

ENFORCEABLE UNDERTAKING

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION

SECTION 93 AA

The commitments in this undertaking are offered to the Australian Securities & Investments Commission ("ASIC") by:

Steven Henare Taiapa
11 Beaumetz Street
Sandgate QLD 4107

1 BACKGROUND

- 1.1 ASIC has conducted an investigation in relation to suspected contraventions of section 851 and 849 of the Corporations law by Mr Steven Henare Taiapa ("Taiapa") in 1997 and 1998 as a result of an investigation into the Wattle Group ("Wattle") where investors lost approximately \$155 million.
- 1.2 As a result of the investigations ASIC has reason to suspect that Taiapa:
- a) has contravened sections 849 and 851 of the Corporations Law by reason of the facts set out in paragraph 2 below;
 - b) did not and will not perform the duties of a securities representative efficiently, honestly and fairly by reason of the facts set out in paragraph 2 below.
- 1.3 ASIC has the power pursuant to section 829 and 830 of the Corporations Law to make a banning order against a natural person in certain circumstances either permanently or for a specific period.
- 1.4 ASIC has agreed to accept the commitments in this undertaking as an alternative to the exercise of the powers referred to in paragraph 1.3 above.
- 1.5 Taiapa **acknowledges** ASIC's concerns, set out in paragraph 2 below, that he has not adequately performed his duties in the securities industry as a representative of a securities dealer.

2 CONCERNS OF ASIC

- 2.1 Taiapa held a Proper Authority from MLC Life Ltd ("MLC") between 30 April 1992 and 4 May 1998 ("the relevant period"). Between 25 May 1998 to 5 February 1999 Taiapa held a Proper Authority for Money Centre (Aust) Pty Ltd. Currently, Taiapa is a Proper Authority Holder for Australian Investment and Financial Planners Pty Ltd since January 1999.

- 2.2 During 1997 to 1998 Taiapa introduced at least 13 clients to invest in Wattle. The approximate aggregate of investments by clients which Taiapa referred to Wattle was \$465,000. Taiapa received commissions for these referrals from Wattle which he did not disclose to his clients.
- 2.3 Pursuant to his proper authority with MLC, Taiapa was not permitted by his dealer to recommend Wattle. During the relevant period Taiapa was acting outside the scope of his authority as a Proper Authority Holder with MLC in recommending Wattle securities investments to his clients.
- 2.4 Wattle was a business name registered by Geoffrey Robert Dexter ("Dexter"). Investments in Wattle facilitated by Taiapa were in the form of loans made by the investors to Dexter trading as The Wattle Group in each case payable at an effective interest rate of 50% per annum. Investments in Wattle were "securities" pursuant to section 92 of the Corporations Law, namely "prescribed interests" as separately defined under section 9 of the then Corporations Law.
- 2.5 Taiapa failed to adequately research the viability of investments in Wattle prior to recommending, or otherwise facilitating, his clients investment in Wattle and therefore had no reasonable basis for making such a recommendation to his clients.
- 2.6 Investments in Wattle have ultimately proved to be unsound with investors losing the majority of money on the capital value of their investments. Dexter was declared bankrupt on 28 May 1998. Dexter's trustee in bankruptcy, David Lewis Clout ("Clout"), has subsequently assessed Dexter's liability to creditors as approximately \$155.8 million and realisable assets upon bankruptcy in the range of approximately \$6 million to \$36 million. Clout has forecast that an ultimate dividend to creditors (which includes Taiapa's clients) will be in a range of 1.6 cents to 13.4 cents in the dollar.
- 2.7 As a result of Taiapa's conduct in connection with facilitating his clients investments in Wattle, ASIC is of the opinion that Taiapa has not or will not perform efficiently, honestly and fairly the duties of a representative of a licensee under part 7.3 and 7.4 of the Corporations Law by reason of the following:
 - Taiapa's actions in promoting Wattle were not in the course of his activities as a Proper Authority Holder and Taiapa contravened sections 780 of the Corporations Law in connection with Wattle in that he carried on a securities business whilst he was not the holder of a dealers licence or was not an exempt dealer.
 - Taiapa failed to adequately disclose critical material to his clients prior to their investment in Wattle, notably including particulars of commissions.

- Taiapa failed to adequately research the viability of investments in Wattle prior to making these recommendations to his clients.

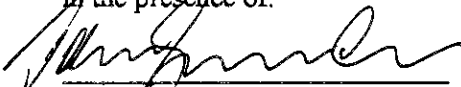
3 UNDERTAKINGS

- 3.1 Pursuant to section 93AA of the Australian Securities and Investments Commission Act ("ASIC Act"), Taiapa **UNDERTAKES** that he **will not** for a period of 24 months commencing 25 October 1999 and concluding on 25 October 2001 (the "said period"):
- 3.1.1 do any act or engage in any conduct as a representative of a securities dealer, an investment adviser, a futures broker, a futures adviser, or a securities representative or futures representative, including holding himself out to be such a representative;
 - 3.1.2 make securities recommendations involving a managed investment scheme including, a regulated superannuation fund, an approved deposit fund, a pooled superannuation trust, or a public sector superannuation scheme within the meaning of the Superannuation Industry (Supervision) Act 1993.
- 3.2 Pursuant to section 93AA of the ASIC Act, Taiapa **UNDERTAKES** that he **will during** the said period:
- 3.2.1 attend monthly IntegraTec video workshops in relation to financial planning education;
 - 3.2.2 complete the following courses offered as part of the diploma of financial planning by the Financial Planning Association of Australia or a similar course offered through the Securities Institute of Australia:
 - (a) Risk Management;
 - (b) Investment Planning Fundamentals;
 - (c) Retirement Planning;
 - (d) Estate Planning Fundamentals, and
 - (e) Financial Planning and Compliance.
 - 3.2.3 At the conclusion of the said period provide a Statutory Declaration to ASIC confirming the undertakings referred to in paragraph 3 herein have been complied with and a letter from the Financial Planning Association of Australia or Securities Institute of Australia confirming that courses mentioned in 3.2.2 have been completed.

4 ACKNOWLEDGEMENTS

- 4.1 Taiapa acknowledges that he has obtained legal advice in relation to the content and effect of this undertaking.
- 4.2 Taiapa acknowledges and agrees that ASIC:
- 4.2.1 may issue a media release from 25 October 1999 referring to the terms of this undertaking and the concerns of ASIC as expressed in this undertaking which led to its execution;
- 4.2.2 may from time to time publicly refer to this undertaking; and
- 4.2.3 will make this undertaking available for public inspection.
- 4.3 Taiapa acknowledges that this undertaking has no operative force until accepted by ASIC.
- 4.4 Taiapa acknowledges that this undertaking in no way derogates from the rights and remedies available to any other person or entity arising from any conduct described in this undertaking.
- 4.5 If a clause in this undertaking is invalid, illegal or unenforceable, then that clause to the extent of the invalidity, illegality or unenforceability must be ignored in the interpretation of this undertaking. All other clauses of this undertaking remain in full force and effect.

Signed by Steven Henare Taiapa
in the presence of:

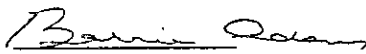

Signature

JOHN LEVE SAUNDERS
Name (printed)

2/1 EAGLE ST, BRISBANE
Address

S. Taiapa

ACCEPTED BY THE AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
PURSUANT TO ASIC ACT S 93AA BY ITS DULY AUTHORISED DELEGATE:


Barrie Adams
Regional Commissioner, Queensland

This 26th day of October, 1999.