per cent or 2.5 per cent maximum fee on every deal that he financed for me.

Hon GREG SMITH: Plus a one-third share?

Mr Casella: No, he never asked for any share -

Hon GREG SMITH: He never collected that?

Mr Casella: No, it was not offered. It was not requested and he did not want anything to do with property. Put it this way: I am the one who started him off as my partner; that is how he got going. When we had the blue over the discussion about him getting some payment and that did not go

through, it was all over. He even said to me that he wanted to stick with what he knew best and finance was his game. He has always been in the finance industry. He was not the motivated type of person who was interested in buying properties. He did not like property. He preferred to do the finance and he had the capability to earn big, big money just on brokerage fees. I never got a deal where I did not have to pay brokerage. I have had a lot of investors ask me when they found out that I actually funded Margaria and that I was a part-owner. I was not a part-owner. John Margaria wanted to pay us \$40 000 or \$50 000 back, and I said, "Don't worry about it", but I never said to him, "Look, you owe me a favour" or "Let us work it off on the fees". I just felt that myself and my partner really did the wrong thing. I was quite happy for him to forget about the \$40 000. I can honestly say that I never said to him, "Because I started you off, you owe me a deal here, you should be doing this deal for me" or anything like that. There was nothing of that sort. He never asked for a percentage in a deal. He was not interested at all.

Hon G.T. GIFFARD: How long after you set him up did you have this falling out with Mr Miller about getting \$1 000 a week?

Mr Casella: It was right at the initial stages. In actual fact it was a godsend,. I am glad it happened like that because otherwise we would have more problems today. By rights, we should not have an interest in a property development, nor should we have an interest in the finance, because there would be a conflict of interest. Under the Act, I believe it is wrong anyway.

Hon G.T. GIFFARD: You did not think that at the time when the deal was being talked about?

Mr Casella: I did think about it. I thought we could disguise it.

Hon G.T. GIFFARD: You thought there was an inherent conflict but that you could disguise it?

Mr Casella: Yes, we thought we could disguise it.

Hon G.T. GIFFARD: Do you think that was a proper thing to do?

Mr Casella: As long as people were getting their money back and as long as there was nothing shonky, I did not have a problem with it.

Hon G.T. GIFFARD: Do you think you would be able to describe disguising a conflict of interest as shonky?

Mr Casella: Let me put it this way: At the time I did not think it would cause any problem. Problems only occur when people do not get paid or a deal goes off the rails. That is the way I looked at it.

Hon G.T. GIFFARD: You say in your statement "All my dealings have been done in an honest and proper way". Do you think disguising a conflict of interest is proper?

Mr Casella: It never went ahead anyway, but I have to agree with you, yes, I think it would be improper.

Hon G.T. GIFFARD: It was your idea and an improper idea?

Mr Casella: It would only be improper if something went wrong. I did not have a problem with it at the time.

Hon G.T. GIFFARD: You did not have a problem but you were prepared to disguise it. Let us be frank. You thought, "People should not know about this. We will disguise it." That is your evidence, is it not?

Mr Casella: Yes, it was to be supported by me and my partner. I would go along with that.

The CHAIRMAN: How did you intend to disguise it?

Mr Casella: We were going to set up a couple of trusts.

The CHAIRMAN: You planned to run your interest through the trusts?

Mr Casella: Yes.

The CHAIRMAN: A cynic's view might be that Mr Margaria has never repaid the money, and how can people be sure that you did not continue to maintain an interest?

Mr Casella: I believe the police have been looking at my files. A lot of investors have told me that they reckon I am a partner in there. You can go through the records and all the records that are before Ashton Read, which is the liquidator. Every deal that I conducted through John Margaria, I was charged a full brokerage fee of between 2 and 2.5 per cent. There was never a deal when he said he would do it for me for half or anything like that. I am being honest with you. I just felt that if he had the \$40 000, I did not have to ask for it. He probably felt compelled to do deals with me, because I did start him off. I never put my hand out and said, "Look, give us back the money." He did offer to pay it back, and I told him not to worry about it because it was not his fault.

The CHAIRMAN: You obviously paid the money, so the company must have been established when you had the falling out. As you must have set up the structure of the company, what did you do to restructure the company to remove your interest?

Mr Casella: We set up a company. I do not know the name of it. My accountant knows it well. We had a shareholding in it. We vended one of the companies to Margaria. It was nothing; it was just a \$1 nominal share.

The CHAIRMAN: That was the company in which you had an interest?

Mr Casella: That we intended to set up, yes.

The CHAIRMAN: You passed your interest in that company across to Mr Margaria?

Mr Casella: My accountant's name is Rob Brown. He knows all the details. He is still my accountant.

Hon GREG SMITH: In regard to the rolling over of mortgages, you said that most of the deals you did were for a one-year period. Were there cases when a deal would take more than a year to complete?

Mr Casella: Yes.

Hon GREG SMITH: Did some maybe take three years to complete?

Mr Casella: Some two years, some three years, yes.

Hon GREG SMITH: In the initial stage of borrowing for the deal - this is hypothetical - you would buy a block for, say, \$1m and borrow \$1.4m to develop the site and pay for the block and pay the interest. If the development was not completed after a year, it would need to be refinanced. You would then require the \$1.4m plus the interest for the following year, which would take it to \$1.6m?

Mr Casella: Yes, \$1.6m or \$1.7m.

Hon GREG SMITH: How would you present the proposal to the finance broker for him to present the deal to the investors?

Mr Casella: I always used to give the finance broker adequate time. I would go to him two or three months before the loan was due because I knew that we would not be able to complete it by a certain date or that it was unlikely we would be able to sell it by a certain date. I just used to let the finance broker know that we wanted to roll the deal over and ask if it was possible to do it. In nearly all the cases there was no problem.

Hon GREG SMITH: Would you require a valuation for the finance broker?

Mr Casella: It would usually have to be supported by a valuation, yes.

Hon GREG SMITH: Would you get a valuation done each year?

Mr Casella: Yes.

Hon GREG SMITH: Did you have a valuer who you normally used?

Mr Casella: I used Ron O'Connor most of the time. Nearly all of my valuations were done by Ron O'Connor.

Hon GREG SMITH: Why was Ron O'Connor chosen as your valuer?

Mr Casella: As I said before, I have used Ron for maybe 10 or 11 years; I have used the same accountant for 13 years; I have used the same bankers for 10 or 12 years; the same engineers for years; the same professional settlement agents for about 19 years. Ron was the one who I used to get along with. I was not interested in chasing up other valuers. I had a good relationship with him; I could talk to him; and I had good service out of the guy.

Hon GREG SMITH: Did the banks ever question any of your valuations?

Mr Casella: Ron O'Connor even did valuations for the Commonwealth Bank, and there was no problem.

The CHAIRMAN: Allegations have been made that Mr O'Connor asked people for slings. Did he ever ask you for a sling or a kickback at any time?

Mr Casella: I swear on my kids' lives, and this is the honest truth, if people have told you that, I can honestly say -

The CHAIRMAN: I am not saying that they have said it about you and Mr O'Connor, but they have made the allegation about Mr O'Connor.

Mr Casella: Ron would never ever ask for a sling. The valuation fees that he used to charge were very reasonable. He never put his hand out saying that he wanted to be a part of a deal or he wanted extra fees or any slings - never anything like that.

The CHAIRMAN: In the original Parmelia deal mentioned in your document, obviously Mr Serge Desveaux was intimately involved, and you mention that lawyer Ross Gillan prepared the relevant documents. What is your view of Mr Gillan's background to the deal?

Mr Casella: He knew the deal intimately, like Serge. This page is the original. I did not photocopy the back of it. This is Alan's writing: "Dominic and his wife to sign the three documents, plus Dominic to sign the share transfer form as seller."

Hon G.T. GIFFARD: What number is that?

The CHAIRMAN: It is No 22 on mine.

Mr Casella: He has "Documents to be returned to me" on the bottom. There was a meeting at Serge's office. There had also been a meeting at Ross Gillon's office. We all knew the exact deal. We had to hide the fact that he had a third share in there; the investors were not to know.

The CHAIRMAN: Was Mr Gillon well aware that that was the case?

Mr Casella: Mr Gillon was well aware of it.

The CHAIRMAN: You were in meetings with Mr Gillon and what you were trying to do was discussed.

Mr Casella: Yes.

The CHAIRMAN: You go on to say that you reported this matter to the Ministry of Fair Trading in 1999 and got a pathetic reply. What was the response you received from the Ministry of Fair Trading?

Hon G.T. GIFFARD: Is that the response that you have provided to us? When you say that you got a pathetic response, is that -

Mr Casella: Is that from a guy called Wyber?

Hon G.T. GIFFARD: Yes, that is it.

Mr Casella: That was absolutely very poor - very pathetic.

The CHAIRMAN: How did you make the allegation? Was it in writing?

Mr Casella: Yes. That is how I sent it out - in my handwriting. I asked those specific questions. That was sent on 19 January 1999. On 25 January 1999 - six days later - I requested an urgent answer. Then on 27 January, I got a fax from Wyber and that was his answer to me.

The CHAIRMAN: You never had any verbal communication with the minister or the finance brokers board? None of its investigators ever rang you?

Mr Casella: That fax was received on 27 January at two o'clock. The following morning I rang Wyber and asked him whether that was the answer he gave to my request. He said that they were the answers that I was going to get. I said that it was absolutely ridiculous. I asked him who his legal representative was on the board, and he told me the representative was Andrew Lynn. I then rang Andrew Lynn on that number - 93753411 - and read out the letter that I had sent on 19 January. I told him that I got a response to that and I read it to him. On 28 January I rang Thurston Saulsman and told him that I had spoken to the solicitor for the Finance Brokers Supervisory Board, Mr Andrew Lynn, about the B&D situation with Eaton. It was great news. He said that Blackburne profited from his position with investors' funds, and that the mortgagees and investors were not made aware of the situation. He also stated that he would have a discussion with me when I got back from the United States about three weeks after that. He was also prepared to act on our behalf and that he may not have to be paid. When I initially spoke to Wyber, he said that I should not talk to Andrew Lynn because he is for the board. I said that I was going to speak to him anyway. Andrew Lynn indicated to me that there could be a conflict of interest, but that, as a board member, he may be able to take this up and investigate it.

The CHAIRMAN: Mr Lynn never indicated to you that you needed to take it up with the investigators. He indicated that he was happy to talk to you and deal with that matter.

Mr Casella: He said that he would look into it and if he did something, he might not have to be paid because he would be acting in the capacity of a member of the supervisory board.

Hon GREG SMITH: Did you take the complaint to the police as well?

Mr Casella: No, not this one.

Hon GREG SMITH: You knew it was illegal to ask for or seek commissions.

Mr Casella: It was illegal. The idea was to get Kaye Blackburne out of the deal, because it was wrong. As you can see from other documents I have put before you, after Owen died, she and Serge kept putting pressure on. I think there are three documents and deeds for which they wanted to be paid out. They wanted their \$1.1m and they were prepared to take so much in cash and so much in land. It was absolute pressure. She even threatened that she would not re-finance it. It was not on.

Hon G.T. GIFFARD: If you were interested in making a complaint to the board, why did you word this in an almost theoretical manner? It says -

I wish to obtain answers on the following points.

- 1) Can a mortgage broker . . .

You have taken a completely different approach in your submission today. You have been quite particular about the deals that you are talking about. If you were concerned about the Eaton deal and you wanted to report it to the board, why did you not talk about the Eaton deal in your letter? Why did you phrase it in this way?

Mr Casella: How do you mean?

Hon G.T. GIFFARD: The words “can a mortgage broker” indicate a theoretical question. You are asking for an opinion, whereas in the document you have submitted as your statement you talk about the Eaton deal. There is no mistaking the deal you are talking about, whereas this document could be talking about any deal.

Mr Casella: This is strictly the Eaton deal.

Hon G.T. GIFFARD: Does it talk about the Eaton deal?

Mr Casella: No, it does not talk about the Eaton deal.

Hon G.T. GIFFARD: Is there any explanation why you would not mention the fact that you wanted to make a complaint about this deal?

Mr Casella: To be honest with you, this was very well put to the board. It did not have to know that a property was involved; all it required was a simple yes or no answer, and you can see the answer I got in that case. The reply does not even answer the question.

Hon G.T. GIFFARD: No, it does not.

Mr Casella: My solicitor, George Papamihail, asked me who told me to write it like this, because it is very simple and straightforward. However, the board could not even give a straight answer. It was referring to the Eaton deal.

Hon G.T. GIFFARD: Why did you not follow it up and say that you were talking not about a theory but about the Eaton deal and that this is what happened, not this theoretical set of questions?

Mr Casella: When I spoke to Mr Andrew Lynn, I explained the Eaton deal.

The CHAIRMAN: Did Mr Lynn ever contact you when he got back?

Mr Casella: No, he never contacted me.

The CHAIRMAN: Did you ever contact the ministry again?

Mr Casella: I referred the situation to a reporter and the reporter put it in the newspaper. Then I got a call from Stuart Dowling.

The CHAIRMAN: You told Mr Lynn the full details, but no-one else from the board or the ministry ever contacted you or asked you to identify whether you were talking about a specific matter in your letter?

Mr Casella: That is right. I was not specific in the initial letter, but I was very specific when I spoke to Mr Andrew Lynn. I did not put the name of the deal in the initial letter.

The CHAIRMAN: Were you ever asked to make a complaint to the board about the matter?

Mr Casella: No, I was never asked to make a complaint.

The CHAIRMAN: Did you ever refuse to make a complaint to the board or to the ministry about the matter?

Mr Casella: I never refused to make one. When Stuart Dowling came around, he wanted all the information so he could look into it. I have some correspondence here.

Hon GREG SMITH: Did he take a statement from you then?

Mr Casella: He came around with a character called - not Walker.

The CHAIRMAN: Willers.

Mr Casella: Jack Willers. Stuart Dowling came around with Jack Willers and they tried to give me a concocted story that he was going to take a complaint. It was absolute nonsense, but it is all referred to in the letters that I have sent to Stuart Dowling.

The CHAIRMAN: They visited you, but they never took a formal complaint from you?

Mr Casella: They wanted photocopies of some things and they wrote a few notes.

The CHAIRMAN: Did you provide that?

Mr Casella: I voluntarily offered it to them and the reporter was with me at the time.

The CHAIRMAN: That was after the article appeared in the newspaper in February this year.

Mr Casella: Yes.

The CHAIRMAN: It was a year after you had lodged the original complaint that you finally got a visit from anyone from the board or the ministry who was prepared to take it up. At that point, did you offer the documentation?

Mr Casella: Yes.

The CHAIRMAN: Did they take that documentation?

Mr Casella: They took the documentation. I did get a response from them and it was another whitewash reply.

The CHAIRMAN: An article in *The West Australian* of 2 February this year states -

Mr Walker then raised a later incident, last March, when the letter writer approached "a board investigator".

It does not mention the deals, but I assume that the article on 2 February relates to the Eaton deal that you are talking about.

Mr Casella: Yes.

The CHAIRMAN: The documentation is transcribed there. It continues -

He says the man refused to make a complaint.

Mr Casella: That is not true at all. Mr Walker is lying.

The CHAIRMAN: Are you quite sure about that?

Mr Casella: One hundred per cent. I have never spoken to Mr Walker. He has never had anyone ask me to make a complaint.

The CHAIRMAN: That is the matter in which you also raised your concerns that Mr Shave released confidential information. You made comments in your submission that he then named you as the person who had made that complaint. That is the matter you are referring to. Was this the only time that you have ever approached or spoken to the Ministry of Fair Trading about the problems within the finance broking industry? Have you ever complained or spoken to any other investigators or staff of the board of the ministry?

Mr Casella: I have spoken to Mr Gary Wallace.

The CHAIRMAN: When was that?

Mr Casella: I think it was in 1996 or 1997. He was investigating another matter in which he believed there was a sling to Ken O'Brien by my ex-partner John Miller. I said to him that I would not have a clue and that I doubted it very much, because Ken was just a hardworking guy who never put out his hand - certainly not to me - and never asked for a sling. He was just an employee at B&D. Gary Wallace said that there was a wrecker in Maddington and that Miller was supposed to have taken this guy in front of Ken O'Brien, and Miller was supposed to have said something along the lines that if he paid X amount of dollars to Ken, it would get it over and done with. I told Gary that I did not believe it.

The CHAIRMAN: Mr Wallace approached you about that matter. When he interviewed you, did he record the interview?

Mr Casella: I told him that I was not there. I was not even going to ask Miller about that situation. I knew that if it were true, it would cause a problem, but I did not want to know about it.

The CHAIRMAN: That was in relation to the Hanson Street units in Maddington.

Mr Casella: That is right. On the corner of Hanson Street and Bickley Road. It was a wrecker.

The CHAIRMAN: Did you purchase the Hanson Street units from the Blackburnes?

Mr Casella: I bought it from the Blackburnes. That was a property that I originally owned. I sold it to Blackburne and then I had to buy it back, because if I did not, he would not do any more finance deals for me.

The CHAIRMAN: When was that?

Mr Casella: Honestly, I have a really bad memory for dates, but I could easily find out; it is just a title search.

The CHAIRMAN: He said that if you did not buy it back from him, he would not do any more finance deals.

Mr Casella: That is right.

The CHAIRMAN: That sounds a bit like blackmail. Would you consider it blackmail?

Mr Casella: I developed the whole street. I put the road in and I built about 40-odd factories in a row. We made a lot of money out of it anyway. I bought it from him at a later date and I was quite happy I purchased it. I really did not want it, but I was going to make money out of it anyway, so it did not matter.

The CHAIRMAN: Do you recall how much you sold the units for in that development?

Mr Casella: Around the \$100 000 mark, or the \$85 000 or \$120 000 mark.

The CHAIRMAN: You made a profit on the total.

Mr Casella: We made a profit.

The CHAIRMAN: Mr Wallace interviewed you about that matter, but he never took a formal statement and never recorded an interview?

Mr Casella: He was a real gentleman. I note that he was reported in the newspaper as saying that I said that that was the way finance is done in this town or something to that effect. I cannot remember. He was concerned about the valuation put on that particular unit, because investors had lost money. That is how that investigation came about. He asked me how I got the valuation on this. I said that I did not know anything about it and that he would have to speak to John Miller about it. He was a gentleman to me. He asked me whether I organised the valuation and I said no. He asked me who did and I said that it was John Miller, my partner. He asked me what I thought about Ron O'Connor. I told him that I did not have a problem with Ron O'Connor. He might have taken a few handwritten notes, but I do not recall having to sign any statement. I really had nothing to offer because I was not at any of the meetings he referred to.

The CHAIRMAN: Did you provide the purchaser of one of the units with a loan?

Mr Casella: A loan on the units?

The CHAIRMAN: Yes.

Mr Casella: Sometimes we would carry a certain amount of funds. For instance, if we owed \$70 000 on a unit and we sold it for \$120 000 and we had \$50 000 equity, we would probably say to the builder that we would carry him for \$20 000 or \$30 000. At least we got some money out and they owed us the money and we would get it back. Whenever we lent money, we usually got paid.

The CHAIRMAN: Did Mr Wallace ask you about those matters and whether you lent money to the purchaser?

Mr Casella: He could have. I do not recall that coming up. He was more interested in whether a sling was paid to Ken O'Brien. I said that there was no way Ken O'Brien would take a sling.

The CHAIRMAN: On the other occasion when you met with Mr Willers and Mr Dowling, you were in the company of a journalist?

Mr Casella: Yes, I was.

The CHAIRMAN: Do you recall that interview at all? Can you go through what they went through with you at that interview?

Mr Casella: I think the concern was that it came out in the newspaper. I believe it had something to do with starting the Gunning inquiry. A couple of days later it said that it was the thing that sparked the inquiry. The reporter would tell you that they were there to discredit me or to make out that I was some sort of cowboy. They did not come out to take a proper statement. We got into a little confrontation. He reckoned that I did not contact him on some of the dates. I said that I definitely contacted him, and I even showed him my diary. Then he referred to a date and said that I contacted him then. I told him that it was easy to find out. I went straight to my diary and it was there. I know that Ms Brailey is in the room. At first I felt that Ms Brailey was a troublemaker and I apologise to her. At the time I thought she was trouble. I took a dislike to her at first.

The CHAIRMAN: I think you are not the only person in that category.

Mr Casella: I still do not know what drives Ms Brailey. She is an incredible woman. It is definitely not money or power, but she has the investors at heart. A lot of the investors involved - 200 or 300 investors have been involved in my deals - have said to me that Ms Brailey will go out of her way to run around and do this and that. I had other things on my mind, and I thought something else was going on. Honestly, she has gone out of her way to help a lot of people. A lot of people have told me that Ms Brailey has said to them that there is no point having five or six people -

The CHAIRMAN: I am not sure what this has to do with the meeting with the investigators. I am sure Ms Brailey appreciates it though.

Mr Casella: I have to talk about this, because I ended up ringing Jack Willers. I had spoken to Ms Brailey and she was intent on exposing any shonky dealings and she wanted the investors to get their money back. She was prepared to fight and she was really determined. I thought that this woman was a bit of a threat. I told Willers that this woman had gone crazy or something like that and that there would be problems and that she was even looking into his situation. He asked me to write him a letter and I sent him a letter. He confused that letter about Denise with the initial letter I sent to the board. I said that is definitely not the case. I said that the Denise Brailey letter -

The CHAIRMAN: Was he asking you to send him a letter saying that Denise was crazy?

Mr Casella: No. I rang him and told him that Denise would get him and was delving into his past, and that I believed he was a bit of a shonky character. I told him straight.

Hon G.T. GIFFARD: Was this to Willers?

Mr Casella: Yes. I can get the letter for you.

Hon G.T. GIFFARD: He asked for a letter?

Mr Casella: He asked me to put it in writing.

Hon G.T. GIFFARD: To put what in writing?

Mr Casella: That Ms Denise Brailey was looking into his background, because she believed that he was not investigating complaints properly. I wrote him a letter and when he came out with Dowling he tried to say that he wanted to have a meeting with me on the Eaton deal. I said that that

was about Denise Brailey and he said that it was not, and that is when we started having that argument. Do you see where I am coming from?

The CHAIRMAN: No; I am completely lost. You met with Dowling and Willers to talk about your allegations about the Eaton deal. So far you have told us that they sought to discredit and attack you for the article in *The West Australian*. Obviously, you had a discussion about Denise Brailey and her role and her seeking to investigate Mr Willers' background.

Mr Casella: She wanted to get to the bottom of a lot of these investigations.

The CHAIRMAN: Was there any discussion of the Eaton deal at that meeting?

Mr Casella: No. If I explain it in chronological order, you will understand where I am coming from. The fax that I sent on 19 January 1999 related to Eaton, even though it does not say so on it. This was before I left for the United States. I left a few days later. While I was in the United States, Global Finance went into liquidation; that was sometime in February 1999. About three months after that I spoke to Denise Brailey and then I spoke to Jack Willers.

Hon G.T. GIFFARD: Just after you spoke to Brailey?

Mr Casella: After I spoke to Brailey.

The CHAIRMAN: Is this in January or March of 1999?

Mr Casella: It would have been in April or May of 1999.

The CHAIRMAN: Did you speak to Jack Willers on the telephone or at a meeting?

Mr Casella: On the telephone. On this occasion he asked me to put the contents of what we discussed in a letter. I put that in a letter to him.

Hon G.T. GIFFARD: Was that about Brailey?

Mr Casella: Yes.

The CHAIRMAN: That was about the fact that she was trying to investigate him.

Mr Casella: I was getting a lot of bad publicity that I was some sort of crook and that I might not be coming back.

Hon GREG SMITH: That is when you went to America.

Mr Casella: I went before Global went into liquidation. In that fax I said that I would contact Willers within a few days and I gave him a date. Then I had to cancel the date. However, that was related to Denise Brailey only. When he came out with Stuart Dowling after this thing appeared in the newspaper, he said that he was going to take the complaint about Eaton on that date. I told Jack that he was telling lies and that we could tell the truth. He started carrying on like a fruitcake, even in front of Stuart Dowling. He was very upset. Even the reporter put a few things to him that he could not answer. He said that I made a telephone call on a certain date. Everything I had was documented in my diary. I showed it to him, but he tried to discredit me in front of Dowling. He reckoned that he was going to take a complaint on the Eaton deal. That was not true.

The CHAIRMAN: You had no contact from Mr Willers until after that article appeared in *The West Australian* in February this year.

Mr Casella: The last time I spoke to him was when he came to my house with Dowling. I sent Dowling some more paperwork - I have it here - which disputes a lot of things.

The CHAIRMAN: Did you ever send him the letter about Denise Brailey?

Mr Casella: Yes.

The CHAIRMAN: Do you have a copy of that?

Mr Casella: I will get you a copy.

The CHAIRMAN: You made the comment that Denise was investigating his shonky past and was going to get him.

Mr Casella: When I spoke to Denise I thought that she must be on a mission to make a fortune. I did not know what was driving her. I hope she does not mind my apologising to her, but I heard some people say that Ms Brailey was involved with Mr Solomon, and that is definitely not the case. I could not understand why this woman was working so hard for the investors.

The CHAIRMAN: That is a question that a lot of us ask.

Mr Casella: The investors told me that they are deeply indebted to her. Even they do not know why she has gone out of her way to help them. I spoke to a Mr Spry yesterday, and he has the highest admiration for Ms Brailey and cannot understand what drives her. She is so helpful to everyone.

Mr Casella: Number 5,6 and 7.

The CHAIRMAN: Right.

Mr Casella: On 7 February, Stuart Dowling -

The CHAIRMAN: All right. We have got the correspondence here for payments. In terms of the Denise Brailey matter, could you make it clear to me what exactly that was? That was about Mr Willers wanting to get information -

Mr Casella: Okay. If I read it out to you, you will understand it totally. It states -

Mr Dowling,

As per our talk this morning and in relation to the B&D matter, could you please let me know from yourself or Mr Willers if any laws or sections of the finance brokers act or code of conduct have been broken?

Also could you please let me know if your going to speak to Ross Gillan, Solicitors, Serge Desveaux Accountant, Eaton Acct Nick Chistou, and Thurston Saulsman Director of Eaton, Kaye Blackburn, B&D, David Condon as I may have documents to support your investigations and if I don't have them, I can certainly assist you.

I will today arrange to have a copy of the trust document prepared by Ross Gillon. I will also photocopy the documents you inspected earlier today and will be ready by no later than 4.30 pm. In relation to the 19-1-99 fax -

That was the one I wrote to the board originally for Eaton.

The CHAIRMAN: Right.

Mr Casella: It continues -

I didn't get any answers at all today.

I asked him some questions about that. It continues -

and in relation to the meeting I was to have had with Mr Willers on 18-3-99 please understand that, that meeting was only to discuss Denise Brailey and I take great offence that it was inferred that, that appointment for 11-30 was for the B&D matter. When you referred to the fax of 18-3-99 you didn't go onto discuss the fax in its entirety and only referred to page 1 and not the other 6.

When he says there that I was going to go and see him about the Eaton matter on 18 March, he referred to only one page out of six pages and I said, "Well, refer to that." So he has got that. I have got that for you. It continues -

It has become very clear that when reading the whole fax I clearly state that I wish to reschedule the meeting for anytime next week

and I, on the last page No 7 state that I await your phone call to discuss further and that I will give you a stat-dec if you require.

I never ever got a phone call from Mr Willers and as I said earlier today -

That day was when Willers and Dowling were at my house.

The CHAIRMAN: Right.

Mr Casella: It continues -

- that meeting was to discuss the Denise Brailey matter only, and at no time was I asked to make a complaint about B&D.

I await your response.

I was very surprised the way you and Mr Willers tried to put the way that I was going to bring up the B&D matter when it is clear that it was about Denise Brailey.

Then I wrote to him on the 14th - this is page number 6 -

Mr Dowling,

Could you please fax me answers I requested in above fax dated 7-2-2000. I want to get this matter sorted out urgently and I wish to know exactly which laws have been broken by B&D and what are the remedies open to me and what action is going to be taken by the board. Please explain also if the fees paid to B&D in the Eaton which have to be refunded.

I also wish to point out that Im aware that what happened to me in the B & D-Eaton has also happened with another Developer.

That developer I was referring to was Rod Hausegart, Matt Davinovic and there was an Asian guy from Thailand.

The CHAIRMAN: Thailand or -

Mr Casella: Or Taiwan or something. Anyway, it continued -

Regards, 14/2/2000.

Then I get a response from Dowling -

The CHAIRMAN: We have got the correspondence here so maybe we can move on. I just want to go back. You made the comment about Willers' shonky past. Are you aware of his shonky past? What is the allegation?

Mr Casella: A number of investors have been involved in my deals who have not been happy with Mr Willers.

The CHAIRMAN: But you have no evidence of something shonky in his past?

Mr Casella: I have no evidence but I have had numerous -

The CHAIRMAN: There are allegations of it but you personally do not have any evidence.

Mr Casella: I don't have any, no.

The CHAIRMAN: All right. That is fine.

Hon RAY HALLIGAN: I have a number of questions mainly of a technical nature but just for clarification. On the Eaton deal again there is a letter, No 11, from Blackburne and Dixon to the manager, Eaton Developments, which mentions finance approval in the heading and that we confirm that finance for the above has been approved. Considering your relationship and considering they are finance brokers, I would have expected the term "finance has been arranged". Is there any particular reason, do you think?

Mr Casella: It is always finance approval.

Hon RAY HALLIGAN: With the purchase of the Eaton property, we have of course that contract of sale.

Mr Casella: That was superseded by the next one, yes.

Hon RAY HALLIGAN: That is just what I was going to go through. So it started off with the intention of being purchased by Penman Holdings Pty Ltd of which your then partner was a director. Were you a director of that company as well?

Mr Casella: There was talk that I was would become a director if we had done it in the name of Penman. I was going to be a director of Penman if it had been purchased in Penman.

Hon RAY HALLIGAN: Had it been purchased by that company.

Mr Casella: Yes.

Hon RAY HALLIGAN: And then we find the contract of sale, and this is the duplicate - No 13 - from the vendors, the Hupp family, by the looks of things, and it is addressed to Australian Granite Exporters Pty Ltd guaranteed by Saulsman and yourself, and I note that that is stamped with the common seal of Eaton Developments.

Mr Casella: What happened was that Australian Granite Exporters had its name changed to Eaton Developments. It is just a name change.

Hon RAY HALLIGAN: Yes, but it is not evident on that document and, of course, the common seal is the signature of the company.

Mr Casella: That is right.

Hon RAY HALLIGAN: So the deed is not in the name of Australian Granite Exporters.

Mr Casella: I agree with you. Australian Granite Exporters became Eaton Developments Pty Ltd.

Hon RAY HALLIGAN: That explains the situation.

Mr Casella: Sorry about that.

Hon RAY HALLIGAN: That is all right. As I said, they were technical matters.

Mr Casella: Yes.

Hon RAY HALLIGAN: I note too that Stefo had the 10 units in that property and it would appear that you have had some difficulties in disposing, or it has had some difficulties in disposing, of them. In 1995 there was that contract between Stefo and your company, Selic, with yourself and your wife as guarantors.

Mr Casella: Yes.

Hon RAY HALLIGAN: At that point the sale price was to be \$1.1m.

Mr Casella: That is correct, yes.

Hon RAY HALLIGAN: Then, of course, in December 1998, Mr Saulsman through Penman looked like purchasing the whole 10 for \$750 000. Then there is a further letter that suggests a further \$200 000 discount.

Mr Casella: I believe now that what happened since - I have not got the documentation on it - was that the price is about \$1.2m.

Hon RAY HALLIGAN: The price has gone up again?

Mr Casella: Yes, it has gone up again. It is \$1.2m and I do know that there was \$100 000 paid. I have been trying to prove it - I was told that under the Corporations Law you cannot finance the purchase of someone else's shares with the company's money - and I believe that was what he did. I believe he used the money out of the company to purchase her shares. Really, I am in the company and he has -

Hon RAY HALLIGAN: So he was trying to purchase them in his own name, you are suggesting.

Mr Casella: He was trying to purchase them in his company of Penman.

Hon RAY HALLIGAN: Using the company's money for that purpose.

Mr Casella: Yes, the company's assets.

Hon RAY HALLIGAN: Without the directors having agreed.

Mr Casella: Yes.

Hon RAY HALLIGAN: To a loan to him.

Mr Casella: Yes, I believe it is illegal. I am owed over half a million or \$600 000 in the company. I have had to pay taxes and I have not even received the money. My loan money is in there and I cannot even get my loan money out, let alone the profits.

Hon RAY HALLIGAN: I think you have already mentioned that it was just as well certain things did not happen or things could well have been a lot messier.

Mr Casella: Yes, that is right.

Hon RAY HALLIGAN: I know we have spoken about that -

Hon RAY HALLIGAN: I think you have already mentioned that it was just as well certain things did not happen or things could well have been a lot messier.

Mr Casella: That is right.

Hon RAY HALLIGAN: We have spoken about the \$305 000. Please tell me if I am wrong, but it seems to me that you were trying to adjust their books.

Mr Casella: No.

Hon RAY HALLIGAN: You mentioned that no money changed hands; you did not have to provide that \$305 000.

Mr Casella: No. The \$305 000 was for what we will call the Parmelia deal. The company is called Terrace Road. I funded the land and the development. The land was paid out and there was X amount of cash. I do not know if \$600 000 or \$700 000 in cash was sitting in a trust account. You see, I was not getting the statements. The statements were not sent to me. When I had to make a final payment to the builder, Ernie Sermon, there were no funds to pay the builder. We looked at the account. Ken O'Brien said he was surprised; he could not understand why there was no money there. We looked at the file and found that \$305 000 had been taken out in two cheques – \$200 00 and \$105 000 – on 9 February 1994. The \$305 000 that was taken out had never been repaid. I am sorry, what was the question?

Hon RAY HALLIGAN: That is fine. You are going down the path I wanted to go down. Did you then have to pay out the builder?

Mr Casella: I had to refinance my house to pay the builder. Owen was very sick. I went and saw Owen about this. He said, "We will do our best to pay you back." He was in bed, actually - he could not walk.

Hon RAY HALLIGAN: You felt sorry for him, obviously?

Mr Casella: Yes, I really was. Owen had an ability to negotiate and work things out and I know that if he was alive today there would not have been a problem, but I just could not work in with his wife. She even denied that she signed one of these cheques. One cheque was authorised by Owen and one by Kaye Blackburne. She denies it.

I was actually quite upset with Julie Jones because she was going to give me a copy of the account, the authorisation and the signatures. She said, "No, Dom; I don't want you to have it because I want to keep it at home. I want to keep it for you. I'm going to put it behind my grandfather's

picture in a frame.” I said, “Why can’t you just give it to me?” She said, “No, whenever you need it, it will be there.” I did approach her about two and a half years ago, and asked her for it. She told me that she does not know where it is now. I said, “You told me it is behind the picture frame.” She said, “Well, it’s not there now.”

Hon RAY HALLIGAN: Does that seem like unusual action by an employee of the company?

Mr Casella: No. I will tell you why. She was working for the company. She was not exactly happy. By the way, to me she was not even a friend. She was an employee there; I was very respectful to her. I never had any run-ins with her. She was known as the accounts girl, or the accounts manager - I cannot remember exactly. She saw what happened. I will not say she said it was bad, but she said to me, “This was authorised by Mr Blackburne and Kaye Blackburne.” I said, “Oh, God. I’m going to need copies of this, you know, because I have to pay Ernie Sermon out”. He was the builder. I said, “Can I get copies of this?” She said, “No. I’m not going to give you a copy but I’ll take a copy of what is relevant and keep it for you.” She was working there. I am not making stories up, but she could have been told that she was not to give me any copies of it. I believe that might have been the case. She was working there; she did not want me to have it. Julie would not let me have it. She was not authorised to give it to me. I did not ask her to take a copy and keep it for me, she told me she would do it for me because I could need it in the future.

Hon RAY HALLIGAN: It still sounds a little odd to me. Did she ever give you any indication that she may take it further, to appropriate authorities, if she was aware of this defalcation?

Mr Casella: She told me on one occasion that she was not happy at Blackburne and Dixon. Nobody liked Mrs Blackburne. All the girls were quitting and the staff did not like her. She told me that she was not happy there. I can honestly tell you that she told me herself that she knew that some of the things she was doing - she was doing a law degree or a law subject - were wrong and there was a lot of cooking of the books. Serge was instructing that things be done with the books. That is what she told me - she knew it was wrong; she did not want to be a party to it; she felt she could get into trouble at some stage and she might have to make a complaint about it. She did not tell me she was going to complain to the board, the lawyers, the cops or anyone. She did not tell me who she was going to complain to. She was not happy with what she was doing there. By the way, I have not spoken to Julie for two and a half to three years.

Hon RAY HALLIGAN: It sounds odd that if she was doing a law subject and something she was studying -

Mr Casella: She was studying something - maybe a settlement agency business. I do not know what it was, exactly, but she was telling me that she did not like what she was doing and she knew what she was doing was wrong. She had to do it because she was working there and they were telling her what to do. When she wrote the \$200 000 and the \$105 000 cheques out, I am pretty sure from the way she spoke to me that she knew she had done the wrong thing. There is no way that money should have gone to Steffo when it was to go to the builder.

Hon G.T. GIFFARD: Can I clarify those dates? When did Ms Jones say that to you? Do you remember what period?

Mr Casella: I do not have the final page of this statement but it goes up to 30 June 1994. I cannot remember when the development was completed.

Hon G.T. GIFFARD: No. When you had these discussions with Ms Jones when she said she was not happy. Was this when Mr Blackburne was still alive?

Mr Casella: No, after Mr Blackburne passed away.

Hon G.T. GIFFARD: Prior to Mr Blackburne passing away, did she express to you any concerns about the way business was run?

Mr Casella: No, it was after.

Hon G.T. GIFFARD: It was only after, you say, that she expressed concerns about the way they were doing things?

Mr Casella: Yes. Serge started to hang around - this is what actually happened - the office a lot more. He was always there, 100 per cent of the time, just about, even late at night. As I said, I lived directly next door to their office and their residence. A lot of the staff did not like Serge either. The girls even told me that they thought Serge and -

The CHAIRMAN: I do not think we need to go into that sort of thing - if that is where you are heading.

Mr Casella: That is what they were telling me. A lot of the girls left. A lot of the girls did not want to work there anymore. Serge was cooking the books. That is what three of the girls have told me.

The CHAIRMAN: Who were the other two?

Mr Casella: There was Julie Jones, a girl called Sue Reedicroft and Marina something. She works for John Blackburne Real Estate now.

The CHAIRMAN: Did one of those girls replace Julie Jones, or were they working alongside Julie Jones? Was this at the same time that Julie Jones was there?

Mr Casella: Julie Jones had to keep rewriting books and rewriting accounts and all that sort of thing. After Julie Jones left, I believe Marina took it over.

The CHAIRMAN: She also told you that there were problems with the books?

Mr Casella: That she was having to do a lot of bookwork after hours and all that sort of thing - some nights they were there up to midnight.

The CHAIRMAN: After Mr Blackburne died, who took over the day-to-day running of the company? Was it Ken O'Brien, Kaye Blackburne or Serge Desveaux?

Mr Casella: No. What happened was -

The CHAIRMAN: Who was doing the deals then?

Mr Casella: When Owen died, his wife did not have a licence. She was able to continue the business but she was not the licensee. I do not know exactly what happened there. Serge told me that he would be looking after Kaye, and he was going to show her how to run the business properly and she would be in control. Serge even told me that he did not like Ken O'Brien, and he did not trust Ken O'Brien. I do not know why he brought that up - I was very very surprised. He told me that Kaye was now going to run it very strictly and he would be advising Kaye Blackburne.

The CHAIRMAN: Is that your experience?

Mr Casella: That was my experience, yes.

The CHAIRMAN: That Serge and Kaye Blackburne clearly were running and signing off on the deals after the death of Mr Blackburne?

Mr Casella: Yes.

Hon RAY HALLIGAN: Did Julie Jones ever tell you she was aware that she should have taken this evidence to the authorities?

Mr Casella: No, she did not say that, but she told me that she knew what she was doing was wrong; that she was not happy about it and that she wanted someone to know. No. She never told me that she was going to report it to any authority. I felt that she wanted someone to know that she was doing what she was doing because she had to do it as an employee.

Hon RAY HALLIGAN: Do you believe she may have been aware that people were losing money because of what she had been asked to do?

Mr Casella: She could see what happened to me and she actually felt sorry for me. Kaye Blackburne denied that she had signed one of those slips for the payments. I have asked Kaye. I said, "Look, I know that you signed one." She said, "No, I definitely never signed it. You've got it all wrong. No" I could not tell her that Julie Jones told me. Julie was prepared to keep those documents. I did not ask her to keep them for me, by the way - I wanted them. She said, "No, you can't have them. I can't give them to you but I'll take a copy and keep them for you for the future because you are going to require them."

Hon RAY HALLIGAN: You can understand that in the meantime -

Mr Casella: Yes.

Hon RAY HALLIGAN: - a lot of people could have lost a lot of money?

Mr Casella: At that time I honestly did not know that there were problems in other deals or that he had been taking money out of other people's accounts - and I still do not know that today. I do not know if he took any money out of anyone else's account. He took \$305 000 out of mine.

Hon RAY HALLIGAN: I would like you to explain a little more about one sentence in the statement you have given us. You state, "The next day Serge was pestering me so I decided to vary it a bit and give it back to Serge and he was very thankful and told me he would make sure I got looked after."

Mr Casella: Yes.

Hon RAY HALLIGAN: What were you referring to there? What did you vary?

Mr Casella: When Owen died, Serge said that he would be helping Kaye run the company. I honestly believed that he would close his accounting practice, work out of Kaye's office and have a say in the running of the company because he knew a lot about it. He knew how the system worked; he was the auditor and the accountant and there was his relationship with Kaye. He said if I ever wanted any deals to go to him. He was not even working there, he just used to go there all the time. He said, "Come and see me; don't go and see Ken. Don't worry about Ken. You come and do the deals with me. Come and see me and I'll help you get finance" and all that sort of thing.

Hon RAY HALLIGAN: What was it that you varied a bit and gave back to him?

Mr Casella: The fifth paragraph -

The CHAIRMAN: That is documents Nos 24 and 25 which read, "When Owen asked me to buy his property in Hardey Road . . .

Mr Casella: That is the one.

The CHAIRMAN: That is the document you varied?

Mr Casella: Yes.

The CHAIRMAN: If you have No 25 there, could you tell us what the handwriting across the bottom says, and whose handwriting it is?

Mr Casella: That is Serge Desveaux's handwriting. While we were there he wanted me to sign this so it did not have any of these handwritten things on it.

The CHAIRMAN: What is the handwritten bit across the bottom? What does that say?

Mr Casella: To be honest, I cannot read it but Serge wrote it. He wanted this one signed that day. I was not prepared to sign it. He needed it to sort out things for the board.

The CHAIRMAN: Why did you eventually sign that document?

Mr Casella: One reason was that I had existing loans with them. I felt a bit intimidated - like he would put pressure on. He told me if I did not sign it, they were going to have problems. I had

loans with them and I felt that if I did not put in a watered-down version, I could have problems with him.

The CHAIRMAN: In the rest of your document, you make some claims about a crooked banker, Mr Greg O'Brien, and state that you are aware that a former state manager of the CBA was corrupt and got a fling of \$250 000. Firstly, on what basis do you make the claim that Mr O'Brien is a crooked banker; and, secondly, in respect of the corrupt payment, are you aware of the details of that corrupt payment?

Mr Casella: I am aware of the details.

The CHAIRMAN: To the best of your knowledge, has that ever been reported to an authority?

Mr Casella: I have reported this matter to David Murray, who is the General Manager of Australiawide CBA. I have even said that he is an accessory to the fact after knowing that it is a crime. By him not doing something about it, it is defrauding the shareholders and this matter should be investigated by the police. I have written to David Murray about 15 to 20 times and he never responds to me.

The CHAIRMAN: Are the two linked? Does the corrupt payment involve Mr O'Brien or does it involve someone else?

Mr Casella: Mr O'Brien was the stooge for the state manager, who was Alan Prentice. Max Prentice is the trustee of PPB, which stands for Prentice Parbery and Barilla. Alan Prentice is different - he is the state manager of the Commonwealth Bank.

The CHAIRMAN: Who made the payment and who was it made to?

Mr Casella: It was a company called Interstruct. There was a guy there by the name of Bob Williams and was involved in the Stefanelli car park on the corner of Wellington Street and Queen Street.

The CHAIRMAN: And that payment was made through Mr O'Brien -

Mr Casella: No; it went from Interstruct to Alan Prentice.

The CHAIRMAN: Have you any evidence of that?

Mr Casella: The bank is aware of it. What has happened is Alan Prentice no longer works in that bank.

The CHAIRMAN: Have you ever reported it to any authorities?

Mr Casella: The Commonwealth Bank should have reported it.

The CHAIRMAN: So you have reported it?

Mr Casella: I have reported it to the General Manager of CBA Australia - the head honcho there - and he will not do anything about it. I have told Alan Prentice about it. I am having a dispute with the Commonwealth Bank and I rang Alan Prentice. I said to Alan - well he was playing up in the bank as well and that is one of the reasons he caused me a lot of problems. I actually said to him, "I am well aware that you have a corrupt payment for a car park of Bob Williams", and he said to me, "Dominic, why don't we just try and sort this matter out. I'll try to see what I can do with the bank for you." He just did not want - but he did not say, "Look, I am going to have a defamation case. You better not go around saying things like that." It is common knowledge in the bank that this guy took a payment.

Hon NORM KELLY: So why have you not actually reported it to the authorities?

Mr Casella: I have reported it to the bank.

Hon NORM KELLY: No, I mean as to the -

Mr Casella: Police?

Hon NORM KELLY: To the police.

Mr Casella: I actually referred it to Mark Drummond. I told Mark Drummond about it. I even showed him a fax that I sent to David Murray referring to that. I said, "Why don't you put that in your newspaper, in *The Australian Financial Review* and get a bit of exposure there?" He said that under law - I can say I have actually tabled it in the courts. It is a public document. Nobody wants to know about it. Nobody wants to put it in the paper.

The CHAIRMAN: There have been strong allegations, or suggestions, put to the committee, that a range of brokers and a range of borrowers would trade deals amongst themselves, and when one deal was going belly up, they would sell it on to another borrower, it would be refinanced through another broker, there would be an inflated valuation and the profits would be taken from one deal to pay off the other deals.

Mr Casella: That happened a lot.

The CHAIRMAN: Was that an ongoing problem within the industry as far as you are aware?

Mr Casella: Yes, it was ongoing all the time.

The CHAIRMAN: By whom? I mean was there a set of brokers and a set of borrowers who were involved in that sort of arrangement?

Mr Casella: Towards the end I was only dealing with Global - I am trying to remember the lawyers - Herbert Greer and Rundel - I borrowed \$2.5m from them. I had not approached any other brokers in town, because all the brokers are in trouble. It is very hard settling loans without getting pool funds. Pool funds was a way that they could get big money by getting people to put in \$100s, \$200s, \$250s, \$150s, \$70s, \$20s.

The CHAIRMAN: What I am getting to is that the suggestion was that, for want of a better term, an ongoing conspiracy which involved certain dealers - I am not suggesting that you were a part of that - but there were certain dealers and certain brokers who were transferring deals and keeping the money trail by reinflating the prices. Are you aware of that occurring within the finance broking industry?

Mr Casella: Yes.

The CHAIRMAN: Have you specific examples of who the brokers and borrowers were involved in those sorts of arrangements?

Mr Casella: I have a reputation out there in the commercial field and I was known as a trader. I would trade jewellery, cars, boats, other land. If something became hard to sell or if we were stuck with - we would call it rubbish - we would try to trade it out, buy something bigger, and even if there was a shortfall of money, we would end up doing - there would be an intermingling of funds to pay out the deal and get it off our books. The idea was to get rid of rubbish and get into better deals and keep rolling. It happened, everyone was doing it.

The CHAIRMAN: But they would get inflated valuations?

Mr Casella: With a trade deal it was quite easy to do that, yes. What would happen is that if you had a property worthy \$100 and I had a property worth \$80 - or say \$50 - you could easily say yours was worth \$200 and mine was \$150.

The CHAIRMAN: And the brokers were well aware and involved in those discussions that set up those deals?

Mr Casella: I would not say they were involved, but they would know who the vendor was and probably ask why you were doing this particular deal, why you wanted to do this particular trade, those sorts of questions.

The CHAIRMAN: Your view would be that they would have been well aware of that process that was going on - rescue one deal by setting up another deal?

Mr Casella: Yes.

Hon GREG SMITH: If tomorrow you could go out and refinance all the money you owe and continue trading, would you eventually be able to pay back all the money?

Mr Casella: Yes, I would.

Hon GREG SMITH: You would be able to?

Mr Casella: I would be able to pay, yes.

Hon GREG SMITH: You could finish every development you had on?

Mr Casella: Put it this way: If I was able to finish a lot of the developments - there are a lot of upsides to a lot of the deals I have. To give an example - a character by the name of Chris Nash. That guy is probably the worst lawyer I have come across in protecting the investors' interests. For instance, I had a property in Gingin - this is very important that you know this - which is three and a half thousand acres. I had a company called Tricontinental Resources. There is a very, very big businessman in this town by the name of Tony Traverson and he was prepared to fund a tax-driven scheme for an olive plantation on this property in Gingin. There were discussions with Bracich from the east, Touche Ross, and there were agricultural reports. I needed the investors to cooperate with me in this particular deal, and I told them that if they allowed this deal to go to a prospectus - a tax-driven scheme - and we can get a product ruling from the Australian Taxation Office, I am going to make about \$4.5m profit out of this deal and the land would be freehold. So there is money for me. I explained the deal in full to this idiot Chris Nash; I told him who was behind the deal. He even tried to make out that he knew Tony Traverson and he knows all about these tax-driven schemes. He knows nothing about these sorts of things. What happened was he advised the investors that, "All you're going to get out of Casella is your interest, penalty rates and the principal, and Casella is going to make a lot of money." He said, "What I'm going to do is I'll show Dominic Casella who Chris Nash is." He told this to a guy by the name of Peter Fermanis, and a number of investors in that deal. What he advised them was, "Auction the property and Casella will come up with the money on the death knock." What he does is he auctions a 3 300 acre prime property in Gingin - we have got special approval for water, a full report is done, tax ruling is sitting in the Tax Office. He actually gives instructions to auction the property and he instructs to sell this property at seven o'clock at night at the Woodvale Tavern. The best auctioneers in this town - and I know most of them - had never heard of anything so stupid. So they conducted an auction on, I think, a Tuesday or Wednesday night at the Woodvale Tavern, at seven o'clock at night, and they did not even get a bidder. What he had done, by causing that property to go to auction, Tony Traverson from Tricontinental Resources, withdrew from the deal, and the property is still sitting there. That could have been paid. I would have had money in my property; I would have had the freehold property. When I say money in my pocket, of that \$4.5m, there was my 50 per cent interest in that, and that was going to be all funded by Tricontinental Resources; they did not let it go through and I lose a deal there. There are numerous deals like that that I have lost. I have had deals that have been stopped while they were in the development stage. As an example, at Wattle Grove, there are 40-odd investors in the deal; we have got 38 lots; the road has partly been constructed. The base is there; all it needs is a topping. The water, the drainage and sewerage are all connected and I cannot finish the deal off. We put proposals to the investors; they will get all their money back but they have got to work in with us because I have got the contractor who is prepared to carry his money to the end of the project. They are just being difficult and they have prostituted the property. What they are doing to me is like giving me a golden chalice with poisoned water. They have poisoned the properties and the properties have got a stigma attached to them because I am connected with the Global fiasco. It has made my life pretty difficult trying to refinance.

Hon G.T. GIFFARD: Are you sure that Julie Jones used to talk to you about her concerns about what was happening at Blackburne and Dixon after Mr Blackburne died?

Mr Casella: After Mr Owen Blackburne died -

Hon G.T. GIFFARD: She is coming here to give evidence to the committee. As I recall her evidence, it was effectively that she was concerned about what was going on at Blackburne and Dixon, particularly what was going on while Mr Blackburne was alive and it was after Mr Blackburne died that she became, I suppose, less concerned because in her words, "Mrs Blackburne was trying to put things right" and clients of Mr Blackburne who were not happy with the way she was handling things went off with Mr Margaria. That was, as I recall, the essence of her evidence which is at odds with what you have said to us today. Are you absolutely sure that she was concerned about what was happening after Mr Blackburne died, but not before?

Mr Casella: I can tell you 100 per cent because - I did not explain it to you before - she was doing a bit of book work for me and John Miller and we had an office about 200 metres from her existing office and she would come to my office and she would tell me. She would say to me that she was not happy there. She was actually working - when I say "working", she was doing part-time work after hours in my office. So I can honestly tell you that was after Alan Blackburne died. If she is telling you something else, I do not know. All I can tell you is that she told me she did not like Kaye Blackburne, she did not like what she doing, cooking the books, having to -

Hon G.T. GIFFARD: Who was cooking the books?

Mr Casella: Serge. Serge was giving instructions on the way she should be doing the books and what she had to do, and she had to do a lot of things that she was not happy doing. That is what she told me. I have not spoken to her for two and half to three years.

Hon G.T. GIFFARD: I just wanted to ask you if you were sure about that Mr Casella.

Mr Casella: I am 100 per cent.

Hon NORM KELLY: I want to come back to your opening statement in which you spoke about this sling that the state manager of the Commonwealth Bank received. In your opening statement, you said that the reason the Commonwealth wants to declare you bankrupt is so that you cannot fight actions against the Commonwealth Bank. With regard to this allegation of a corrupt state manager, that is simply a matter for the major fraud squad that it would not result in your taking action. I am just surprised that you could write 15 to 20 letters to Mr Murray about this and then not even take it to the police or another authority. Can you explain why you have not done that, and if you believe that a crime has been committed?

Mr Casella: I have explained to David Murray that I believe he is an accessory after the fact - after the crime or whatever. He has got an obligation to the shareholders and to the bank that this matter should be investigated. I am well aware that the bank officers know about it in the head office at 150 St Georges Terrace. If they want me to investigate it, I do not mind doing it myself.

Hon NORM KELLY: It is not you that has to investigate it. I am saying that, by reporting it to the police, it becomes a police investigation. You can provide the police with the information that you know and leave it to them to follow through from there. I am just wondering why you have not done that.

Mr Casella: Put it this way; David Murray would not want this because it would not be good for the bank if something like this was seen. We are talking of a guy - this Alan Prentice is a very nasty bit of character. After he left the bank, he went to work for FIL. A Mr David Forsythe got him the job on the board of FIL. Mr David Forsythe told me that if I ever require a reference in regards to this Alan Prentice, he said he could not give me one that would do any good for Prentice. He is such a drunk, he is dishonest and a crook. This is coming from a man who has been a chairman of public companies and this is David Forsythe.

Hon NORM KELLY: I am interested why you are willing to make those statements here in this setting, but not actually take any formal complaints -

Mr Casella: Okay, it is because of Jeff Herbert. By right, Jeff Herbert has got a major conflict of interest and should not have taken my - he is what you consider an officer of the court, because he can be appointed by the courts. In this particular case, the CPA asked him to be the liquidator of my companies. If you want me to, I could mention a heap of names. Evan Verge, Morrie Lyford, Rolf Brower - there are numerous accountants and lawyers who have said he cannot take that position because of the conflict of interest. What hat is he going to wear today, and what hat is he going to wear tomorrow? If there is a conflict between my situation and the Global situation, which way is he going to fall or lean. By right, he should be impartial; he should not have any part of it. He states in the paper that if he needs to he will get some other independent advice if he is ever confronted with the situation. I have had investors ask me why am I not fined. I have had investors reckon I am in cahoots with Herbert, and I just do not like the person. If my companies are liquidated, the same companies should not be able to use a trustee for bankruptcy from the same firm. That is another conflict of interest and that is not allowed. So what they are doing is instead of using PPB in Perth, they use a character - the cruelest trustee in Sydney - to have a go at me.

Hon NORM KELLY: You are not answering my question about the Commonwealth Bank and the state manager. I cannot see the connection with PPB and the like.

Mr Casella: PPB are working in with the bank.

Hon NORM KELLY: We will leave it at that.

The CHAIRMAN: Are you aware of any links between organised crime and finance brokers or problems within the finance broking industry?

Mr Casella: No.

The CHAIRMAN: I just wanted to give you that opportunity because I am sure you are aware of the sort of suggestions that are around. What about links to the Liberal Party between borrowers and financiers? Again I am not suggesting just yourself but other borrowers and financiers. Are you aware of any links or connections between them at all?

Mr Casella: I have to be honest. I have been asked. I have always voted Labor because of my upbringing. I have always been a Labor man. I have been asked to give donations to the Liberal Party and to me it would be like the Muslims asking a Catholic to give a donation. I would not give it. I have never intervened and I have never asked for Labor or Liberal people to assist me in any -

The CHAIRMAN: I am not suggesting you, but within the general finance broking industry, because you obviously have full knowledge of the finance broking industry. Are you aware of any connections between the brokers and the Liberal Party and, for that matter, the Labor Party, or the Democrats?

Mr Casella: None, that I really know.

The CHAIRMAN: Thank you, Mr Casella.

Committee adjourned at 1.20 pm