

ENFORCEABLE UNDERTAKING

SECTION 93AA

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION ACT

The commitments in this Enforceable Undertaking are offered to the Australian Securities and Investments Commission ("ASIC") by:

Allstate Insurance Pty Ltd ACN 010 131 585
622 Wynnum Road
Morningside QLD 4170
("the Company")

William Benjamin Kelaart
5 Camelia Street
Margate Beach QLD
("Mr Kelaart")

Dorothy Jean Kelaart
5 Camelia Street
Margate QLD
("Mrs Kelaart")

Peter John Mason
("Mr Mason").

Colleen Margaret Mason
("Mrs Mason")

(collectively "the parties")

1. BACKGROUND

- 1.1 The Company is registered under the *Insurance (Agents and Brokers) Act* - ("IABA") as an Insurance Broker in relation to general insurance business and holds registration number 40341.
- 1.2 Mr and Mrs Kelaart have been at all material times Directors of the Company.
- 1.3 The Company maintains an Insurance Broking Account ("IBA") within the meaning of the IABA.
- 1.4 The ASIC has commenced an investigation into the affairs of the Company.
- 1.5 The ASIC holds concerns that there have been contraventions of Sections 232(2) and 232(4) of the Corporations Law prior to the 13th March 2000 and Sections 181 and 182 subsequent to March 2000 and further contraventions of Sections 26(1)(a), 26(3) and 27(2) of IABA.

- 1.6 ASIC has power under Section 25(1A) of IABA to suspend or cancel the registration of the company as a general insurance broker.
- 1.7 Mr Kelaart and Mrs Kelaart have agreed, upon the acceptance of this undertaking,
- (A) to sell their shares to Mrs Mason and Peter Mason as trustee for The Peter Mason Family Trust.
 - (B) To resign as Officeholders of Allstate

2. Concerns of ASIC

2.1 ASIC has the following concerns:

- (a) That the Company has been operating the IBA with a deficiency in contravention of 26(3) of IABA and that there are insufficient funds in the IBA to make payments to all of the persons entitled to receive payments from that account.
 - (b) That there is a risk to insurers with whom the company places insurance business that the company will be unable to pay the amounts due to them from the IBA.
 - (c) That there is a risk to the insureds who have placed insurance business through the company that:-
 - (i) the Company may be unable to pay any amount due to them from the IBA; and
 - (ii) if the Company is unable to pay the amounts due to the insurers with whom the Company places business, the insurers may take steps to recover those amounts from the insured.
 - (d) That the company is unable to pay its debts as and when they fall due
- 2.2 The Company accepts the concerns of ASIC set out in this Undertaking in particular that there have been breaches of the IABA and the Corporations Law as set out in paragraph 1.5 above.

3. Undertakings

The parties give the following enforceable undertakings to the ASIC pursuant to Section 93AA of the *Australian Securities and Investments Commission Act*:

- 3.1 The Company undertakes that it, or any officer of it, will not act in breach of IABA or any other subsequent legislation or relevant legislation, including but not limited to the Corporations Law and the ASIC Act.
- 3.2 The Company undertakes that from the date of this undertaking, there will at no time be any deficiency in the IBA;

3.3 The Company undertakes:-

- (a) by 8th September, 2000 to engage a registered auditor ("the Auditor") other than BBY Audits, at the expense of the Company, for the purpose of conducting audits of the IBA as stipulated herein in addition to the audit of accounts required by the IABA;
- (b) That it will instruct the Auditor to conduct an audit of the IBA for the three month periods ending 30th September 2000; 31st December 2000; 31st March 2001; 30th June 2001; 30th September 2001; 31st December 2001; 31st March 2002 and 30th June 2002; and
- (c) That the Auditor will be instructed to provide ASIC with
 - (i) audited accounts;
 - (ii) an audit report;
 - (iii) a statement as to the solvency of the companywithin 28 days of each audit period stipulated in sub-paragraph 3.3(b)
- (d) to immediately implement and maintain a computerised system to accurately account for the source and destination of all monies received from intending insureds, insureds and underwriters in relation to contracts of insurance and proposed contracts of insurance.
- (e) to fully implement and maintain a file management system of a standard equivalent to the Broker Plus system by 31st December 2000.

3.4 The company undertakes that Mr Kelaart will not be authorised to draw cheques or receipt money on behalf of the company.

3.5 The Company undertakes that if :

- (a) the company acts in breach of IABA or any subsequent or relevant legislation ;
- (b) the company acts in breach of this Enforceable Undertaking; or
- (c) an audit report supplied pursuant to 3.3(c) (iii) does not disclose that the company is solvent ,

then the company :

- (d) will make an application to ASIC seeking the cancellation of its registration as an insurance broker;
- (e) will not apply to be registered as an insurance broker under IABA: and
- (f) will not act as an insurance intermediary within the meaning of IABA.
- (g) will make a voluntary Application for its winding up to the Supreme Court of Queensland.

- 3.6 Mr and Mrs Kelaart undertake that from the date of this Undertaking they:
- (a) will not apply to be registered as insurance brokers under IABA; and
 - (b) will not act as an insurance intermediaries within the meaning of IABA;
 - (c) will not take part in the management of the Company or any other Company carrying the business of an Insurance Intermediary within the meaning of IABA;
- without the consent of the ASIC.
- 3.7 Mr and Mrs Kelaart undertake to make good any deficiency in the IBA arising prior to or existing at the date of this Undertaking within 7 days of them becoming aware of such deficiency.
- 3.8 Mr & Mrs Kelaart undertake that within 7 days of the date of this undertaking they will pay ASIC the sum of \$1,950.00 in respect of legal fees.

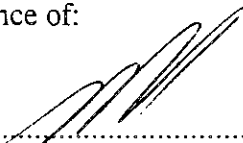
4. Acknowledgements

- 4.1 The parties acknowledge that they have had the opportunity to obtain legal advice in relation to the content and effect of this Enforceable Undertaking.
- 4.2 The Company acknowledges that the responsible Officers who sign this Enforceable Undertaking had full authority to sign and enter into the Undertaking on behalf of the Company.
- 4.3 The Company, Mr Kelaart, Mrs Kelaart and Mr Mason acknowledge and accept the ASIC's publicity and Public Access Policy.
- 4.4 The parties acknowledge that the ASIC:-
- (a) May issue a media release on execution of this Enforceable Undertaking referring to its terms and to the concerns of the ASIC which led to the execution of the enforceable undertaking; and
 - (b) May from time to time publicly refer to this Enforceable Undertaking.
 - (c) Will make this Enforceable Undertaking available for public inspection.
- 4.5 The parties acknowledge that this Enforceable Undertaking in no way derogates from the rights and remedies available to ASIC or any other person or entity arising from any conduct described in this Undertaking.
- 4.6 The parties acknowledge that ASIC's acceptance of an Enforceable Undertaking does not affect ASIC's power to investigate a contravention arising from future conduct, or pursue a criminal prosecution, or its power to lay charges or seek a pecuniary Civil Order.

- 4.7 The parties acknowledge that entering into this Enforceable Undertaking in no way derogates from the rights and remedies available to any person arising from any conduct described in this Enforceable Undertaking.
- 4.8 The parties further acknowledge that entering into this Enforceable Undertaking in no way derogates from the rights of the ASIC to or arising from any conduct described in this Enforceable Undertaking.
- 4.9 The parties acknowledge that this Enforceable Undertaking has no Operative Force until accepted by ASIC.
- 4.10 Mr Mason acknowledges that he has read Affidavit material and an Application for Winding Up filed on behalf of ASIC in proceeding no. 5588/00 in the Supreme Court of Queensland.

Signed as a Deed by ALLSTATE
INSURANCE PTY LTD
ACN 010 131 585 by the signing of
this undertaking by its Directors in the
presence of:

) *William B. Kelaart*
)
) *Benjamin J. Kelaart*
)



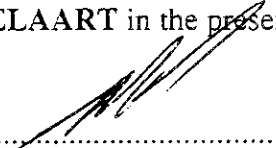
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~~Justice of the Peace/Solicitor/Commissioner for Declarations~~

MARK GERARD LILLMAN
Name (Print)

Signed by WILLIAM-JOHN
KELAART in the presence of:

W
BENJAMIN
)
)

William B. Kelaart

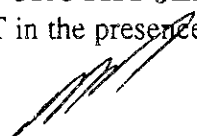


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~~Justice of the Peace/Solicitor/Commissioner for Declarations~~

MARK GERARD LILLMAN
Name (Print)

Signed by DOROTHY JEAN
KELAART in the presence of:

) Dorothy Kelaart
)



.....
~~Justice of the Peace/Solicitor/Commissioner for Declarations~~

MARK GARROD KILLICAT
Name (Print)

Signed by PETER JOHN MASON
in the presence of:

) P.J. Mason
)

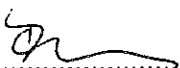


.....
~~Justice of the Peace/Solicitor/Commissioner for Declarations~~

Bernard M'Gowan
Name (Print)

Signed by COLLEEN MARGARET
MASON in the presence of:

) C.M. Mason
)



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~~Justice of the Peace/Solicitor/Commissioner for Declarations~~

Bernard M'Gowan
Name (Print)

ACCEPTED BY THE AUSTRALIAN SECURITIES COMMISSION AND INVESTMENTS
COMMISSION PURSUANT TO SECTION 93AA OF THE AUSTRALIAN SECURITIES
AND INVESTMENTS COMMISSION ACT BY ITS DULY AUTHORISED DELEGATE.

M R Burnett

Name: M. R. BURNETT

Position: DIRECTOR, ENFORCEMENT - Queensland

This day of 2000.