



*cutting through complexity*

# Concurrent Second Meetings of BBY Creditors

**BBY Holdings Pty Ltd**

**BBY Limited**

**BBY Advisory Services Pty Ltd**

*(All Receivers & Managers Appointed)*

**Broker Services Australia Pty Ltd**

**SmarTrader Limited**

**BBY Hometrader Pty Ltd**

***(All Administrators Appointed)***

**Stephen Vaughan and Ian Hall**

**Joint and Several Administrators**

22 June 2015

# BBY Second Meetings of Creditors

## Introductions

- Stephen Vaughan, Joint Administrator (Chair), KPMG
- Ian Hall, Joint Administrator, KPMG

### Assisting the Administrators:

- Tim Klineberg, Restructuring, Ashurst Lawyers
- Corey McHattan, Securities and Derivatives, Ashurst Lawyers

This slide presentation **should be read in conjunction with our s439A report** to creditors, dated 12 June 2015.

In the event creditors resolve that any BBY entities be wound up, then the **Administrators become the Liquidators**.

We are not addressing the future of the **4 'nominee' companies** at this meeting, however we can discuss issues relating to these companies as far as possible given the lack of books and records available.

**Questions** – we will provide opportunities at points during the meeting and at the end.

# BBY Second Meetings of Creditors

## Key issues for today



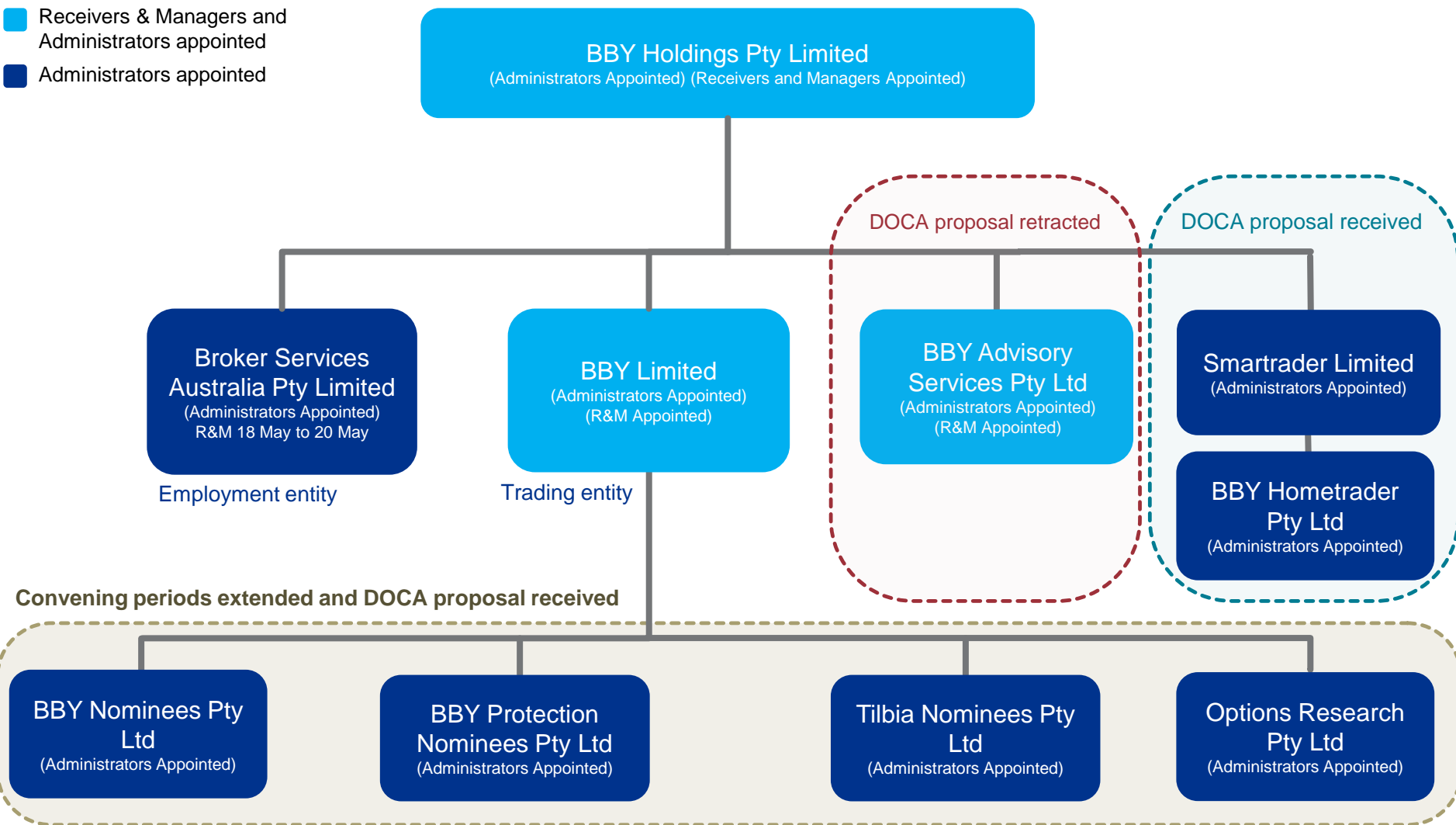
- *What happened to BBY and why?*
- *Where are we at in this process and what has happened since the VA report of 12 June?*
- *What is the extent of potential losses?*
- *How will competing claims between classes of clients and creditors be addressed?*
- *How much will it cost to sort out claims and repay money to clients and creditors?*
- *How can the available funds be improved?*
- *How will any recovery actions be funded?*
- *How long will this take and is it possible to make any interim payments?*
- *Who will make key decisions?*
- *How will creditors and clients receive further information?*
- *What are the next steps?*

# BBY Second Meetings of Creditors

## Key

- Receivers & Managers and Administrators appointed
- Administrators appointed

## Pre appointment group structure



# BBY Second Meetings of Creditors

## Introduction

- Voluntary Administrators – Stephen Vaughan & Ian Hall of KPMG
- Appointment date – 17 May 2015
  
- Voluntary Administration is a statutory procedure and moratorium period which normally runs for about 5 weeks and is essentially designed to allow companies in financial distress time to develop a restructuring plan or, if this is not possible, to allow for a more orderly liquidation.
  
- Nature of these concurrent meetings (at the conclusion of the VA procedure)
  - Section 439A Corporations Act
  - Second meetings of creditors to decide the future of each of the companies

*On Monday, 18 May 2015 PPB Advisory were appointed Receivers & Managers over 4 BBY Companies, BBYH, BBY, BBYAS and BSA. The Receivers assumed control of the business and assets of those companies. They resigned from BSA on 20 May however remain appointed over the 3 other companies.*

# BBY Second Meetings of Creditors

## Agenda

- Purpose of the meeting
- Procedural matters
- Key issues
- Receipts and payments
- Estimated return to creditors in a Liquidation
- DOCA proposal – Smartrader / Hometrader (pooled)
- Resolutions
- Final questions
- Close

# BBY Second Meetings of Creditors

## Purpose of the meetings

1. To receive a report by the Administrators (refer to our section 439A report to creditors, 12 June 2015)
2. To consider the terms of a proposed Deed of Company Arrangement (Smartrader & Hometrader)
3. To consider, and if thought fit, approve the remuneration of the Administrators.
4. To resolve (on a company by company basis) that:
  - a) That the Companies should execute a Deed of Company Arrangement (where proposed); or
  - b) That the administrations should end; or
  - c) That the Companies be wound up; or
  - d) That the meetings be adjourned for a period of up to forty-five (45) business days.
5. If a Deed of Company Arrangement is approved, to fix the remuneration of the Deed Administrators.
6. If the Companies are wound up, to fix the remuneration of the Liquidators.
7. If the Companies are wound up, to consider appointing a Committee of Inspection.
8. Any other business relevant to the meeting.

# BBY Second Meetings of Creditors

## Procedural matters

- Chairperson – Stephen Vaughan, Administrator
- Attendance register, Proxies and Proofs of Debt
- Quorums for each company
- Notice convening Meetings (including 33,000 emails and 390 postage)
- Declaration – time & place convenient
- DIRRI – Declaration of Independence, Relevant Relationships & Indemnities
- Entitlement to vote
- Voting on resolutions



# BBY Second Meetings of Creditors

## What happened to BBY and why?

- Large trading losses, cash flow difficulties, exacerbated due to the loss of the Saxo related business in early 2015, restrictions imposed by the ASX on the Options clearing business and ultimately, in May, the requirement to close that business.
- Attempts to raise capital failed. The Directors determined the BBY Companies may become insolvent and appointed the Administrators at 11pm on Sunday 17 May 2015.
- **We concluded additional factors contributed to the failure of the business including:**
  - poor governance, an inadequate risk management framework, inadequate capital, and
  - an inability of management to foreshadow and appropriately respond to a number of adverse events and margin calls.
- As early as June 2014, in our view, there were indications of possible application by BBY of client trust funds for unauthorised purposes. There is now a shortfall in Client Monies Accounts.
- Since June 2014, inaccurate information may have been provided to BBY's lender to support funding of settlements. This appears to have resulted in funding of working capital.
- The BBY Companies' financial records may not have been maintained in compliance with the requirements of the Corporations Act.
- There are a number of director and related party transactions that require further investigation.
- The above and other findings led us to conclude that the BBY Companies may have been insolvent since June 2014.

# BBY Second Meetings of Creditors

## What happened to BBY and why? (continued)

- Following the appointment of Administrators on 17 May 2015
  - **St George Bank** appointed Receivers & Managers from PPB Advisory on 18 May 2015 and took possession of the business and assets to recover its secured debt.
  - **ASX Clear**, the ASX clearing house for all shares, structured products, warrants and ASX Equity Derivatives, declared an event of default and BBY's participation in the ASX market, ASX Clear and Austraclear (the settlement facility used by BBY for cash settlements) was suspended.
  - The **Australian Securities and Investments Commission** suspended the Australian financial services licences (AFSLs) held by BBY, BAS and STL.
  - BBY effectively ceased trading shortly after the Receivers' appointment.
  - **ASX Clear** carried out a process to close out open derivatives positions and unsettled cash market transactions other than open derivatives positions transferred to another participant or which proceeded to expiry. In some cases ASX Clear liquidated clients' non-cash collateral to recover associated costs. ASX's web page refers former clients with losses to the National Guarantee Fund.
  - The **R&Ms** commenced attending to requests for transfers to other brokers of CHESSE sponsored holdings (HINs), in conjunction with settling of any client debts, as well as transferring any other remaining open positions.
  - **Other counterparties** have also chosen to close out positions in relation to futures and FX.

# BBY Second Meetings of Creditors

## Where are we at in this process and what has happened since the VA report of 12 June?

- Voluntary administration is an insolvency procedure that normally runs for a period of 5 weeks during which time the Administrator is to investigate the company's affairs, report to creditors and make recommendations regarding the future of a company. We issued our report on 12 June 2015 and called this **second meeting of creditors**.
- On 18 June we advised there may be a **shortfall in the BBY Limited client monies accounts** in the order of **\$16 million** against total client trust account obligations of over **\$30 million**.
- We lodged a **statutory report with ASIC** on the outcome of investigations in respect of the main operating entity, BBY Limited. This report is confidential and is not available to creditors. We continue to be in contact with ASIC on various aspects of the Administrations. It is ASIC's role to determine what if any further action may be warranted in relation to any possible breaches of the Corporations Act.
- We applied to the Supreme Court of NSW for an **extension of convening periods** for calling a second meeting of creditors for the following 4 BBY companies to allow time to carry out further investigations into the assets and liabilities of each company and to assess a Deed proposal:
  - BBY Nominees Pty Ltd
  - BBY Protection Nominees Pty Ltd
  - Options Research Pty Ltd
  - Tilbia Nominees Pty Ltd
- The Court granted an extension to 30 September 2015 although we hope this length of time is not required. We will obtain and review further records before reporting to affected creditors.
- **BBY Advisory Services Pty Ltd** – DOCA proposal by BBYAP withdrawn on evening of 18 June 2015.

## What is the extent of potential losses? (across all companies)

- **Employees** – \$2.7 million due to 180 employees. Entitled to claim against Fair Entitlements Guarantee scheme (Department of Employment) if the company is liquidated.
- **Former clients** – \$16 million in client monies shortfalls, across all products and over 5,800 clients, and unquantified client losses on close outs of trading positions. Potential recourse to schemes such as National Guarantee Fund (Securities Exchanges Guarantee Corporation), and possibly ASX Supplemental Compensation Fund and Sydney Futures Exchange Fidelity Fund.
- **Secured creditors**
  - St George Bank – gross debt \$13 million, estimated recovery and any shortfall not yet advised.
  - Others including lessors – not fully quantified but understood to be over \$3 million.
- **Unsecured (trade) creditors** – \$8 million due to 150 creditors (according to records)

**Total known gross losses appear to be over \$40 million**, not including client close out losses and before secured creditor asset realisations and potential liquidator recoveries on behalf of creditors.

The situation has impacted confidence in the industry and many people have been severely affected in other ways including clients moving to other brokers and transferring positions, dealers trying to assist their clients and clients that may or may not have beneficial claims to securities held by the nominee companies.

# BBY Second Meetings of Creditors

## How will competing claims between classes of clients and creditors be addressed?

- The position of BBY clients is different to that of general creditors.
- Clients who have an entitlement to money held on trust in a CMA will have a **direct claim as beneficiary of a trust**, not as a creditor of BBY.
- However, to the extent that there are not funds available in the relevant CMA to pay out a client's entitlement in full, affected clients may have a contractual **claim against BBY for the amount of any shortfall**. This contractual claim would be an unsecured creditor claim.
- Clients may also have a claim as a creditor in respect to any losses suffered as a consequence of BBY ceasing to trade, or open market positions being closed out by various counterparties.
- To the extent that clients may be reimbursed by schemes such as the NGF then that party would step into their shoes as a subrogated creditor.
- **Available assets and claims of various classes of creditors may be considered either on a discrete basis or in 'pools' depending on orders of the Court.** For example clients entitled to equities trust funds may be pooled and treated discretely from futures clients and other creditors such as, secured creditors, employees and unsecured trade creditors.

# BBY Second Meetings of Creditors

## Client account position

- BBY maintained over 60 CMAs totalling \$11 million at the time of our appointment across different currencies and for different lines of business. The CMAs broadly fall into 5 product groups covering approximately 5,800 clients.

BBY Group - Trust Account Reconciliation Summary by Product						
\$'000						
Product	Equity/ETO	Futures	FX	Saxo	Other	Total
Client Monies Account Balances 15 May	8,753	618	1,395	90	247	11,102
Counterparty balances at 15 May 2015						
ABN Clearing House	-	1,800	-	-	-	1,800
ADM Clearing House	-	1,803	-	-	-	1,803
<b>Total client funds</b>	8,753	4,221	1,395	90	247	14,705
Client Trust Obligations (per Dealer Reports)	7,154	13,297	2,389	5,987	1,937	30,764
<b>Estimated Surplus/(Shortfall)</b>	<b>1,599</b>	<b>(9,076)</b>	<b>(994)</b>	<b>(5,897)</b>	<b>(1,690)</b>	<b>(16,059)</b>
<i>Percentage cash coverage</i>	122%	32%	58%	2%	13%	48%
<b>Allocation still to be determined</b>						
ASX cash margin on client related derivatives	3,400	-	-	-	-	3,400
Estimated Surplus/(Shortfall) if ASX funds pooled						<b>(12,659)</b>
<i>Percentage cash coverage</i>						59%
<i>Note: Excludes impact (to be determined) of Receivers distribution of \$2.8m to clients on 18 May 2015</i>						

# BBY Second Meetings of Creditors

## How will potentially competing claims between classes of clients and creditors be addressed? (continued)

- The **CMA were frozen** upon our appointment except for receipts of counter party funds. They **remain segregated** for the purposes of subsequent adjudications on client entitlements and distributions pending any court directions. The Receivers may claim various “House” monies not subject to trust.
- The **total potential shortfall** in client monies in the vicinity of \$16 million although the cash coverage on the various pools ranges from 2% to 122%.
- **Potential reasons for the shortfall include:**
  - Poor financial records including unreconciled accounts across various product groups
  - Apparent transfers of trust funds across various product groups
  - Apparent transfers of trust funds to BBY general operating accounts
  - An apparent transfers of trust funds to third parties.
- The precise entitlement of each client to money in the CMAs is not currently clear and the position is made more complex due to these issues above.

# BBY Second Meetings of Creditors

## How will potentially competing claims between classes of clients and creditors be addressed? (continued)

- Corporations regulations provide that in an insolvency client money in a CMA is to be paid to each client out of the CMA in accordance with their "entitlement", and if there are insufficient funds in the CMA to do so, then in proportion to their entitlement. No funds would flow to other creditors out of the CMAs unless all valid client entitlement claims have been paid out in full.
- There appears to be evidence of transfers of funds between CMAs which may have resulted in CMAs have a lower or higher balance than would otherwise be the case. One approach in this case is that **affected CMAs could be "pooled" together**, so that no group of clients is unfairly advantaged or disadvantaged. Foreign currencies may also need to be converted into Australian dollars. The decision of the NSW Supreme Court in MF Global [2012] is expect to assist in expediting the BBY court application.
- There is **an argument to the effect that the entitlement of all clients should be valued as at the time the administrators were appointed**, with open positions valued on a mark-to-market basis at that time, disregarding the price at which positions may have subsequently been closed out.
- To the extent that there are not funds available in the relevant CMA(s) to pay out a client's entitlement in full, **affected clients may also have a contractual claim against BBY** for any shortfall which will be treated as an unsecured creditor claim.



## How will potentially competing claims between classes of clients and creditors be addressed? (continued)

### Court directions

- Given these circumstances it will be necessary for the Liquidators to apply to court regarding
  - How client entitlements should be calculated
  - The appropriate method for distribution of funds from the various CMAs
  - If required, an order to draw some costs and expenses from client funds (subject to notice and any objections)
- Clients and creditors **will be advised of the court application** and the orders being sought, as well as any subsequent orders made by the court. The committee of inspection will have close supervision of the process.
- The **court will determine the matter** with all information and the benefit of argument from all relevant stakeholders.
- We intend to approach the Court for initial directions within the **next few weeks**.

# BBY Second Meetings of Creditors

## How will potentially competing claims between classes of clients and creditors be addressed? (continued)

### Employees

- Employees normally have a priority entitlement to proceeds from realisation of circulating (“floating charge”) assets (such as debtor receipts). This is complicated in the case of BBY because assets did not sit within the employment company, Broker Services Australia Pty Ltd (BSA).
- Once companies are placed into liquidation BSA employees will be entitled to lodge a claim for entitlements with FEG, the Fair Entitlements Guarantee scheme including for
  - Wages, up to 13 weeks
  - annual leave
  - long service leave
  - payment in lieu of notice, maximum of 5 weeks
  - redundancy pay, maximum of 4 weeks per full year of service
- FEG has established a dedicated email contact – [bby@employment.gov.au](mailto:bby@employment.gov.au).

# BBY Second Meetings of Creditors

## How much will it cost to sort out claims and repay money to clients and creditors?

- Administrators and liquidators can only draw remuneration for the work they perform once remuneration has been approved.
- The Administrators have not drawn any remuneration to date, an approval is sought today for VA remuneration and a limited amount of liquidation remuneration.
- The **client monies issues need to be managed and resolved**, any additional funds recovered and ultimately funds paid to clients.
- To the extent that other funds are available to facilitate the reconciliation of the CMAs and any necessary Court application, we would intend to use those funds to do so. However there are minimal funds on hand to meet our costs.
- **We intend to seek court directions** in relation to our costs and expenses in relation to recovery, preservation and ultimate distribution of client monies so that these can, if necessary, be drawn from client funds.
- Costs to date are discussed in the following slides.
- Future costs can not yet be estimated but depend on a variety of factors and the extent of actions taken to deal with these issues and pursue any causes of action.

# BBY Second Meetings of Creditors

## How much will it cost to sort out claims and repay money to clients and creditors?

### Funds available – BBY Limited

- Set out here is a summary of receipts and payments as well as accruals providing an indication of how funds on hand will be disbursed and what will be available for Administrators' fees.
- Receipts, including the AIMS working capital advance and the VA's portion of asset sale proceeds have essentially been used to fund the short period of employment and maintaining some status quo as well as substantial costs of dealing with creditors, for instance, a total of over 66,000 emails (2 mail outs), postage, responding to thousands of emails and calls, and venue hire for 2 meetings.

BBY Limited - Analysis of estimated available funds			
\$'000	Working Capital	Other	Total VA
<b>Receipts</b>			
AIMS WC advance	250	-	250
AIMS contribution to VA costs	-	250	250
VA allocation from asset sale	-	200	200
GST receipt on asset sale	-	63	63
	<b>250</b>	<b>513</b>	<b>763</b>
<b>Payments</b>			
Employees	(61)	-	(61)
	<b>(61)</b>	<b>-</b>	<b>(61)</b>
<b>Cash on hand</b>	<b>189</b>	<b>513</b>	<b>702</b>
<b>Accruals and provisions (excl VA fees)</b>			
Employees	(47)	-	(47)
GST on asset sale	-	(63)	(63)
Legal costs provision	-	(250)	(250)
Creditors' mail, meetings and call centre costs	-	(154)	(154)
Insurance, other & contingency	(39)	(9)	(47)
	<b>(86)</b>	<b>(475)</b>	<b>(561)</b>
<b>Net available funds</b>			<b>140</b>
<b>Est available funds in VA</b>		<b>38</b>	
<b>Est WC surplus due to AIMS</b>	<b>103</b>		

# BBY Second Meetings of Creditors

## How much will it cost to sort out claims and repay money to clients and creditors?

### Total fee costs to date – 6 BBY Companies

- We provided a remuneration report dated 12 June 2015 as part of our report setting out details of our fees. Set out below is a summary of our fee costs to date across the 6 BBY Companies excluding the nominee companies, totalling \$1.3 million.

#### Voluntary Administrators Remuneration

\$'000	17 May 2015 - 5 June 2015	6 June 2015 - 22 June 2015	Total – VA
<b>BBY Group company</b>			
BBY Holdings Pty Limited	17.4	7.6	25.0
BBY Limited	482.0	463.6	945.6
Broker Services Australia Pty Ltd	133.8	82.7	216.5
BBY Advisory Services Pty Ltd	13.9	6.3	20.2
SmarTrader Ltd	17.2	28.9	46.1
BBY Hometrader Pty Ltd	17.2	28.6	45.8
<b>Total remuneration</b>	<b>681.5</b>	<b>617.8</b>	<b>1,299.2</b>

\$1,162k

# BBY Second Meetings of Creditors

## How much will it cost to sort out claims and repay money to clients and creditors?

### Fee costs to date – BBY Limited and BSA

- Set out below is a summary of our fee costs to date for
  - **BBY Limited \$945k** (72% of the total across the 6 BBY Companies) and
  - **BSA \$216k** (17%).
- We have **recorded time by ‘phases’** to reflect where effort has been directed. We included a phase for ‘clients’ (CMA work) however we also note that clients relating to CMAs represent over 90% of ‘creditors’. Various work in other phases such as ‘creditors’ and ‘investigations’ in reality relates closely to client issues. The court may ultimately decide on an appropriate apportionment to client monies.

Voluntary Administrators Remuneration								
\$'000	Assets	Creditors	Employees	Trade On	Investigation	Administration	Client	Total – VA
<b>BBY company</b>								
BBY Limited	112.9	78.1	0.0	40.4	65.3	24.3	161.0	482.0
Broker Services Australia Pty Ltd	4.9	46.9	54.8	10.1	3.3	13.9	0.0	133.8
<b>Total remuneration - 17 May to 5 June</b>	<b>117.8</b>	<b>125.0</b>	<b>54.8</b>	<b>50.6</b>	<b>68.5</b>	<b>38.1</b>	<b>161.0</b>	<b>615.8</b>
<b>BBY Limited</b>								
BBY Limited	7.3	169.2	0.0	2.4	95.0	33.4	156.3	463.6
Broker Services Australia Pty Ltd	0.0	53.2	1.8	0.0	12.2	15.6	0.0	82.7
<b>Total remuneration - 6 June to 22 June</b>	<b>7.3</b>	<b>222.4</b>	<b>1.8</b>	<b>2.4</b>	<b>107.2</b>	<b>49.0</b>	<b>156.3</b>	<b>546.3</b>
<b>Total VA remuneration</b>	<b>125.1</b>	<b>347.4</b>	<b>56.6</b>	<b>53.0</b>	<b>175.7</b>	<b>87.1</b>	<b>317.2</b>	<b>1,162.1</b>

# BBY Second Meetings of Creditors

## How can the available funds be improved?

- A secured creditor has a priority in respect to realisation of assets in order to repay its debt. It is possible however appears unlikely that the secured creditor, St George Bank, will be repaid in full from realisations of company assets.
- Liquidators have powers to pursue recovery in respect of certain types of 'insolvent' transactions on behalf of unsecured creditors including
  - Unfair preferential payments to creditors (6 months)
  - Uncommercial transactions (2 years)
  - Transactions designed to obstruct creditor rights (4 years)
  - Unreasonable director related transactions (4 years)
  - And unfair loans (any time)
  - Relation back periods are longer for related party claims
- For a transaction to be voidable it must have been entered into when the company was insolvent or became insolvent as a consequence of the transaction.
- We have identified transactions of interest and investigations are continuing to determine whether they may form a basis for a recovery action.

# BBY Second Meetings of Creditors

## How will any recovery actions be funded?

- Generally a liquidator is **not required to incur an expense in relation to a winding up unless there is sufficient available property**. We have incurred expenses that may not be paid unless there are further recoveries.
- In considering the merits of proceeding with any recovery action, a liquidator must have regard to the relative **costs and benefits** together with the prospects of success and the financial ability of defendants to meet claims. Recovery actions are often expensive and can involve lengthy delays if court proceedings are required.
- There are a number of **potential avenues to fund further action**, including
  - A liquidator **may apply to ASIC** for funding to carry out a further investigations into possible breaches of the law (the Assetless Administration Fund). Findings from such investigations could also be useful in civil recovery actions.
  - If one or more **creditors agree to reimburse a liquidator's costs** and additional assets are recovered, the liquidator or particular creditor can apply to the court for the creditor to be compensated for the risk involved in funding the liquidator's recovery action.
  - There are a number of financiers who offer '**litigation funding**' to covering certain costs of investigating and pursuing larger claims in return for a fee, usually in the form of a percentage of recoveries.
  - Recoveries from one successful action may assist in funding other actions



# BBY Second Meetings of Creditors

## How long will this take and is it possible to make any interim payments?

- As noted earlier, we intend to approach the court for initial directions within the next few weeks.
- The timetable beyond that can not yet be estimated with any accuracy however the process will take at least months.
- We will explore whether there is any possibility that certain pools of client monies can be dealt with earlier. We will also consider the position of stock which may be able to be allocated to specific client entitlements.
- It is too soon to predict when an initial distribution could be made to clients.
- There are currently no funds available for distribution to unsecured creditors.

# BBY Second Meetings of Creditors

## Who will make key decisions?

- Creditors of **Smartrader and Hometrader** may decide to vote in favour of a Deed of Company Arrangement, in which case their claims will be dealt with in accordance with the Deed by a Deed Administrators (the current Administrators).
- For **those companies facing liquidation**, including BBY Holdings, BBY Limited, BSA and BBYAS, the Administrators will become the Liquidators.
- We propose that there be formed a **Committee of Inspection (COI)**, at least in the case of BBY Limited, to assist the Liquidators, made up from creditor representatives including clients.
  - There must be at least 2 members and ideally no more than say 5 to 10 to avoid the committee becoming inefficient. Committee members should not place themselves in a position where their personal interests could conflict with their committee membership. It is an unpaid position.
  - A liquidator must have regard to the views and direction of a COI but is obliged to exercise his or her own discretion in management of the affairs and property of a company.
  - We would anticipate holding COI meetings on a regular basis, probably every 2<sup>nd</sup> month, with occasional reporting and communications in the interim.
- We also anticipate **directions and orders from the court** in relation to dealing with client monies.

# BBY Second Meetings of Creditors

## How will we receive further information?

- There has been a large volume of inquiries which have been mostly directed to the BBY creditor telephone line and email in our report (Link Insolvency Services).
- Understandably there has been frustration at delays in responding to individual inquiries and being able to provide answers to questions when the issues remain to be determined.
- Future information will continue to be provided on a regular basis via
  - KPMG’s dedicated BBY web page (found on the KPMG home page)
  - Emails and circulars
  - Market announcements

# BBY Second Meetings of Creditors

## What are the next steps?

- Dealing with the **resolutions at this meeting**, including voting on our fees and the future of the companies (voting for liquidations of deeds of company arrangement)
- If BBY Limited and other companies are placed into liquidation, we intend as next steps to:
  - Apply to the **court** for initial directions
  - Apply to **ASIC** for funding under from the Assetless Administration Fund
  - Explore **other funding avenues**
  - Finalise **reconciliation** of the CMAs
  - Conduct **further investigations** (which have been continuing up to this meeting) to identify possible recovery opportunities on behalf of clients and creditors and assess these on a case by case basis
  - **Commence actions** such as applications for formal examinations of individuals to pursue our inquiries (subject to funding)
  - Liaise further with the **ASX and NGF** regarding their dealing with client claims
  - **Explore interest of specialist funders to buy claims** of clients, as a means of providing an early exit for those seeking an alternative way of obtaining funds earlier. (Note any purchasers would no doubt require a discount against the face value of a claim, which could be substantial).
- If the DOCA proposal for **Smartrader / Hometrader** is approved, finalise and execute the DOCA.

# BBY Second Meetings of Creditors

## Receipts and Payments

Set out below is a summary of receipts and payments in the various administrations from 17 May 2015 to 11 June 2015:

BBY Group - Receipts and Payments   17 May 2015 to 11 June 2015				
\$'000	BBY Limited	Broker Services Australia	SmarTrader limited	BBY Hometrader
<b>Receipts</b>				
Pre-appointment bank account		10.3	51.0	11.8
Sale proceeds - AIMS Group	262.5			
AIMS funding	450.1	49.9		
<b>Total receipts</b>	<b>712.6</b>	<b>60.2</b>	<b>51.0</b>	<b>11.8</b>
<b>Payments</b>				
Post-appointment wages		(58.4)		
Employee expense reimbursements		(1.8)		
<b>Total payments</b>	<b>-</b>	<b>(60.2)</b>	<b>-</b>	<b>-</b>
<b>Closing cash as at 11 June 2015</b>	<b>712.6</b>	<b>-</b>	<b>51.0</b>	<b>11.8</b>

Source: Voluntary Administrators MYOB Accounts

Note: Other entities did not have cash balances and did not trade during the period

# BBY Second Meetings of Creditors

## Estimated outcomes from liquidation (refer to page 53 of section 439A report)

Below is a summary of the expected distributions to each class of creditor:

BBY Group - Estimated Outcome Summary												
\$ cents in dollar	BBY		BBYH		BBYAS		BSA		BBYHT		STL	
	L	H	L	H	L	H	L	H	L	H	L	H
Secured creditor	ND	ND	ND	ND	ND	ND	ND	ND	NA	NA	ND	ND
Employees / Priority	NA	NA	NA	NA	NA	NA	100%	100%	NA	NA	NA	NA
Unsecured creditors	0%	24%	0%	0%	0%	0%	0%	14%	0%	0%	0%	0%

### Key

L = Low

H = High

ND = Not disclosed

NA = Not applicable

Full details of the attached calculation are provided in Appendix E of the section 439A report

- Unsecured creditors are estimated to receive between 0 and 24 cents in the dollar for BBY
- The Receivers have not yet advised of likely recoveries for St George Bank or associated costs
- Employees of BSA will be able to claim against the FEG scheme if BSA's creditors resolve that BSA is wound up (we have not assessed eligibility or likely returns)
- Any recovery actions that may be pursued in liquidation may be protracted
- A key issue which may influence the extent of further recoveries is available funding

# BBY Second Meetings of Creditors

## SmarTrader and Hometrader Proposal – “Pooled” Deed of Company Arrangement

Set out below is a summary of estimated outcome from the BBYAP proposed “pooled” DOCA for SmarTrader and Hometrader:

Summary of BBY DOCA Proposals		
\$'000	Smart/Home	Advisory
<b>Deed fund composition and distribution</b>		
<b>Composition</b>		
Cash at appointment	60	-
Deed contribution	95	85
<b>Total deed fund</b>	<b>155</b>	<b>85</b>
<b>Distribution of deed fund</b>		
VA/DOCA fees	(45)	(45)
Legal fees	(15)	(10)
<b>Total fees</b>	<b>(60)</b>	<b>(55)</b>
Funds Available for Creditors	95	30
Participating Creditors	(304)	(496)
<b>c/\$ (Approximate)</b>	<b>31%</b>	<b>6%</b>

- A pooled DOCA has been proposed by BBYAP which would have the effect of grouping Smartrader and Hometrader creditors into one pool. In the alternative we estimated zero return in a liquidation.
- In our opinion, the DOCA proposed for Smartrader and Hometrader provides for the continuation of the business and a reasonable compromise with creditors of those businesses which we have recommended.

# BBY Second Meetings of Creditors

## BBY Advisory Services DOCA Proposal (refer section 14 of S439A report) **(WITHDRAWN)**

BBYAP proposed a Deed of Company Arrangement in respect to BBYAS however this was withdrawn on the evening of 18 June 2015.

Summary of BBY DOCA Proposals		
\$'000	Smart/Home	Advisory
<b>Deed fund composition and distribution</b>		
<b>Composition</b>		
Cash at appointment	60	-
Deed contribution	95	85
Total deed fund	155	85
<b>Distribution of deed fund</b>		
VA/DOCA fees	(45)	(45)
Legal fees	(15)	(10)
Total fees	(60)	(55)
Funds Available for Creditors	95	30
Participating Creditors	(304)	(496)
<b>c/\$ (Approximate)</b>	<b>31%</b>	<b>6%</b>

- BBYAS remains insolvent, in particular it has guaranteed the debt owed to St George and has other unpaid unsecured obligations.
- Therefore the only viable choice for creditors is to place BBYAS into liquidation.



# BBY Second Meetings of Creditors

## Resolution – 1

### Administrators' fees from 17 May 2015 to 5 June 2015

*“That the Administrators’ remuneration for the period 17 May 2015 to 5 June 2015 in respect of the voluntary administration of **RELEVANT COMPANY** be approved in the sum of **AMOUNT** plus GST and disbursements and that such fees are authorised for payment from the assets of the Company, or otherwise”*

Voluntary Administrators Remuneration			
\$'000	17 May 2015 - 5 June 2015	6 June 2015 - 22 June 2015	Total – VA
<b>BBY Group company</b>			
BBY Holdings Pty Limited	17.4	7.6	25.0
BBY Limited	482.0	463.6	945.6
Broker Services Australia Pty Ltd	133.8	82.7	216.5
BBY Advisory Services Pty Ltd	13.9	6.3	20.2
SmarTrader Ltd	17.2	28.9	46.1
BBY Hometrader Pty Ltd	17.2	28.6	45.8
<b>Total remuneration</b>	<b>681.5</b>	<b>617.8</b>	<b>1,299.2</b>

# BBY Second Meetings of Creditors

## Resolution – 2

### Administrators' prospective fees from 6 June 2015 to 22 June 2015

*“That the Administrators’ remuneration for the period 6 June 2015 to 22 June 2015 in respect of the voluntary administration of **RELEVANT COMPANY** be approved in the sum of **AMOUNT** plus GST and disbursements and that such fees are authorised for payment from the assets of the Company, or otherwise”*

Voluntary Administrators Remuneration			
\$'000	17 May 2015 - 5 June 2015	6 June 2015 - 22 June 2015	Total – VA
<b>BBY Group company</b>			
BBY Holdings Pty Limited	17.4	7.6	25.0
BBY Limited	482.0	463.6	945.6
Broker Services Australia Pty Ltd	133.8	82.7	216.5
BBY Advisory Services Pty Ltd	13.9	6.3	20.2
SmarTrader Ltd	17.2	28.9	46.1
BBY Hometrader Pty Ltd	17.2	28.6	45.8
<b>Total remuneration</b>	<b>681.5</b>	<b>617.8</b>	<b>1,299.2</b>

# BBY Second Meetings of Creditors

## Options available to creditors

- Creditors can determine either:
  - That the Company should execute a Deed of Company Arrangement; or
  - That the administration should end; or
  - That the Company be wound up; or
  - That the meeting be adjourned for a period of up to forty-five (45) business days.

# BBY Second Meetings of Creditors

## Resolution – 3

### Resolve to execute a Deed of Company Arrangement

#### SmarTrader Limited and BBY Hometrader Pty Ltd

- Resolution for each company

*“That pursuant to Section 439C of the Corporations Act 2001 that the Company execute a pooled Deed of Company Arrangement including SmarTrader Limited and BBY Hometrader Pty Ltd in substantially the same terms as included in the s439A report to creditors, and that Stephen Vaughan and Ian Hall be confirmed as Joint and Several Deed Administrators of the Companies.”*

# BBY Second Meetings of Creditors

## Resolution – 4

### Deed Administrators' estimated prospective remuneration

#### SmarTrader Limited and BBY Hometrader Pty Ltd

- Resolution for each company

*“That the Deed Administrators’ remuneration in respect of **RELEVANT COMPANY** be approved for the sum the lesser of \$45,000 or the cost of time spent by the Administrators and Deed Administrators and their partners and staff, calculated at rates set under the KPMG Restructuring Services guide to hourly rates, plus GST, and that such fees are authorised for payment from the assets of the Deed or its Companies, or otherwise.”*

# BBY Second Meetings of Creditors

## Resolution – 5

### Resolve to wind up

- Resolution for each company

*“THAT pursuant to Section 446A of the Corporations Act 2001 that the **RELEVANT COMPANY** be wound up and that Stephen Vaughan and Ian Hall be confirmed as Joint and Several Liquidators of the Company”.*

- BBY Holdings Pty Limited
- BBY Limited
- Broker Services Australia Pty Ltd
- BBY Advisory Services Pty Ltd

# BBY Second Meetings of Creditors

## Resolution – 6

### Liquidators' prospective remuneration

- Resolution for each company

*“That the Liquidators’ remuneration in respect of **RELEVANT COMPANY** be approved in a sum equal to the cost of time spent by the Liquidators and their partners and staff, calculated at rates set under the KPMG Restructuring Services guide to hourly rates, of an amount up to **AMOUNT** plus GST and disbursements, and that such fees are authorised for payment from the assets of the Company, or otherwise.”*

■ BBY Holdings Pty Limited	\$50,000
■ BBY Limited	\$200,000
■ Broker Services Australia Pty Ltd	\$100,000
■ BBY Advisory Services Pty Ltd	\$50,000
■ SmarTrader Limited (if liquidated)	\$50,000
■ BBY Hometrader Pty Ltd (if liquidated)	\$50,000

# BBY Second Meetings of Creditors

## Resolution - 7

### Appointment of a Committee of Inspection

- Resolution for each company

*“That no Committee of Inspection of the Companies be formed.”*

**OR**

*“That:*

*..... representing .....*

*..... representing .....*

*..... representing .....*

*be appointed to the Committee of Inspection of .....*



# BBY Second Meetings of Creditors

**Final questions?**

**Close**



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