

Minutes of the First Meeting of Creditors of the Company held at the Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000, on 5 December 2018 at 11:00 AM

1 Present

See attached attendance and observer registers.

2 Chairperson

Stewart McCallum, one of the Administrators of the Company, opened the meeting and advised that he would act as Chairperson of the meeting in accordance with Insolvency Practice Rules (Corporations) 2016 (IPR) 75-50.

3 Quorum

The Chairperson tabled the attendance register and advised that a quorum, in accordance with IPR 75-105, was present.

4 Notice of meeting

The Chairperson advised that the meeting had been called in accordance with the notice of meeting dated 26 November 2018, the meeting having been advertised on the Australian Securities & Investments Commission (ASIC) Insolvency Notices on 26 November 2018 in accordance with IPR 75-40.

On 26 November 2018, the Federal Court of Australia issued a court order confirming that the initial notice of meeting could be issued to all known creditors by email.

5 Convening the meeting

The Chairperson advised that, in accordance with IPR 75-30, the meeting was being held at a date, time and place convenient to the majority of persons entitled to receive notice of the meeting.

6 Purpose of the meeting

The Chairperson advised that the purpose of the meeting was to:

- Determine whether to appoint a Committee of Inspection and, if so, who are to be the committee members.
- Confirm the appointment of the Administrators.
- Discuss any other business.

7 Tabling of documents

The Chairperson tabled the following documents:

- The Instrument of Appointment of Joint and Several Voluntary Administrators to the Company dated 23 November 2018.
- The Notice of the Meeting of Creditors dated 26 November 2018 which was forwarded to all known creditors of the Company.
- The Court Order issued by the Federal Court of Australia dated 26 November 2018.
- Circulars to Creditors dated 26 November 2018 for the Company which was forwarded to all known creditors of the Company.
- The Notice of Appointment and First Creditors Meeting as it appeared on the Australian Securities and Investments Commission (ASIC) Insolvency Notices website on 26 November 2018.
- The Declaration of Independence, Relevant Relationships and Indemnities (DIRRI) dated 23 November 2018 which was included in the Circular to Creditors at the same date and lodged with ASIC on 23 November 2018.
- The Replacement Declaration of Independence, Relevant Relationships and Indemnities (Replacement DIRRI) dated 27 November 2018 which was uploaded to the Ferrier Hodgson website on the same date and lodged with ASIC on 28 November 2018.

- Attendance registers which contains the creditor and observers' registers. The Chairperson advised the meeting that the attendance registers were available for inspection at the conclusion of the meeting if required.

8 Declaration of Independence, Relevant Relationships and Indemnities (DIRRI)

The Chairperson tabled the DIRRI dated 23 November 2018 and the Replacement DIRRI dated 27 November 2018. The Chairperson noted that:

- (a) A copy of the declaration had been provided to creditors with the notice of meeting.
- (b) The DIRRI dated 23 November 2018 was lodged with ASIC on 23 November 2018.
- (c) The Replacement DIRRI dated 27 November 2018 was uploaded to the Ferrier Hodgson website on 27 November 2018 and lodged with ASIC on 28 November 2018.

9 Company background and overview of the voluntary administration process

The Chairperson tabled the Administrators' circular to creditors dated 26 November 2018. The contents of the report were discussed. The Chairperson also provided an update in relation to the following matters:

- Background on the voluntary administration process.
- The Administrators' intention to make an application to the Court to extend the convening period pursuant to section 439A(6) of the Corporations Act for a period of approximately 90 days to 29 March 2019.
- An outline of the trading platforms operated by the Company (Interactive Brokers, Mt4 and MT5).
- The former and current ownership structure of the Company and commentary around the events leading up to the appointment of the Administrators.
- Tasks undertaken by the Administrators to date.

The Chairperson advised that the Administrators intended to apply to the Court to extend the convening period on the basis that the Administrators would not be in a position to provide a report to creditors containing their recommendations as to the future of the Company by 21 December 2018. More time is required in which to obtain and analyse further information in relation to a number of issues, including but not limited to the following:

- The business affairs and transactions entered into by the Company;
- Possible comingling of funds in bank accounts held by the Company;
- Quantum and location of funds held in trust and funds not held in trust;
- The allocation of particular funds to client accounts.
- The relationship with Halifax NZ; and
- Consideration by the Administrators of offers or proposals to purchase the assets of Halifax of a DOCA proposal.

The Chairperson then opened up the meeting to questions from creditors and investors. A copy of the transcript which outlines the discussions held is attached as Annexure A. Please be advised that the transcript has been edited by the Administrators for ease of reading and grammatical correctness.

10 Resolutions

The Chairperson advised that a resolution put to the vote of the meeting must be decided on the voices unless a poll is demanded, before or on the declaration of the result of the voices (IPR 75-110):

- (a) By the Chairperson; or
- (b) By at least two persons present in person, by proxy or by attorney that are entitled to vote at the meeting; or
- (c) By a person present in person, by proxy or by attorney representing not less than 10% of the total voting rights of all the persons entitled to vote at the meeting.

The Chairperson advised that if a poll is demanded, a resolution is carried if:

- A majority of creditors voting (whether in person, by attorney or by proxy) vote in favour; and
- The value of the debts owed by the corporation to those voting in favour is more than half the total debts owed to all creditors voting (IPR 75-115).

11 Voting and use of casting vote

The Chairperson noted that:

- In accordance with IPR 75-115, the Chairperson may exercise a casting vote if no result is reached for or against. The Chairperson's decision to exercise this vote is subject to review by the Court upon application by a creditor (Sections 75-42 and 75-43 of Schedule 2 to the Act).
- A secured creditor may vote with respect to the whole of its debt or claim, without being required to estimate the value of its security (IPR 75-87).
- A related party is permitted to vote as a creditor at the meeting, provided its claim has been admitted by the Administrators for the purposes of voting (IPR 75-100).
- Where a debt claimed by a related creditor (within the meaning of Section 75-41(4) of Schedule 2 to the Act) has been assigned to that related creditor, the value for the purposes of voting is to be determined by taking the value of the assigned debt to be equal to the value of the consideration given by the related creditor for the assignment of the debt (IPR 75-110(7)).

The Chairperson advised the following in relation to investor voting:

- Under Insolvency Practice Rule 75-85 a creditor must not vote in relation to a debt the value of which is not established unless the Administrators have made a just estimate of the amount claimed.
- Given the complexity of the issues and the necessary investigations required, the Administrators are not in a position to form a firm view on the liability position of each investor at this stage.
- It is the Administrators' intention to admit each investor creditor who has lodged a proof of debt, irrespective of the amount claimed, for \$1 each for the purpose of voting at today's meeting.
- This decision by the Administrators does not reflect in any way the final position that may be determined in relation to investor claims.
- Given there are doubts about the quantum of an investor creditor's claim and whether the proofs of debt should be admitted or indeed rejected, it is prudent to admit each proof for \$1 and to mark each proof as objected to. This means that should creditors wish to challenge the objection through the Courts and such objection was sustained, the vote in question may be declared invalid (depending of course on the voting numbers recorded).
- Creditors have 10 business days from the date of the meeting to appeal the Administrators decision to admit investors for \$1 for voting purposes by lodging an application with the Court (the costs of which will be borne by the individual creditor).

12 Appointment of Administrators

The Chairperson advised that pursuant to an Instrument of Appointment dated 23 November 2018, Morgan Kelly, Phil Quinlan and Stewart McCallum were appointed Administrators of the Company.

The Chairperson advised that pursuant to Section 90-35 of Schedule 2 to the Corporations Act 2001, creditors may, by resolution, appoint someone else as Administrator of the Company.

Andrew Baxter advised the meeting that he wished to put forward an alternative Administrator, being Mr John Park and Mr Joe Hansell of FTI Consulting. The Chairperson then requested that Mr Hansell address the meeting. Mr Hansell advised that he had provided the Administrators with a consent to act and DIRRI. A detailed outline of Mr Hansell's address to the meeting may be found at Annexure A.

It was proposed by the Chairperson that the existing Administrators be replaced and Joseph Hansell and John Park of FTI Consulting be appointed in their stead.

The Chairperson advised the meeting that in order to ensure procedural fairness was adhered to, the vote would be taken to a poll. The Chairperson noted for the minutes that in the hypothetical situation where investors were admitted for the full value of their equity as at the date of appointment, the value of the votes would be as follows:

- \$15 million in favour of replacing the Administrators; and
- \$35 million against the replacement of the Administrators.

The Chairperson adjourned the meeting for a brief period in order to finalise a list of valid proxies and determine those present who (if any) are not entitled to vote.

A vote was then conducted in accordance with IPR 75-110 and IPR 75-115.

The meeting was re-opened at 3:57 pm and the Chairperson advised that the results of the poll were as follows:

- 659 votes in favour of replacing the Administrators representing a dollar value of \$659.00.
- 661 votes against the replacement of the Administrators representing a dollar value of \$225,054.53.

The motioned was declared failed.

13 Committee of Inspection (COI)

The Chairperson advised that the functions of the COI are:

- To consult with the Administrators about matters relating to the Administration; and
- To receive and consider reports by the Administrators.

The Chairperson advised creditors that Section 80-55 of Schedule 2 of the Act provides that a member of a COI must not directly or indirectly derive any profit or advantage from the external administration of the Company unless creditors resolve otherwise. Section 80-55(2) of Schedule 2 of the Act provides that a member of a COI is taken to derive a profit or advantage from the external administration of the Company if:

- The member directly or indirectly derives a profit or advantage from a transaction (including a sale or purchase) entered into for or on account of the Company; or
- The member directly or indirectly derives a profit or advantage from a creditor of the Company; or
- A related entity of the member directly or indirectly derives a profit or advantage from the administration of the Company.

In the event that the Administrators enter(s) into any transaction with a member of the COI that may result in that member deriving a profit or advantage from the external administration of the Company, it will be necessary for creditors to consider a separate resolution to consent to that arrangement.

The Chairperson then tabled nominations received for the COI and called for any additional nominations. The Chairman noted that the nominations received included details of any transactions which those nominees contemplate entering with the Company during the external administration.

The Chairperson read the nominations received.

It was proposed by the Chairperson that a Committee of Inspection be appointed comprised as follows:

| Committee member name | Representing |
|-----------------------|--------------|
| Andrew Baxter | Self |
| Rodney Morris | Self |
| Bradley O'Hara | Self |
| Jody Ellis | Self |
| Peter Wilson | Self |

The motion was declared carried.

14 Closure of meeting

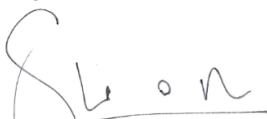
There being no further business, the Chairperson thanked those present for attending and reiterated that the Administrators intended to seek a 90 day extension of the convening period with a view to holding a second meeting of creditors in early April 2019. However, in circumstances where the extension is not granted by the Group, the meeting will be held on or before 2 January 2019. The purpose of the second meeting of creditors is to receive the Administrators' report as to the Company's business, property, affairs and financial circumstances, and resolve:

- Whether the Company should execute a Deed of Company Arrangement; or
- Whether the administration should come to an end; or
- Whether the Company should be wound up.

The Chairperson advised that a circular would be forwarded to creditors advising them of the next meeting.

The Chairperson declared the meeting closed at 4:05 PM.

Signed as a correct record.



Stewart McCallum
Chairperson

Annexure A – Transcript of First Meeting of Creditors

START OF TRANSCRIPT

Stewart McCallum: Good morning, ladies and gentlemen and welcome to the first creditors' meeting of Halifax Investment Services Proprietary Limited. My name is Stewart McCallum. I'm one of the voluntary administrators of Halifax. I'm joined here today by my co-appointees Morgan Kelly and Phil Quinlan and also by David Proudman from JWS who are our legal advisors in this matter.

I'll be Chairman of the meeting this morning and I announce the meeting open at three minutes past 11.

I'll give you a little bit of background about myself and the firm. I'm a registered liquidator, chartered accountant, member of the Australian Restructuring, Insolvency and Turnaround Association, Victorian committee member of the Turnaround Management Association and a certified fraud examiner.

I'm a partner of the firm of Ferrier Hodgson which across Asia Pacific has 30 partners and approximately 300 staff. We've got offices throughout Australia and in Singapore, Japan and Malaysia. We've also got affiliations across Europe, the UK and the US.

Our firm's experience in matters like Halifax, unfortunately for you people sitting in the room today, runs deep – and I say unfortunately because I'll say at the outset I suspect as investors you're in for a pretty long road. Recently, we've been the appointees of Sonray Capital Markets, Opes Prime and Allco Finance Group. We can go all the way back to Pyramid Building Society in the '80s and there's been a lot of other jobs in between.

I've been intimately involved with Sonray Capital Markets since we were appointed in 2010. That matter still hasn't been resolved, and it went all the way to High Court to ascertain the positions of the various

different classes of investors, including who is entitled to receive what amount of the funds that were on hand.

There's a very strong correlation between the fact set and the platforms and the products offered between Halifax and Sonray, and I say that to again give you a feeling that this is likely to be a situation that resolves over a period of many months rather than weeks.

There are some statutory items that I need to get through today so if you could bear with me, there will be an opportunity for creditors to ask questions of me. The way that question-and-answer session will work is that through Link Market Services, who we've engaged to more or less manage the whole process of compiling proofs and proxies on behalf of creditors and investors, they have come up with a list of the top 10 frequently-asked questions that investors in particular have been asking. I will run through those questions and provide our responses to those, then there will be an opportunity for the people here in the room to ask me questions directly.

We've also then got a web facility set up so that there are investors all around the world who have been able to login to this meeting to listen to it and put questions forward, and so there'll be some questions from that part of the audience .

Another couple of things that I'd like to mention. This meeting is being recorded both from an audio and video sense, and a translation of the presentation that I'll take investors and creditors through in a minute has been translated into Mandarin and is available on the Ferrier Hodgson website.

I note that I will act as Chairperson in accordance with Insolvency Practice Rules (Corporations) 2016 (**IPR**) 75-50. I table the attendance register and that attendance register is open for any creditors to peruse after the meeting has finished, but I advise that a quorum in accordance with IPR 75-105 is present.

I advise that this meeting has been called in accordance with the Notice of Meeting dated 26 November 2018, having been advertised

on the Australian Securities and Investment Commission insolvency notices on 26 November 2018 in accordance with IPR 75-40.

On 26 November 2018, the Federal Court of Australia issued us with a court order confirming that the initial Notice of Meeting could be issued to all known creditors by email, which has been done. I advise that in accordance with IPR 75-30, the meeting is being held at a time, date and place convenient to the majority of persons entitled to receive notice of the meeting.

I do have a presentation that I will follow here so that we don't lose track.

Before I get onto the purpose of the meeting, a couple of other things that I would say. If you could please turn your mobile phones off during the meeting. I'm not sure whether there are any media in the room but if there are any media in the room can I ask you to leave please. There will be an opportunity – if there are any media in the room, and it doesn't look like there is – for you to ask me any questions at the conclusion of the meeting.

The people in this meeting will have either a yellow attendance card or a blue attendance card. The blue attendance card indicates that you're an observer only. If you hold a yellow attendance card, you've been admitted as a creditor and are entitled to vote at the meeting.

In terms of an agenda for the meeting, there are some procedural matters that we need to get through. I'll provide a description of the voluntary administration process. I'll provide an update of the Company's history and the circumstances leading to our appointment as administrators on 23 November. I'll tell you what we've done in the last week-and-a-half since appointment. We'll then get onto the questions and then finally there will be the resolutions.

In terms of the resolutions at this first creditors' meeting, there's two things that creditors need to address and vote on. The first is whether we should be replaced as voluntary administrators and the second is

whether a committee of inspection is formed. I'll address each of those points later in the meeting.

Can I table a number of documents now, please:

- the instrument of appointment of joint and several voluntary administrators to the Company dated 23 November 2018;
- the notice of the meeting of creditors dated 26 November 2018, which was forwarded to all known creditors of the Company;
- the court order issued by the Federal Court of Australia dated 26 November 2018 dealing with our ability to issue notices via email;
- circulars to creditors dated 26 November 2018 for the Company, again which was forwarded to all known creditors of the Company;
- the notice of appointment and first creditors' meeting as it appeared on the ASIC insolvency notices website on 26 November 2018;
- the declaration of independence (relevant relationships and indemnities), which I'll refer to as the DIRRI, dated 23 November 2018, which was included in the circular to creditors of the same date and lodged with ASIC on 23 November 2018;
- the replacement DIRRI, dated 27 November 2018, which was uploaded to the Ferrier Hodgson website of the same date, and lodged with ASIC on 28 November 2018.

I'll note here that the replacement DIRRI was done to just update following our appointment over Halifax New Zealand, which occurred on 27 November. I'll also table the attendance registers which contain the creditors' and observers' registers. Again, they're available for inspection at the conclusion of the meeting.

I'll table our DIRRI dated 23 November 2018 and the replacement DIRRI dated 27 November 2018. I'll note a couple of things, first that that declaration was provided to creditors with the notice of the meeting.

Andrew Baxter: You mentioned that we're under a quorum. On what basis is that? You also mentioned that there is a list of attendees. Can we get an idea of the proxies that are being held by all parties?

Stewart McCallum: What I should have said at the start is if there are any questions if you could identify yourself, please and who you hold a proxy for for the minutes.

Andrew Baxter: Andrew Baxter. Proxies 157 and 158 are the proxies that I have. The question, to repeat that, was you mentioned there's a quorum. What is the basis for that? Second, in terms of the attendees, granted there's a table of attendees being presented, but who is actually representing who here? What proxy votes, including the Chairman, are being held in the room right now?

Morgan Kelly: . The proxies are being processed at the front door at the moment. Link Market Services are still processing those proxies. We have the attendance schedule that we have cut-off as of 11 o'clock , and if you'd like to inspect them, we can call for an adjournment so you can inspect that attendance register at any time.

Questions are being directed through the Chairman so it's up to the Chairman to decide whether we have that adjournment but if you'd like to inspect these documents at any time they're here and available for inspection.

Stewart McCallum: The replacement DIRRI dated 27 November 2018 was uploaded to the Ferrier Hodgson website and included additional information about our appointment to Halifax New Zealand.

I'll table the administrator's report to creditors dated 26 November 2018. Now I'll take you through some slides around the administration process, background of the company and the events leading up to appointment.

We were appointed Administrators on 23 November 2018. The slide on the screen (and available on the Ferrier Hodgson website) provides a bit of a snapshot as to the timing and the steps in the process. This first creditors meeting is being held within eight business days of the appointment and as I said earlier it's up to the creditors to decide today whether to replace the administrators and/or whether to appoint a committee of inspection.

Our main task during the administration is to investigate the affairs of the Company in order to be able to provide a report to creditors prior to the second creditors' meeting, which sets out in some detail the circumstances leading to the appointment of us as administrators and also our recommendation as to what we believe the best course of action is. That falls into three buckets. The first is that a deed of company arrangement or a restructuring deed is executed, or that the company is liquidated or that the company gets handed back to directors. That third option is extremely rare and is usually only in the case where the company is still solvent.

In this case, our intention is to not hold that second creditors' meeting within 25 business days. To make it clear to the creditors here today, we intend to make an application to the court within the next week to 10 days seeking an extension of the convening period for 90 days. What that means is instead of the second creditors' meeting being held in the first few days of January, we will be looking to hold that meeting by the end of March. There's a number of reasons for that. The first is that we don't think within the existing timeframe we're going to be able to give creditors a sufficient picture about exactly what has happened, and in fact, by four or five weeks we probably won't know what investors are entitled to, where they might sit vis-à-vis Australia versus New Zealand. There are lots of complexities.

If I can pause and map out the way that this process has worked on Sonray and Opes and other jobs, it is going to be a fairly legally intensive and court intensive process to ascertain:

- (a) whether there are different classes of creditors, investors;
- (b) whether they have different rights;
- (c) whether any of those classes of investors can actually trace through to ultimate ownership of the shares;
- (d) whether there's been any co-mingling of funds in circumstances where it is clear there is a deficiency between what investors are owed and what is there at the moment.

That deficiency, based on our initial investigations, looks to be in the order of between \$10 million and \$20 million. All of those things require input from the Courts, and all of those things are likely to require the input of different classes of creditors to assist us through that process. For that reason, we're going to seek an extension of the convening period for 90 days.

Even though I'll hold questions until the end, if anyone has any issues with that, please don't hesitate to raise those now.

Paul Wilson: I'm Paul Wilson.

Stewart McCallum: Hello, Paul.

Paul Wilson: What do you want from me, who I represent?

Stewart McCallum: Yes, please.

Phil Quinlan: Could I get you stand near the microphone, just because we've got people on the webcast who won't be able to hear that. There's two microphones in the audience.

Paul Wilson: My name is Paul Wilson. I'm representing my own self-managed super fund. You said there was a \$10 million to \$20 million deficit there perhaps. I'm imagining that the accounts of the investors are separate (as per ASIC regulations) to the Company. Are you saying there's a \$10 million to \$20 million deficit from the Company and meeting their requirements for debts, or are you saying there's some fraud in the way the accounts have possibly been managed and due to leverage issues on the trading or whatever, that there's a \$10

million to \$20 million deficit in the trading or the individual accounts of investors.

Stewart McCallum: I'm not suggesting there's any fraud because we've only been in the seat for a week-and-a-half. What I am saying is there is a deficiency in investor funds of between \$10 million and \$20 million based on our initial investigations.

Paul Wilson: Can I just ask you another question: who called you in and for what reason?

Stewart McCallum: The Director, Jeff Worboys called us in. He called us in following the external accountants of Halifax, being Moore Stephens, identifying a deficiency in those client funds.

Now, what we might do is take one more question now, but there will be an opportunity at the end. I've got to get through some of the statutory items and I suspect a lot of the questions may be answered, but after this gentleman's question if we can hold questions until the Q&A session, please, that would be appreciated.

Darrius Patrick: My name is Darrius Patrick. When you mentioned that figure, would you be able to tell us what is the total amount?

Stewart McCallum: Total investor positions at the moment are about \$210 million. That's what investors are owed based on open position and closed positions, and I'll come to that in a minute. The cash and the securities available to satisfy that \$210 million amount at the moment sits between \$190 million and \$200 million. That's how we come up with that deficiency of \$10 million to \$20 million.

Again, I say that number may well change. We're a week into sifting through books and records but it is clear that there is a deficiency and a sizeable one.

Andrew Baxter: I appreciate you said no more questions. I just wondered, can you give us some time potentially on this and possibly request a bit of time via an adjournment? You mentioned before that the votes are being

counted outside. I just want to ask a question in regards to proxies which won't be possible to answer from you I would think until that count has been done. With the proxies in the room, I'd understand that the Chairman is carrying a fair weight of that. The question I have to ask is of those proxy votes held by the Chairman, how many of those have been papered on the Ferrier Hodgson paperwork that was sent to clients, and out of those proxy votes held by the Chairman, how many of those were completed on the paperwork that was sent out by Australian Mutual Holdings?

The reason I ask that is the paperwork sent by Australian Mutual Holdings was pre-completed defaulting the Chairman as having the vote and voting against for all resolutions. Given the fact that, without besmirching anyone's intellect in the room or elsewhere, the vast majority of Halifax Investment Services clients are everyday people. They are not sophisticated investors, they're everyday folk and sometimes it's very easy just to sign a form and get it back in, not necessarily fully understanding the ramifications. As such, it might be worthwhile for us to take an adjournment until we've got those numbers so we can see because that will be very, very important when it comes to several of the motions that are going to be discussed today.

Stewart McCallum: Sure. We don't need to take an adjournment. The answer to that is very simple. We were queried by Link Market Services as to what they should do if paperwork came in on Australian Mutual Holdings letterhead and we were very clear that they were not to be counted, that the forms submitted by investors and creditors had to be the forms that we sent out.

Andrew Baxter: Was that email authorised that was sent out? Because it creates an awful smell.

Stewart McCallum: It wasn't authorised at all. We weren't aware of it until Link notified us of it.

Thank you. Now, if we can just hold questions until the end, otherwise we won't get through the things that we need to.

Halifax was formed in 2001. The current shareholders are listed there on the screen being Hong Kong Capital Holdings Proprietary Limited, Jeffrey John Worboys, Blunsdon Capital Management Proprietary Limited and Australian Executor Trustees Limited. The current Director is Jeffrey John Worboys and he's been the sole Director of Halifax since 1 March 2018.

In terms of the structure, you have Halifax Investment Services, which is the Australian entity, owns 70% of Halifax New Zealand Limited (**Halifax NZ**). We've been appointed, as I said previously, as administrators over Halifax NZ as well. There is also a business called Halifax Asia which operates in China. Now, that's not part of our administration, although there are quite a large number of Chinese investors who have been impacted by this, because Halifax Asia as we understand it, introduces clients onto the Halifax Australia or Halifax NZ to enable them to trade. The Administrators are undertaking an investigation as to where the Chinese investors fit in the Administration.

Investors were able to invest in options, futures, shares, foreign exchange, CFDs and over-the-counter products for derivative products for non-listed entities.

Halifax had three Australian offices, in Melbourne, Sydney, and the Gold Coast. The Melbourne and Gold Coast offices have been closed so there's now one office in Sydney and one office in Auckland.

On appointment, there were 15 employees, 14 of which were based in Sydney and one located in Shanghai. During the first few days of the administration we terminated six employees. The employee based in Shanghai is helping us to understand exactly what is happening in China. She's acting as an important conduit to those Chinese investors who have been affected.

Employee numbers will be revisited over time. It's not likely that we'll need all of those employees for months and months but in the near term, we do and they are helping us to piece the puzzle together.

There are three trading platforms operated and offered by Halifax. The first was Interactive Brokers. That was a white-label system which enabled investors to trade in shares, and all of the data and the trade information is held on Interactive Brokers servers. It's split between Australian and New Zealand databases and trades in New Zealand dollars as well as Australian dollars. Interactive Brokers have been incredibly helpful to date in terms of providing us with information to enable us to commence the reconciliation process.

The MetaTrader 4 (MT4), platform, is the most utilised platform in terms of active investors, which I'll illustrate on the next slide in a minute. Investors trade in foreign exchange and indexed CFDs, largely on MT4. There are two types of investors on MT4, and MT5 for that matter, "A book" and "B book". The positions taken by the B book investors were not hedged. Halifax allowed B book investors trade as is and win or lose accordingly. The "A Book" investors were typically the more sophisticated traders, , who were trading larger sums of money, often at higher volumes.

In relation to the A book clients, Halifax would enter into a reverse position with an external third party to effectively hedge the positions taken by the A book clients. Halifax made a return on the "B book" client losses on the MT4 and MT5 platforms. In relation to the "A book" clients, Halifax generated revenue not through client losses but through commissions and investment fees. MT5 was set up in 2016 following the migration away from the Saxo platform. Until 2016, Halifax investors were able to access a white-label platform being run and operated by Saxo Bank. That arrangement ceased in 2016 and all of those investors were transferred onto the MT5 platform. It is similar to MT4 but MT5 also allows stock purchases to be made.

In relation to the profile of investors across Australia and New Zealand, we understand that there are about 12,500 active accounts. That doesn't mean that there are 12,500 individual investors because some investors may have more than one active account, but you can see from that slide on the projector that in terms of the active accounts, 5,800 of those are active on the MT4 platform, 2,500 on MT5 and a bit over 2,000 on each of Interactive Brokers Australia and New Zealand.

The value of the investor funds lies with Interactive Brokers. You can see out of the estimated \$211 million of client equity, \$110 million of that, (more than half), sits on the Interactive Brokers platform in Australia, \$44 million on the Interactive Brokers platform in New Zealand with the remainder on MT4 and MT5. It is worth stressing that these numbers are based on about a week's worth of work and they may change, but that's the picture at the moment.

If I can spend a couple of minutes now talking about the events leading up to the appointment.

Paul Wilson: Stewart?

Stewart McCallum: Paul, I really appreciate if we could hold the answers to the end...

Paul Wilson: I understand that and I'm going to address that statement you're making now if that's okay.

Stewart McCallum: Well, it's not really, no.

Paul Wilson: Okay. Well, I'm going to pursue it anyway because I'd like the meeting's decision – you're asking us to think of a lot of questions to ask as you're talking about stuff and it's unrealistic for us to have all these answers and questions to come at the end of the meeting. I'd like to put it to the meeting that is it okay if we do ask questions during your presentation. This man had a question to ask and he was shut down.

Stewart McCallum: Paul, I'm the Chairman of the meeting.

Paul Wilson: I'm asking you in the meeting.

Stewart McCallum: Yes, and as the Chairman of the meeting, the questions will be held until the end. If you need some paper and pen to write down questions as you go through, I'm happy with that.

Paul Wilson: Do you have that choice on behalf of the whole meeting?

Stewart McCallum: I do as the Chairman. I can run the meeting as I like.

Paul Wilson: Do we all agree with that?

Paul Wilson: It sounds like we don't agree with that. I'd still like Andrew's question asked on how many proxies you have?

Andrew Baxter: Yeah, I'd like an answer on that too.

Stewart McCallum: Well, as soon as we get that from Link, we're happy to share that information with you. All of that will be explained when we get to the voting section.

Paul Wilson: It seems to me so far, we're not happy with the way you're running the meeting.

Unknown: What have you got from last night? What numbers have you got from last night? If you've got those numbers you can tell us that anyway.

Morgan Kelly: We do, and they're available – sorry, do you mind if I...

Stewart McCallum: Yes.

Morgan Kelly: We do and the numbers are available for inspection. They have also been processed as people have checked into the meeting. When we get to the resolutions, we will display the table showing the proxy votes. That time will come in the course of the meeting. Stewart is taking you through the events leading up to the appointment and trying to explain the background of how we got here.

I understand the frustration, I understand everyone wants answers. This is a creditors' meeting, we've got some statutory things that we need to get through and some explanatory notes we need to get through and everyone is going to have an opportunity to ask questions and to speak, including asking how the voting works and what the proxies are and where they've come from. If we just let Stewart get

through explaining the situation and explaining the background, it may inform your questions even more, or it may give you even more background to help you understand what's going on a bit more to enhance your questions.

Paul Wilson: I cannot understand how you don't know what the account balances are. I can look at my account now, I can see every item on the account and and you tell me you don't know what the value is? That's rubbish.

Stewart McCallum: Yes, we know what the value is, yes..

Paul Wilson: Are they the stocks in my name or are they in Halifax's name? They should be in my name.

Stewart McCallum: They're not.

Paul Wilson: Why not? That's illegal. You said there's no fraud.

Morgan Kelly: Sir, may I just point out to you that we are the administrators. We're an independent party. We're trying to work out where your money is and get it back to you. We didn't engineer the situation; we're trying to explain to you what we've come to understand over the last few days since we've been appointed administrators.

Our role is to identify what funds are comingled, what funds can be identified and how to trace them and to get your funds back for you. That's our job, to find out where your money is and get it back to you. We can't talk to how or why these accounts have been set up in the way that they've been set up. We can tell you what we've found and what steps we're going to take to try and get your funds back to you and identify exactly what monies are allocated to you.

Stewart McCallum: Thanks, Morgan. This section on background of the Company is only going to take another couple of minutes.

Halifax commenced operations in Australia in 2001 and in New Zealand in 2012. Halifax also traded in the US commencing in 2013, but ceased trading in the US shortly thereafter due to some queries by the US regulator. As previously discussed, in 2016, there was an

integration from Saxo into MT5 and in October 2017 Halifax commenced trading in Asia.. As previously noted, there are a significant number of investors that are based in Asia.

In the days leading up to our appointment, a deficiency in Halifax client accounts were identified by Moore Stephens (Halifax's accountants)

Since the date of appointment, the Administrators have frozen all bank accounts and secured company assets. This has been important for us on the basis of what we know from previous engagements. Until we know which particular groups of investors are entitled to which groups of funds or shares, it's just not feasible, to allow new trades to be entered into on the basis that this may impact the ultimate outcome for all investors.

We've taken a forensic image of all of the Company's computer records and laptops and interviewed the Director and staff. We're meeting with ASIC and ASIC's equivalent, FMA, in New Zealand on a daily basis. We have also obtained a Court order to circulate the Notice of Meeting via email which required an urgent application to the Federal Court.

The analysis of data in relation to each trading platform has been undertaken. That remains subject to some third-party verification but that's how we've arrived at the \$211 million worth of investor claims. The investigations have commenced and there have been various other pieces of work as set out there on that slide.

I will now go through a number of frequently asked questions and then will open up to the floor.

The first question is what happened to Halifax and why and I've explained that and I don't intend to go through it again unless there's any creditors would like me to.

What is the administrator's role?

It's effectively to take control of Halifax. The Director's powers are usurped upon the appointment of the administrators and we are in control from that point in time. We are required to secure Halifax's assets, which we've done. We have also taken a forensic image of all laptops and computer information which will be very important as we go through the process of unravelling just who is entitled to what.

What is the status of the investor's trading positions?

Again, from the date of appointment we stopped the ability for investors to continue to open trades or to actively trade. We set the accounts into close-only mode, which means that investors can close out on any positions that are open if they choose to do so. We're not providing any advice as to whether investors should do or shouldn't do that and nor are the remaining employees at Halifax.

Will I get my money back?

At this stage, there will be some money returned to investors. Of that, there is no doubt, and the headline numbers speak for that. If there is approximately \$211 million worth of claims and there's a deficiency of \$10 to \$20 million, there will be a significant pool of funds to repay to investors. What is not known at this stage, is what the claims of each individual investor or each class of investor is. Halifax's bank accounts have also been frozen to accept deposits but no money can be withdrawn.

How do I close out my position?

Simply by logging into the platform as you ordinarily would do. The platform is still open to investors using the same login details, but investors may not enter into new trades.

Shares are held in my name so why can't I just sell those shares and withdraw the funds?

As previously noted, all the share transactions have been suspended at the date of the appointment of administrators. Investigations are being undertaken now to identify, as I keep saying, exactly what

investors are entitled to and, whether there are any classes of investors that can trace through, or whether all investors are tainted by the deficiency in the client accounts.. Ultimately, what the High Court found in the Sonray case is that with a very small exception, all of the investors in that case were impacted by the 'taint' and the deficiency.

Another point to make on that, which was the gentleman's question before, the funds are held in non-disclosed accounts with Interactive Brokers. Interactive Brokers don't know the identity of any of the investors. None of the investors could go to Interactive Brokers and make a direct order. All trading was done through the Halifax platforms as non-disclosed investors. It's a very difficult legal argument to have and just to dwell on this point again, the Federal Court in Sonray found that there was not an ability for any investors to trace. The Full Federal Court found that some classes of investors could trace and the High Court then threw that out. You ultimately had nine judges looking at it and the numbers were five to four. That's how difficult a legal question it is to answer.

My investments were undertaken through Interactive Brokers into a segregated account. Is my money safe?

The answer is the same as the previous question. We don't know yet and it is possible that the deficiency in some bank accounts will taint some other bank accounts if funds have flowed through one account into another.

What will happen if I don't close out my position?

We don't know, and the Administrators are unable to provide investment advice as to what you should do in terms of closing out or not. I don't know ultimately how any 'wins' or 'losses' that arise from the date of appointment until when the court ultimately decides here as what each investor is entitled to will be allocated. I don't know where any wins and losses between appointment and the date set by the court as a measurement date, as an example, where that falls,

whether that is an individual investor's win or loss, whether it is shared amongst the same class of investors or whether it's shared across the pool.

How will you deal with the fact that my position is moving daily based on market movements?

Again, from a practical and investment point of view, the answer that I've just given applies. I don't know. I don't know where any ultimate wins and losses between date of appointment and measurement date are going to land.

In terms of the proofs of debt, which we'll come to in a minute, investors have submitted claims based on their proofs of debt at the date of appointment. That's the starting point for our analysis of what creditors are owed. We cross-reference that information which investors have given us against the information on the Halifax platforms and the information that Interactive Brokers has given us.. It's important for us to come up with that calculation of what investors are owed, but as to where any 'wins' and 'losses' will fall, I don't know.

Why are investors also being called creditors?

At the moment, our starting position is that...

Unknown: Sorry, just a clarification. You used the word investors; do you mean clients?

Stewart McCallum: Yes, I mean clients. Clients/investors will have a claim against what I'll loosely call trust funds in the first instance. Those monies that are not Company monies but are client/investor monies, and to the extent that there's a shortfall, which we know there will be, clients will then be able to claim in the Company as unsecured creditors for the shortfall. That's why those terms are used. But in the first instance, investors/clients will have a claim to the client monies and if there's any shortfall then there's the possibility of a claim against the Company.

How long will the process take?

As Morgan said very well before, the Administrators key role is to act for all of the creditors equally. There's no secured creditor in this case so there's no bank involved. We are here working to understand every individual investor's position and what they are entitled to claim as quickly as we can. But I'm also not up here to sugar coat it. We've been in enough of these jobs to understand that there is likely to be heavy involvement from the Courts over a long period of time. I'd like to be able to tell you something different but I can't.

Unknown: What does it mean, lengthy in time? That's months, years?

Stewart McCallum: It could be years. If we use Sonray as an example, it started in 2010. It took three-and-a-half years for the courts and the High Court to ultimately decide on who was entitled to what.

I'd like to have a better story around timing or a better message around timing but it's not my job to sugar coat it. You're likely in for a long haul.

What if I've invested through a self-managed super fund? You're still in the class of clients and investors. Nothing changes as to whether the investment has been through an individual account or a corporate account or a self-managed super fund account.

I'm a broker. Will my commissions be paid?

As a broker, unpaid commissions are an unsecured claim against the Company, so they're Company claims, they're not claims against the client money accounts.

Are the administrators able to make a claim against the Directors' professional indemnity insurance policy?

I don't know. We have requested our insurance brokers have a look at all of the insurance policies that are in place at the moment, and we'll be working on any recoveries that we can get to come back to investors.

Barry Grady: I'm Barry Grady representing myself. Interactive Brokers have insurance cover through SPC (sic – SIPC). Has that been taken into account?

Stewart McCallum: It's being explored, absolutely. We've instructed our insurance broker to get into contact with SPIC (sic – SIPC). just to understand whether there's any recoveries there.

Barry Grady: There's limits there of US\$500,000 per account.

Stewart McCallum: That's being explored.

How do I know if I'm a creditor of the Australian entity or the New Zealand entity?

It is not immediately apparent from the Halifax books and records because there are some resident New Zealand investors for example who have been investing on the New Zealand platform and other investors in New Zealand investing on the Australian platform and vice versa. We're in the process of trying to unravel that.

What is ASIC doing?

Understandably, ASIC is taking a very, very interested role in this Halifax situation and the Administrators are meeting with them on a daily basis. At the moment, we've got an Australian Financial Services Licence (**AFSL**) which is still in operation. ASIC is deciding what they want to do with that AFSL and really, there's a couple of options. One is that they suspend that AFSL and the other is that they cancel it. There's some correspondence and ASIC needs to make a decision about that.

One of the things that we are working with ASIC on is making sure that we don't do anything to jeopardise investors still being able to close out.

I will now open up the meeting to questions from the floor.

Andrew Baxter: Firstly, thank you, Stewart and Morgan. I appreciate you guys are in a fairly unenviable position of a thankless task in putting this together. That is appreciated.

A couple of questions which I appreciate you may or may not have answers for today but perhaps if they're minuted, they can be put up on a website and fired out to those in attendance and those listening in.

In the first instance, you've talked about a \$10 million to \$20 million loss, which obviously is substantial and it's also quite a wide gap, it's \$10 million or \$20 million, it's a big difference between the two. What's the timeline for that discovery? It's not like that's going to drop down the back of the couch. Is that something that's happened over a period of time or did it immediately just come out from a particular trading loss?

Stewart McCallum: I'll have to take that on notice, Andrew. I don't know.

Andrew Baxter: Okay. The alternate to that is...

Stewart McCallum: Sorry, if I can just add, the way we've calculated that \$10 million to \$20 million, as I explained before, it's a comparison of the \$211 million worth of investor positions and what's actually available now. What we haven't got to yet is what the specific circumstances were that resulted in that, whether there were monies being diverted from investors' funds to Company funds, whether there were bad trades. We just don't know.

Andrew Baxter: Is it attributable to a specific or a variety of supplier invoices? Is this orientated towards trading or is it supplier invoices falling due and unable to be met?

Stewart McCallum: I don't know.

Andrew Baxter: Does that mean that the statutory reporting has been inaccurate and if so, over what period of time and what are the regulatory issues?

Stewart McCallum: This is certainly something we're having a look at and that's right at the top of ASIC's list as well. They want to understand what breaches of the AFSL have occurred and we've got 10 business days from when we identify those breaches to report those to ASIC. That work is being undertaken.

Andrew Baxter: I'm sure it is. As I say, if it's possible to get this communicated, that would be good.

Stewart McCallum: Sure. Absolutely.

Andrew Baxter: And without wishing to monopolise, there's a few more, I'm afraid. With regards to the payment for Ferrier Hodgson and the lawyers, how is that being attended to and what's the budget that's been set aside for that?

Stewart McCallum: It's a good question. Administrator's remuneration and costs typically they come out of the available Company funds. To the extent that we're dealing with investor positions, one of the things that we will need to do, is make an application for directions from the Court as to where we should appropriately draw our remuneration and expenses from.

It may be that the Court says well – and these are all hypotheticals but based on recent experience – the court may say well, (hypothetically) that the Administrators should exhaust all of the Company funds first before we start utilising investor funds. The Court may also direct the Administrators to split up our time costs very clearly in order to accurately record Company- side and investor-side tasks. It may be that the Court thinks it is appropriate for your fees to come out of Company funds over here to the extent and some out of investor funds. We will not know this until we have made the application to Court.

In relation to the second part of your question, in our initial notice to creditors we estimated fees for the five week Voluntary Administration period of \$250,000. It has become clear, even after a week, that the estimate is going to be exceeded quite significantly. Our estimate at the moment, taking into account the extension of the convening period for three months is that that administration fee until the end of March 2018 is likely to be in the order of \$500,000.

Andrew Baxter: I guess leading on from the source of it, and you're going to have to dig deeper in terms of pro rata of the losses or the \$10 million to \$20

million, how much of that are from trading activities and trading-related issues and how much of that is from let's say potential financial mismanagement within the business?

Stewart McCallum: I don't know.

Andrew Baxter: Do we have a figure, by the way, of the value of Company funds under management at the moment? Is it that \$211 million approximately?

Stewart McCallum: The \$211 million is the investor positions.

Andrew Baxter: As in cash covered or physical?

Stewart McCallum: No. That's the number that should be cash covered or security covered, but there's cash and securities there to cover between \$190 million and \$200 million of that \$211 million.

Andrew Baxter: What insurance is available to make good on any losses?

Stewart McCallum: That's being explored through the insurance broker so there might be SIPC insurance, directors and officers insurance etc. I don't have an answer for you but our insurance broker is exploring it.

Andrew Baxter: Okay. Second to that, what insurance is available to make good or pay out any claims made against the Directors?

Stewart McCallum: Same answer.

Andrew Baxter: In regard to the Company's Chinese activities, are the bank accounts over there frozen?

Stewart McCallum: No. We don't have any control over those Chinese bank accounts because we're not appointed over the Chinese entities. We are trying to confirm exactly how much money is sitting over there in China. We don't have a view of that yet, and our employee over there is working to get us that information.

In practical terms it's going to be difficult for us in circumstances where we're not appointed over those bank accounts. My gut feel is that I think it's going to be difficult for us to repatriate any money out of China. If we're shooting at a small amount, (for example \$50,000) it

may not be worth the time and effort to repatriate those funds. However, if there is \$5 million sitting there, that's a different question altogether.

Andrew Baxter: Part of the administration process you've mentioned in your organisational chart was Halifax Asia so isn't that the company that has control of those bank accounts?

Stewart McCallum: It is, but it's not part of the voluntary administration. That's why it's sat outside that dotted line.

Andrew Baxter: Is that company a creditor? Is it registered as a proof of debt or anything like that at this point in time?

Morgan Kelly: Halifax Asia is a debtor. Halifax Investment Services Australia put Halifax Asia in funds to pay working capital.

Andrew Baxter: Sorry. I just missed what you said, Morgan. Can you say that again?

Morgan Kelly: Halifax Australia put Halifax Asia in funds to pay rent, payroll and working capital requirements. We've written to them to ask for that money back but Halifax Asia is a debtor to Halifax Australia, so they owe us money, and we are trying to recover that. Part of the flow-through is the funds in China, which we understand are more in the order of \$100,000 than \$5 million. We haven't been appointed over those entities so we have no control and no standing to be able to demand those funds. We know that money has gone over there and we are we're trying to get that back, but we can't write to the bank and request a statement because we're not appointed administrators there.

Andrew Baxter: Halifax Asia and Halifax Australia have common shareholders, do they not?

Morgan Kelly: I beg your pardon?

Andrew Baxter: Those companies have common shareholders, do they not?

Morgan Kelly: I beg your pardon?

- Andrew Baxter: Those companies, Halifax Asia for example has common shareholding to several of the other companies that you're acting in VA for.
- Morgan Kelly: Yes – do you mean the shareholders are the same as the shareholders in Halifax Investment Services?
- Andrew Baxter: Mm.
- Morgan Kelly: Yes, that's correct.
- Andrew Baxter: Or largely, not quite, but almost.
- Morgan Kelly: Look, I'd need to look at the organisation chart but I believe that's the case.
- Andrew Baxter: Okay. In regards to conversations with Moore Stephens, have you guys had the opportunity to speak with Moore Stephens, particularly in terms of the operations of the Halifax business and the accuracy of the Company's financial records?
- Stewart McCallum: Yes, we have. We've had many discussions with Moore Stephens and one meeting last week. We expect that there will be many more meetings in the future and that Moore Stephens will play an important role in helping us piece this together.
- Andrew Baxter: In regards to Australian Mutual Holdings, obviously there's a lot of mutual clients that spill across both groups, and again common shareholdings in this case is true between AMH and Halifax. How does that affect the clients of AMH that for example are invested in say Trident Growth Fund, that would have its broking account with Halifax?
- Stewart McCallum: I don't know anything about AMH at all. It's obviously not part of the voluntary administration process.
- Andrew Baxter: Company asset value in its own right, do we have a ballpark idea of what that number could look like, give or take?
- Stewart McCallum: I don't but I can take it on notice.

Andrew Baxter: Are you going to be calling a shareholder meeting of the Asian company and appoint a voluntary administration for that?

Stewart McCallum: We haven't considered it. The first step is to understand exactly what amounts are there sitting in China and in Asia and work out how we best get that back. It's a possibility but we haven't turned our minds to it. We've been frantically trying to get our heads around exactly what investors are owed.

Andrew Baxter: Okay. Finally, and I appreciate it's probably not the bastion of accurate news but I noticed online a story the other day and it reported that one of the Directors – former Directors, should I say – has relocated back to the UK. Whether that's true or not, I don't know. I just wondered if there are any restrictions on Mr Worboys' travel throughout this period given the fact that there are business interests in Asia and he's obviously been travelling in that area for some time, both personally and for business.

Stewart McCallum: Mr Worboys surrendered his passport to us at the time of appointment. He wasn't obligated to do that but he has done that.

Andrew Baxter: I think that's me for a few minutes, guys. Sorry for monopolising.

Stewart McCallum: Thank you.

Jody Elliss: Jody Elliss from Investor Centre, proxy cards 7 and 8. First off, I just want to table, a concern that I have with regard to the proxy forms. We contacted more than 150 clients directly in the last three days and we lodged more than 30 proxy forms directly from clients via Investor Centre itself directly to Link Market Services. When I checked with the girl at the front desk, I am representing less than 30 proxy votes, which is less than the amount that Investor Centre lodged on behalf of clients, let alone clients who reported lodging proxy votes in our favour. There is a concern, Stewart, with regard to the proxy vote count.

Stewart McCallum: Okay. That's obviously news to me, Jody, but have you got copies of those? Because we will ask Link to update the proxy register if there has been an error.

Stewart McCallum: Or have you given that to Link? Are they able to update?

Jody Elliss: No, I haven't given it to Link. Is there anybody else who's got proxy votes?

Andrew Baxter: Jody, I can second that. I've got a folder. I brought paperwork with me just in case there was a problem online with approximately 170 proxy votes and that's significantly more than what the official number was that I was quoted on the way in, and that number has also been added to considerably over the last 24 hours with things coming through. We also would have a question mark over the veracity of that process in lodging proxy votes with nominees.

Stewart McCallum: Okay. As I say, that's news to me. We've used Link Market Services on these engagements before and have never had a problem. If you need me to adjourn the meeting for a short period of time while you gather up that paperwork and make sure Link has it, I'm happy to do it.

Morgan Kelly: There was an 11 am deadline yesterday. Would that have anything to do with this issue?

Andrew Baxter: Yes. Unfortunately, I am concerned about that. We're Queensland-based and the staff made sure everything was in by 11am, .

Morgan Kelly: So you did have everything in before 11am?

Andrew Baxter: but it was 11am Queensland time so that could describe part of the deficiency for our direct process.

Morgan Kelly: Okay. Link Market Services specialise in shareholder meetings and creditors' meetings so they do have systems and procedures in place and they were processing a backlog of claims through until late last night. Look, as Stewart said, we can certainly have an adjournment and look at your proxies, but the cut-off might explain part of the difficulty you're having.

Andrew Baxter: Okay. We don't need to have an adjournment at this stage, I think we can get everybody's questions out of the way. Just a comment, Stewart. Information that we've had indicates that any discrepancy in

funds may have come since the implementation of the Asian office.
You haven't been in there long enough to...

Stewart McCallum: No, I haven't, but that type of information is really important to us.
When we come to forming a committee of inspection, one of the committee of inspection members' roles will be give us that type of information because we need to be investigating exactly what happened and where this money went so that we can report back to creditors. Any information of that nature is gratefully received.

Andrew Baxter: Okay. We have a number of clients who we term investors who purchase shares for superannuation and long-term income. Legal advice that we've had is that should they close out the positions they would substantially weaken their claim. Have you got any comment on that?

Stewart McCallum: No, I don't, other than to say ultimately that will be something for a court to decide where those wins and losses go. I can't give investment advice or opine on that.

Andrew Baxter: I understand that. Could I just ask you to make a comment with regard to your reference with Sonray that the majority of the issues with Sonray did not relate to physical shareholdings?

Stewart McCallum: They did.

Andrew Baxter: They did?

Stewart McCallum: Yeah, they did. The causative issue didn't relate to the shareholdings because the shares were there, largely. The causative issues in Sonray were around CFD trading and margin FX. What happened in Sonray was the taint of that loss from the CFDs and margin FX infected the shareholdings as well.

Andrew Baxter: Okay. The High Court then ruled that the shareholdings were part of the loss of the derivatives?

Stewart McCallum: That's right, with a very minor carve-out but in general terms, that's right.

Andrew Baxter: That's it from me. Thanks.

Stewart McCallum: Thank you.

[Dion Sauer]: My name is Dion Sauer and I'm representing myself for the super fund. I've got a few questions. The first one, and I may have misunderstood you, but you said it's unclear the investors' money that is not in their own name. When I go into Interactive Brokers, it is very clear it's held in my name. Halifax actually has nothing to do with it. So, I'm a bit puzzled why you say it's unclear what everybody's position is.

Stewart McCallum: The way you look at it, that's right. You log on to the platform, you can see your name, your details and the shares that are held, but if you look at it from the other way, Interactive Brokers doesn't look back and see that information. In fact, Interactive Brokers doesn't even place the share trade. Interactive Brokers goes to another third-party custodian, or a number of them around the world, and it's those custodians that actually make the share purchase, on one view, on behalf of Interactive Brokers, on behalf of Halifax, on behalf of you as the investor. That's where the difficulty lies. Yes, from your point of view you're looking at it from the bottom up, as I say, and so yes, on the screen I can see that I've got 1000 BHP shares but looking back the other way, from the custodian to Interactive Broker to Halifax, they don't see that.

Dion Sauer: That can't be right, because I get statements directly from Interactive Brokers, so it's my account. Halifax actually doesn't come into play, so I don't quite understand this, because statements are coming from Interactive Brokers.

Stewart McCallum: Where do you do your trading?

Dion Sauer: Everything is executed by Halifax.

Stewart McCallum: Yes.

Dion Sauer: But all the shares are held on Interactive Brokers, so this visibility you are talking about cannot be true because otherwise I wouldn't get a statement if that was true what you're saying.

Stewart McCallum: I think the answer to that is, and you might have a better answer, in a minute or...

Unknown: Just a simple question. Does this gentleman's name appear on the Company's share registry?

Stewart McCallum: No.

Unknown: There's your answer.

Dion Sauer: Sorry?

Unknown: Your name doesn't appear on the Company's share registry they have invested in. It's under the name of Halifax.

Stewart McCallum: That's right. It's not under a personal HIN.

Dion Sauer: I thought I had a personal HIN, yeah. This is what we – yeah, I'm not sure whether this is actually true, whether it's not seen under the Company's...

Stewart McCallum: It may be that you may have a personal HIN because you used Halifax to obtain investment advice and then bought shares in your own name. That is what happened on Sonray although I don't think that is what happened with Halifax. Dion Sauer: I'm not actually using the Halifax login. I'm going to the Interactive...

Stewart McCallum: Straight to Interactive Brokers?

Dion Sauer: Yes.

Stewart McCallum: Okay. Well, it is possible that you've got a different scenario.

Dion Sauer: Could we investigate this or can I follow this up individually?

Stewart McCallum: Absolutely.

Dion Sauer: The second question is I'm a bit concerned this process, hearing months and years, so the question to the administrators is then how could that process be structured in maybe a more efficient way. Even starting with the first 90 days I understand there is some complexity, but I'd turn the question around. How could you be 25, 28 days,

because I think I prefer that timeline than 90 days and then from 90 days this whole process. In the interest of all, let's say creditors, how could a process like this structure to be over let's say in six months or something, not to accept that some of the past experiences have been for years, because I think that's not in everyone's interest.

Stewart McCallum: I understand that point and obviously the precedents that have been set in those earlier decisions will be important when the court goes through its adjudication and order process about what investors sit in which buckets. We're not going to be delaying time or mucking around on this, at all. We'll get this sorted out as quickly as possible, and as I say, I think things like MF Global and Sonray, they'll all come into play in terms of hopefully shortening that position but the timeframe is largely dependent on the Courts and the reconciliation and identification of the different classes of investors that may be identified and the various legal arguments put forward. I think it's going to take a longer rather than shorter amount of time.

Dion Sauer: For a start, wouldn't you be better to start with 28 days and get as much clarification as within your control. There will always be some remaining, so like percentage outstanding in terms of clarification, but yeah, really take a bit of a more aggressive target to say well, in 28 days you have a second meeting and you probably can reveal 95 per cent of your discoveries by then?

Stewart McCallum: We wouldn't be in a position by 2 or 3 January to give investors a clear view as to what's happened here. I'm confident about that. We won't be able to explain to creditors in that time, to Mr Baxter's point before about whether there were specific trades that caused this deficiency, whether there were misallocation of funds, whether it was the Asian business. Until we are able to provide creditors with all of that information, then creditors can't make an informed decision.

Dion Sauer: Well, maybe not 2 January but not March maybe either. I'm just highlighting the in overall process to look for opportunities to really structure this in an efficient way.

Morgan Kelly: Stewart is just trying to make sure that nothing is being sugar-coated and that he is being realistic with investors regarding the expected timeframe. There may well be different timeframes for different buckets of investors. There may be people for example who have been on the Interactive Broker platform who may be able to be dealt with significantly faster than people on the MT4 platform, for example. We just don't know the answers to that right now.

The other thing that I'd say is that when we say this could be an elongated process, this doesn't necessarily mean you're not going to see any money for years. What that process may look like might be interim distributions or return of capital in a staggered way until we reach the end of the process. There are also multiple sources of recovery, depending on what happens here. Should the Company go into liquidation as part of this process, then there would be extensive investigations by the liquidator in terms of what other transactions the liquidator can recover to increase the pool of funds available to fund the deficiency.

There's insurances which have already been raised. There may be potential transactions that we might look with a view to recovering funds from, and we can go back quite a long way. Liquidators have extensive powers in terms of investigating transactions. We'll be looking at all the officers of the Company, past and present, in order to identify what kind of recoveries we can make. That's what we're talking about when we say it's going to take a very long period of time. It doesn't mean we hold all the funds back until the very end and then we give you one cheque, if that makes sense. Different classes of investors may well be facing different timeframes and some may be faster than others.

Dion Sauer: Okay. Thank you for that. The third question is in relation to this form. I held off the proxy form, probably because I don't really understand the circumstances. Is that a form which – I think you didn't explain in this meeting there – is that a form which needs to be signed today or could that be held off until to see how the process is going? I'm not sure

about this implication to sign this or not sign it or keep it open until a later date.

Stewart McCallum: The time to vote on those things about replacement of an administrator and committee of inspection is today. You can abstain from voting; if you don't want to that's fine, but the time for voting on that is today.

Dion Zowa: If somebody could maybe explain to myself, committee of inspection, what that actually is exactly, what are the implications. I really want to make an informed decision in this regard.

Stewart McCallum: Absolutely. We'll finish the question-and-answer session and then I'll explain exactly what the two resolutions mean and give some information about what the powers of a committee inspection are.

Dion Zowa: All right. Thanks.

Enzo William: My name is Enzo William, representing myself and a self-managed super fund as well. I'm just not quite sure of the difference between Interactive Brokers and the MT platforms. What is the difference in terms of classification of investors through those three different areas?

Stewart McCallum: In high-level terms, the easiest way to view it is that the investors on the Interactive Brokers platforms via Halifax into Interactive Brokers hold listed shares. MT4 and the MT5 platforms, are for trading in derivative products and CFDs.

Enzo William: Sorry, could you just repeat that first part?

Stewart McCallum: Those people that invest with Interactive Brokers are almost entirely trading in listed shares.

Enzo William: But I invest through the MT5 platform and I buy listed shares.

Stewart McCallum: There are some shareholdings on MT5 but in the scheme of the investor base, more people buy shares through Interactive Brokers than MT5 but MT5 does allow you to purchase shares as well.

Enzo William: You said through Interactive Brokers, the shares are not assigned to a particular investor, they're bought in some sort of a pool. Is that the same case under the MetaTrader platform?

Stewart McCallum: It is, yes.

Enzo William: Okay. Also, one other question was you said there was a deficiency of between \$10 million and \$20 million. Now, if the majority of the funds are invested in shares and they're listed as individual shares for individual investors, is the shortfall only out of the cash funds that are sitting in the accounts? How otherwise – have these shares not been purchased?

Stewart McCallum: If we deal with the Interactive Broker shares, they've all been purchased. On one view you say well, we've got shares, we can see those shares, we're whole. As a class of investor or client we're whole, why can't we just get those back? Then you come to the legal difficulties around where the deficiency arose and whether there's any taint between bank accounts. If we talk about Interactive Brokers, what happens from the time that investors deposit funds into a Bankwest account, it goes into Bankwest through two different accounts before it gets to Interactive Brokers, so it makes its way through three or four different bank accounts.

What we don't know yet is whether any of those funds have been transferred to other accounts, what I'll call MT4 accounts, MT5 bank accounts, and therefore whether there's a 'taint' of the shortfall that carries from one bank account to another. That's as best as I can explain it.

Enzo William: Presumably if I for example have shares in Apple and I've got 100 shares in Apple and it's listed there, I may not have 100 shares in Apple?

Stewart McCallum: There will be 100 shares in Apple sitting there on Interactive Brokers through their custodian. The question that needs to be resolved is whether you have an entitlement to the 100 shares.

Enzo William: Where would it have gone to, the entitlement I mean?

Stewart McCallum: It might be infected by the shortfall in the other trading platforms and the other areas of the Halifax business.

Enzo William: I don't understand but I think I'm getting a bit of a feel.

Stewart McCallum: As I say, to come back to this High Court point, it was all around this trust relationship and tracing so you had five judges with one view and four judges on another.

Enzo William: If we close out positions, does that mean we're not closing out the positions if there's a shortfall? For example, you said we can close out positions but we can't buy new positions or withdraw funds. So, if I close out my 100 shares in Apple, do those funds...

Stewart McCallum: Yes. That cash will sit there and remain frozen.

Enzo William: Okay. Is there a different entitlement under the administration for cash in an account versus shares in my account?

Stewart McCallum: We don't know yet.

Enzo William: If I do have to sell out for some reason, if a share is going down and you want to minimise a loss, does that mean that my entitlement against cash versus shares is going to be different?

Morgan Kelly: That's what I was alluding to say when I was saying the different classes of people in different platforms will probably be treated in different ways and they have different timeframes. We don't know the answer to that yet. That's what we're trying to trace.

Stewart McCallum: We just can't give you any advice as to what to do - those 'wins' and 'losses' that might arise from investors closing out positions.

Enzo William: Notwithstanding wins and losses but just the actual cash that sits in the account. How is that treated versus the value of the shares?

Stewart McCallum: We don't know yet.

Enzo William: It's a pretty difficult situation for us.

Stewart McCallum: Yeah, it is. It is.

Unknown: What about the dividend?

Enzo: It's a good question. They just go into the account and the value goes up on the basis of the dividends that are paid.

Enzo: Okay. Thank you.

[Nino MileticMiletich]: Well, who owns the shares?

Nino MiletichMiletic: My name is Nino Miletic, proxy 168. I'm representing myself. In answer to your question, 100 Apple shares, say it was \$10 a share, you have the shares, but the losses in the other part of the business if it's a 10 per cent loss, you might take a 10 per cent haircut that's spread across everybody to recover the loss. That's what they're saying. Is that correct?

Morgan Kelly: That's right.

Stewart McCallum: That's exactly right. Thank you.

Nino MiletichMiletic: The Company accounts, we've heard about the \$10 million to \$20 million loss in the investors' positions, or uncertainty. In terms of the Company accounts itself, do you have a view to that, how much money the Company actually holds?

Stewart McCallum: It holds in the hundreds of thousands but I don't know whether that's a million, I don't know whether it's half a million but it's in that order.

Nino Miletic: So effectively, if the projected \$500,000 for administration, not including legal costs, whatever funds the Company does hold will get quickly burned through and it will start coming out of investor accounts?

Stewart McCallum: Yes. That's if the court gives an order to say you've got to exhaust those Company funds first.

Nino Miletic: Which it may not?

Stewart McCallum: Yep.

Nino Miletic: Thank you. Halifax UK is not involved in this at all?

Stewart McCallum: No. Halifax UK is not involved in this at all.

Unknown: It's a separate – it's a different company.

Nino Miletic: Different. No, good. Just coming right back to the beginning about the quorum question, on what basis was a quorum established, we never got an answer to that.

Stewart McCallum: A quorum was established based on we've got to have at least two creditors for a quorum and we've got more than two.

Nino Miletic: All right. Thank you.

Unknown: Someone asked a question about Trident before. I'm not quite sure – the gentleman back there. I got a message from Lance Spicer, who is the head of Trident, saying that the Trident investment funds were not tied up in this Halifax and they were protected. That was the feedback I got from him because I also have investments through that. Apparently, they're not invested through Halifax, they do it in some other way.

Boyd Martin: Boyd Martin, and I hold a share myself, so a proxy. A couple of my clarifications were actually raised earlier, which was when I was trying to help out some people. The interesting thing is I like that you keep referring to there being no fraud yet. Apparently, all of us seem to think a different thing, and usually that raises the question of a little bit of sleight of hand and it's just a little bit of a white lie, as they say, which usually adds up to a big fraud. As you said, you've mentioned a few court cases where it adds up to something substantial.

My question is considering the date where the ASIC registrations and all these forms of protections that investors so surely have, wouldn't the issues actually arise from that date forward as opposed to going back way in the past, back into whenever – 2011, whenever this essentially a Ponzi scheme was established to protect us investors? Would different currency accounts be affected in different ways? If you're saying the funds go through – this isn't a crypto-currency – I'll be very interested to see how you trace funds like that, but let's see.

Stewart McCallum: I'll answer the foreign exchange question first then you might need to clarify your first question. Yes, it's possible that the foreign exchange accounts will be treated differently. It's possible that when I talk about

everyone sharing the shortfall, those foreign exchange accounts may not have any taint. They might be completely separate so it's possible they'll be treated differently.

Your first reference to the date of ASIC, what...

Boyd Martin: I was more referring to the fact that there's been some questionable misconduct for \$20 million to disappear. I feel like as an investor and everyone sitting in this room, we could all start up a self-managed fund tomorrow, ask people for money and then we're insolvent and the money's gone. Anyone would like a business a like that; it sounds quite easy, apparently. The question was from the date where the ASIC filing should have been held, that would be the date forward where the deficit would actually appear.

Just for clarification, I was told about two months ago, a month and a half when I was putting my money in that this would still be safe. I actually asked. Apparently, my stomach had a gut feeling – are my funds going to be safe when I put it into here. I think when I speak for most people here, most people in this room haven't flown up from their different states, Adelaide, Melbourne where I'm from, or Queensland or wherever else, because they've put \$1000 in the account.

Most of us sit here with something where someone has told us to diversify our income, make sure we're protected by investing in shares, and in Australia apparently, that can just disappear because all our funds are held in one specific account. Oh sorry, yes, that's right. I said a few things, I was rambling. As you could noticeably understand, if your family's funds were tied up in an account you'd probably be quite pissed off, but okay.

Morgan Kelly: Stewart, can I make a comment?

Stewart McCallum: Sure.

Morgan Kelly: You've mentioned fraud, earlier. One of the things that I wanted to say to you is that we completely understand your frustration. We're at the beginning of our investigations. We're not meeting with ASIC on a

daily basis to discuss the weather. ASIC are taking this very, very seriously. There are laws in place in – Australia is a very safe investment regime because we have very, very strict laws for...

Boyd Martin: Note the laughs from the crowd.

Morgan Kelly: Could you say that again?

Boyd Martin: I said note the laughs from the crowd. I feel as investors, I know you're here to protect us. The whole purpose is that you are working hard to make sure our funds are protected, but as you'd understand, there's some noticeable irritation in the room.

Morgan Kelly: Absolutely. In the event that fraud has occurred, we have an obligation to report that to ASIC and ASIC take that very, very seriously. I think if you look at the Sonray case that Stewart was involved in, you'll be able to see the consequences to the directors of that company, which may give you some sense of how serious these situations are.

Boyd Martin: I'm just a humble lawyer that's learning the ropes as I go as well, so apparently these are life experiences. Sorry, to my point before, my point was that if the issue that arise happened in 2017, \$20 million white lie that wasn't actually there, that would be the date from the issue. It wouldn't be from a date that would be earlier in the past. But if you're saying as a creditor you would just lump everyone together anyway, that's more my question. Are you lumping everyone together regardless of the date when the issue occurred?

Stewart McCallum: No, no. We're not doing that. They're exactly the sort of questions for which we may be required to seek assistance from the Court. We put the whole fact set together and then we head off to the court and say here are investors that were whole before 2017, let's say. Here are those that are affected, here are those on IB, here's what the cash tracing has shown.

Boyd Martin: Understood. Thank you, that answers my question.

Stewart McCallum: Thank you.

Boyd Martin: Sorry just to cut you off. I think you've answered my question because when we were talking about Apple shares, someone hasn't held Apple shares for the last six weeks unless they're a short-term trader. I'm sure if I'm talking for someone in front of me that they haven't just purchased Apple last night, they've held them for a long time. If we're talking about a share split and share buybacks, those shares have appeared over many, many years, this isn't an overnight situation. Thank you for clarifying.

Andrew Baxter: Stewart, just circling back that obviously this is early days for Ferrier Hodgson in this appointment and running through the VA. Being able to establish where the \$10 million or \$20 million is probably a question on everyone's lips and I hate to speak on behalf of people in the room but it's probably the obvious question that people are asking. Given the fact that you guys, I believe from the correspondence, have sat down and met with the Director of the business and Johnson Winter & Slattery as well on that, what was their explanation to you as to what went wrong?

Stewart McCallum: We haven't sat down with Mr Worboys to discuss the \$10 million to \$20 million hole yet because that will be done in due course as part of the investigation. We need to understand whether it's \$10 million, \$20 million, \$30 million or \$50 million, and then those questions will be asked.

Andrew Baxter: Okay. In which case, if I might reframe that. When you sat down with the initial conversation with Mr Worboys and Marcus Clark from Johnson Winter & Slattery, the conversation that unfolded I wasn't privy to obviously, I'm quite glad I wasn't, but being in that room you wouldn't just come in and say look, can you put us into VA please. What was the explanation that was provided to you as to why the Company needed to go into VA?

Stewart McCallum: The explanation given to us is that Moore Stephens had identified a deficiency in the client account and for that reason Mr Worboys

appointed administrators. We weren't privy to any of those lead-up discussions. Morgan, would you...

Morgan Kelly: No. The resolution read that the Director had formed the view that the Company was insolvent or likely to become insolvent and appointed administrators immediately. I understand that Mr Worboys met with Moore Stephens on Thursday evening and appointed us as administrators Friday morning.

The one thing I might say, Mr Baxter, is that our discussions, or any discussions we might have with Mr Worboys at the moment may well be subject to court action later. This is a creditors' meeting, everything we say here is on public record. These minutes are being recorded and they'll be lodged with the ASIC and will be available for download by any member of the public. This is not the forum for us to discuss our investigations into what may have gone on, but we will be reporting to the extent that they're not privileged in our report to creditors. We do report to ASIC, that report is confidential, for obvious reasons, because it may form the basis of litigation further down the track. I'm sure you can understand why we cannot disclose chapter and verse all of our discussions with the Directors.

Andrew Baxter: More than understand and appreciate the legalities behind that, that's a given. I guess the tenor of the question is to say that we've got this huge ball of string to unravel here where there is monies here, there and all over the place. There's a hole in the books somewhere. Surely the best point of contact to be able to point you in the right direction as to where the problem in the business would be, would be the Company Director, given the fact that he'd be aware of the affairs of his business, and where the spot fire or problem actually originated from. It's hard to understand that as a director of a financial services company you wouldn't understand where a problem had come up the pipe given the reporting and so on, and that's directed to the Chairman, not you.

Morgan Kelly: I assume you're directing the question to the Chairman, but given you're looking at me I'll just say we're having very intense conversations with Mr Worboys about what's gone on and we are obviously questioning him about what's happened. It's too soon for us to be able to answer those questions right now, though.

Andrew Baxter: I guess from a creditor point of view on a number of fronts, as well as having a proxy for a number of other creditors of the business, a concern would be that this was a selection on Mr Worboys' part to work with Ferrier's on this out of numerous other firms that could be used, and further to that, Ferrier's have done quite a number of different pieces of work over time with Halifax and that's obviously been declared in your DIRRI and that's appreciated from a legal perspective. But we're listening to Mr Worboys' appointee telling us what needs to happen here, and I just – yeah, I don't know how comfortable I am with that.

Morgan Kelly: Can I comment on that? We've actually – ASIC have asked us the same question and we've gone through a process with ASIC where they've assessed our previous engagement, which is outside the last two years, and ASIC are aware. ASIC have investigated our DIRRI and we've cleared that with ASIC.

Andrew Baxter: One can only assume that ASIC were supervising Halifax when this happened.

Fiona McMullin: Hi, my name is Fiona McMullin. I have a self-managed super fund. Can I just clarify that you're saying that in all of the accounts held through Halifax, none of them, the shares, are in the names of the account? In other words, if I hold the shares in the name of my super fund, those shares are not actually being held in the name of my super fund? Is that the case?

Stewart McCallum: That's right. You will put a share order in, Interactive Brokers will then engage a custodian to actually place those shares (for example Citibank in the US). Those shares will be placed by Citibank on behalf of Interactive Brokers on behalf of Halifax on behalf of you.

Fiona McMullin: Yes, but whose name do they actually end up in, the shares? Who holds the HIN?

Stewart McCallum: The HIN's not in an individual. I don't know whether the HIN is in the name of Halifax, Interactive Brokers, or the custodians. Fiona

McMullin: But wouldn't you know that by now? Wouldn't you have traced where – how am I able to buy those shares if I don't hold the right to them? I place – or how am I able to sell shares that I don't own them?

Stewart McCallum: Well, it's a good question.. This is not a financial question, it's a practical and legal trust question. Fiona McMullin: Somebody must have that HIN. When those shares are bought, you must be able to trace them, mustn't you?

Morgan Kelly: Can I make a comment? Sorry to keep interrupting. Some of these shares are held by custodians who are third parties. They're legally held by custodians, which creates another layer of ownership. Sometimes we can trace those straight through and sometimes we can't because they're mixed. That's the issue. When the...

Fiona McMullin: What's a custodian?

Morgan Kelly: A custodian is a person or entity who holds the shares on your behalf.

Effectively, it's almost as though you give Stewart (for example) your cash, then he gives it to me and I buy the shares for you and I hold them and my name is on the registry of Apple, for example. But you're looking at his web portal so you can see your name on a list of names with him, but that doesn't necessarily reflect what he's done with me. Does that make sense?

Fiona McMullin: I just don't know how it's able to happen. Isn't the corporate regulator making sure that a company as big as this is doing the right thing? What is ASIC doing? What was it doing? Don't they go and investigate the books?

Unknown: Absolutely they are.

Fiona McMullin: But I mean every year don't they audit them to make sure that they're buying shares in the names of those people, not in their own names.

Stewart McCallum: We will – this is part of what we'll be investigating and we'll be finding out when and where and how this deficiency arose and reporting that back to creditors as well, and to ASIC, as part of our investigations. Again, I do understand your frustrations. I'm sorry we can't answer all of your questions definitively today because we simply don't know but this is what we're investigating.

Nino Miletic: I'd like to offer a clarification to your question about how this can happen. Back before digital trading you used to go to a stockbroker. You give the stockbroker \$1000 and say buy me Apple shares at this price. The stockbroker would buy the shares in their name, hold them in trust for you and give you a sheet that says you hold these shares and I'm holding them on your behalf in trust. This is a similar situation where we instruct Halifax through our digital platform to buy these shares, they go through another platform. It's supposed to be able to trace back but it's held in trust and when that trust is breached, that's when we have a problem. Is that about right?

Stewart McCallum: Thank you.

Fiona McMullin: Well, I still don't know how I'm able to sell a share that I don't own, somebody else owns it. How can that happen?

Stewart McCallum: Well, you're able to provide instructions and Halifax will operate on those instructions and Interactive Brokers will operate on the Halifax instructions and the ultimate custodian will operate on Interactive Brokers' instructions.

Fiona McMullin: Let me just clarify. Are you able to know when I place a trade, or have placed a trade, whose name that share ultimately ends up in?

Stewart McCallum: We think the shares will be in the name of the custodian entity, either Credit Suisse or Citibank for example. We think that's where it will ultimately land but it won't be in your name.

Unknown: They would be creditors for Halifax?

Phil Quinlan: Just to put on the – just so that people on the webcast can hear you. If you could just repeat that, Stewart, whether they're custodians for Halifax or the investors is the question.

Stewart McCallum: Citibank – let's call it Citibank – custodians for Interactive Brokers, who are effectively custodians for Halifax, who are effectively custodians for the investors. They're the links in the chain. Citibank never enters into a share purchase, thinking about or knowing about the investor that places the trade on the platform.

Fiona McMullin: Okay. Was that supposed to happen?

Stewart McCallum: That was supposed to happen.

Fiona McMullin: So that's all legal?

Stewart McCallum: Yes.

Fiona McMullin: Isn't the share supposed to end up in my name?

Stewart McCallum: No, the share is not supposed to end in your name but you've got the ability to direct purchases of shares, sales of shares, reinvestment of dividends, but not in your name. You're instructing and the parties up the line are acting on those instructions, but the ultimate shares don't sit in your name.

Fiona McMullin: And you're saying they were never intended to?

Stewart McCallum: That's right.

Fiona McMullin: And that's quite legal?

Stewart McCallum: Yes.

Unknown: But you beneficially own them.

Morgan Kelly: It might help if I also add that that custodian – if you're giving your money to Stewart and Stewart's giving his money to me and I'm buying the shares for him, I might be buying them on behalf of 100 different people. McCallumMorgan Kellyas the custodian, so I'm holding shares on behalf of a lot of people including you which is how you end up mixed in with lots of other people in terms of your shareholding.

Fiona McMullin: Yeah, I don't know why it wouldn't, why ultimately if I'm the one giving the instructions why wouldn't the shares be held in my name?

Stewart McCallumMcCallum: Well, that's a legal question that we need to untangle. They're not and that's quite legal and it's quite common.

Fiona McMullin: You say it's quite legal, I mean...

Stewart McCallumMcCallum: It is.

Stewart McCallumUnknown: It's a bit like a self-managed super fund where you're still a beneficiary or a trustee and if you've got a corporate trustee, you're trading in the name of the corporate trustee. The shares are owned by the corporate trustee. You are a beneficiary and you can give instructions to buy or sell but they're never owned by you per se.

Fiona McMullin: No, no that's a different question.

Stewart McCallumMcCallum: Excuse me, can you come up to the microphone? Sorry.

Fiona McMullin: Aren't you saying that the shares will not end up in the corporate trustee's name either? Isn't that what you're saying?

Stewart McCallumMcCallum: They'll end up in the name in this case of the ultimate custodian, which could be Stewart McCallumCredit Suisse or Citibank. Stewart McCallumThose shares are held by Credit Suisse on behalf of Interactive Brokers on behalf of Halifax on behalf of the investor.

Unknown: It's a trust. They're held on trust for me Stewart McCallum or for my super fund?

Stewart McCallum: Exactly.

Unknown: Right. Who has the right to sell those shares?

Stewart McCallum: Well, the investors have still got the right to sell those shares at the moment. Clients can still go in and sell those shares; crystallize them into cash. Then that cash will be held in the same pool as though the shares would still be there.

Stewart McCallum Sorry, there's a gentleman who's been waiting for a while.

Unknown: Sorry.

Barry Gradings: Yeah, my name's Barry. I represent myself for a super fund. You're saying sell the shares if you want but overall they're held in trust to ourselves you're saying; the shares that we've got currently out there?

Stewart McCallum: Well, I don't know whether they're held in trust for you at the moment or not. That's the way it operates...

Barry Gradings: Legally?

Stewart McCallum: legally before the appointment of administrators. As soon as that happened and as soon as there's a shortfall in client funds then a Court needs to determine whether those shares are still held on trust for you as the investor or whether they're for the benefit of the whole pool of investors.

Barry Gradings: Right, okay I understand. I do and I don't understand but the question I wanted to ask is you're in communication with ASIC all the time. It's happened to us. What's the next brokerage company? Obviously it's happened and it's happening and it's happening. When is ASIC going to step up and say well, this whole thing can't work like this? It sounds like the machine is broken. The system has failed. It's failing us. You're getting good jobs out of it and working to sort out messes that shouldn't be even allowed to be allowed. We can't get to the stock market. We have to go through all these conduits and people that control our money.

We put them in good faith and now we're sitting here with \$20 million missing. You can't even find it. You've had a meeting. You've sat down with him.

Stewart McCallum: Well, we can't find it after a week.

Barry Gradings: Well, it just seems like the tax man can find me for a debt in a week. All this money, I pay tax. They quickly get that off me. It doesn't matter what scheme or whose trust or whose numbers or what bank it ends up, the tax man takes it out of me every year. Maybe you should go that avenue. Call the taxation department to help you. You're charging a lot of money for sitting around with fancy freaking pictures on the wall.

I don't understand it. I still don't. It should be - ASIC should be, the whole system should be pulled stumps. Not just this company, everything.

Stewart McCallum: I can't answer on behalf of ASIC.

Barry Gradings: I know. It's a \$250,000 fine or five years jail, for \$20 million. Sign me on. Where can I get that job?

Barry Gradings: Excuse me? Sorry, Barry Gradings again. The question I'd like to ask, are we safer holding the shares or selling them to take it into cash?

Stewart McCallum: I can't answer that Barry. I can't answer it. I can't give you any investment advice.

Unknown: He's asking can you touch the funds and he closes it or if he holds it in his shares, can you still touch them then? That's what he's asking.

Barry Gradings: Yes, that's what I'm asking. If I leave the shares there rather than selling them, is that a safer alternative than selling the shares and turning them into cash? Is it safer, a lot of my investments are in US dollars, is it safer in US dollars or in Australian dollars?

Stewart McCallum: I don't know.

Barry Gradings: Well, what the hell do you know. Christ.

Stewart McCallum: Sorry, but I'm never going to know that answer Barry, until the court says this is the way it goes. Because the court may find for example that if you sold your shares, the cash that's sitting there frozen and you can't access that, that has the same characteristics as the shares before they were sold. The court may say that. The court may not.

Barry Gradings: What else would they say?

Stewart McCallum: I don't know. I don't know what the court will say. I keep harping on about this point; Five of the most senior judges in the country went one way and four went another. I can't stand up here as an administrator and tell you how the courts are going to classify different investments.

Barry Gradings: No, I understand that.

Kyle Hallam-Rose: Hi, I'm Kyle, speaking on behalf of my super fund. There is a lot of angst and frustration in the room obviously. At the end of the day when it comes down to it for me it's going to be what is the haircut we have to take and when do we receive it so we can get back to doing what we do? If we look at the big picture it looks like it might be a five per cent haircut or a 10 per cent haircut but then if we go on for years and years and years it might be a 10 per cent haircut. Is there any scope for short-circuiting the process and getting some agreement perhaps between creditors saying, we don't care about the details. It will be 10 per cent or eight per cent. We'll split it evenly.

Can we then not spend years going to court and instead take a similar approach?

Stewart McCallum: All agree to take 90 cents in the dollar?

Kyle Hallam-Rose: Yeah, is that an option. That will be weeks rather than years?

Stewart McCallum: It's something we've been talking about internally as to whether we can shortcut it in that way. I think at this stage that it would be difficult to bind all creditors but we might be able to do it. It's certainly something we're tossing around. Kyle Hallam-Rose: Are there potentially liabilities that we can't see yet?

Stewart McCallum: I keep saying we're days into wading through all of the information. If we assume \$10 million - \$20 million on \$200 million, so let's say between 5% and 10 %, then we would need to consider whether there is any way to bind all of the creditors so that creditors might be satisfied with 80 or 90 cents in the dollar

Kyle Hallam-Rose: Do we need a three month extension, a 90 days extension to answer that question or do we only need a 30 days extension?

Stewart McCallum: The way the extensions work is that the court orders will say 'no longer than 90 days'. It is possible that the court will say I'll give you a month or I'll give you 60 days and then if you need more come back. The court orders will be no later than 90 days. The Courts make it incumbent on the administrator to do that work as quickly as possible but with a maximum of 90 days. My personal view is that 90 days is

the appropriate time for us to do what we need to do to give the investors and the creditors an accurate picture and a recommendation of the way forward.

Kyle Hallam-Rose: To confirm; you are looking to present a short-circuit?

Stewart McCallum: Short-circuit it, yes.

Morgan Kelly: I was just going to say just perhaps for your benefit and in terms of the question that you've asked; there are a number of ways of trying slice the cake in terms of the best and most effective and efficient options for the investors. At the moment, as you're hearing from the administrators, there's no real precision about exactly what the terms and conditions of all of these various arrangements are. Some people have contracts that chase through various parties. Others have contracts that only go through one party. Others have foreign exchange arrangements. Others have shares.

The intention of this administration will be to try and find the quickest, most cost-effective of dealing with everybody's interests as fairly as we're possibly able to. Bearing in mind that at the end of the day, the way these things will ultimately be dealt with, will be with the approval or the sanction of a court. Everybody will be given the opportunity to come to court if they want to at that time. Before then, we will give everybody plenty of notice and the various outcomes that we think might be achievable for the investors, for the creditors of this company and as I say you can rest assured the one thing - this is complicated.

The one thing we want to do is try and make this as easy and as simple as we can so cutting through and providing a solution that might be well, look let's just not spend all the time and money and the effort going to the nth degree. Let's find a shortcut solution that gives everybody 90 cents in the dollar or some other number. I'm not saying that will or won't be the outcome, but all of those possibilities will be explored.

Kyle Hallam-Rose: Do they get put to the creditors before they go to the court or do you just go directly to the court?

Morgan Kelly: Normally what would happen is that the creditors would all be notified about what is going to be put to the court. There may be in this circumstance a basis in the report that the administrators have to prepare to give to you as the creditors containing the various recommendations or alternatives about how we should proceed. Really, until you've got all the facts and the circumstances about each of these different arrangements, it's very hard to know which approach you might take.

Kyle Hallam-Rose: Well, there's the problem. If we go to the nth degree it will take a long time obviously.

Morgan Kelly: That's my point. We don't want to go to the nth degree. That is the point.

Kyle Hallam-Rose: What I'm asking is, obviously the court is one forum. You go to the court. You say we want to do this. The court decides that's somewhat like rolling a dice. Is there another forum before that where you can go to the creditors and get the creditors to state their opinion?

Morgan Kelly: Yeah, absolutely.

Kyle Hallam-Rose: Is that what you'd be looking to do?

Morgan Kelly: That is one option, absolutely. That might be a deed of company arrangement proposal.

Kyle Hallam-Rose: You're saying that's an option?

Morgan Kelly: It might be that we can - and again, it depends on how this pans out but it might well be that we can get all the creditors or enough of them to agree that that is how we should deal with the funds; through a deed of company arrangement. Which might be something that the administrators say we actually think there's a proposal. What do you think creditors?

Kyle Hallam-Rose: Okay.

Morgan Kelly: It's your money.

Kyle Hallam-Rose: Okay, good I like that option. Also, we've mentioned Scott, the name of an accounting firm. Were they the accountants of the company or were the auditors of the company?

Stewart McCallum: They were the accountants. We referred to Moore Stephens.

Kyle Hallam-Rose: Moore Stephens.

Stewart McCallum: They were the accountants. They weren't the auditors, they were the accountants.

Kyle Hallam-Rose: They saw the shortfall. They've discussed with you what the shortfall was. I haven't heard or perhaps I haven't understood where that shortfall was in the accounts. Is it in a particular platform or a particular business?

Stewart McCallum: Yes, it seems at this stage that that shortfall is in the MT4 and MT5 platforms.

Kyle Hallam-Rose: Okay, because they made their money on their investors losing but the investors won?

Stewart McCallum: That may be one element to it.

Kyle Hallam-Rose: All right, thank you.

Paul Wilson: Hi, it's Paul again. That was exactly my question; what he was talking about there. The concerns I had was that you, Stewart, sorry I didn't see what your name was, you said earlier on that if necessary you would go to the courts to access the funds for the company firstly and then to access the clients' funds to pay for your fees. That's something I'm not happy with. I'm not sure I'm happy with your association with Halifax as well at this stage, as Andrew was mentioning.

The reason we have that question is because you mentioned it. I would like to enforce this gentleman's question that yeah, we take the shortcut. There's a balance point here. We've got tax to pay on our super. I'm sure the government is not going to let us off on our tax that we have to pay or our accounting fees because we still have to lodge this loss every year.

The longer you take the more our costs are going to go up. As investors there's a balance point. If 10 per cent is our haircut, let's get it over quickly. Let's take the hurt and get back to investing and try and make it back. You also said that you - there's a couple of things; you say you're representing us but you're being cagey in some things you're saying. You also said that...

Stewart McCallum: I'm not trying to be cagey.

Paul Wilson: You don't know all the answers and so you can't give all the answers but the point too is you can close our positions if you want to at some stage. Now, we have the option to close those if we want to. As time goes on you'll seek court approval to say well, listen we need to close these open positions. You have that authority to go and apply for that too don't you?

Stewart McCallum: We could head off to court and get an order to close positions.

Paul Wilson: Yeah, so...

Stewart McCallum: I'm not sure why we'd do that.

Paul Wilson: That was what you said in an email to me that someone sent me the other day that may come up and it was a possibility that you could close those positions down in the future. There's a few things there you need to just come and be honest about. If you're here to help us then you need to be open about a few things. One of those things is don't access our funds to pay your fees. You guys are the only guys here who aren't losing. If I could charge hourly rates I'd retire in a week. You guys aren't losing. We're losing. If you're working for us. Work for us. Take a 10 per cent haircut if we have to. Work out the deficit in the funds immediately and then we take a hit and get back onto the game.

The TWS platform; where does that fall? Trader Workstation?

Stewart McCallum: That's Interactive Brokers.

Paul Wilson: What is it?

Stewart McCallum: Interactive Brokers.

Paul Wilson: Is it, okay. When you say this infection between accounts, it's not a virus. Are you saying the accounts haven't been segregated separately into all these platforms? That they've all just been merged in together into one platform?

Stewart McCallum: We don't know yet.

Paul Wilson: Into one account sorry.

Stewart McCallum: We don't know whether there's any transactions between those accounts that should have been segregated. We don't know.

Paul Wilson: There's an ASIC regulation though isn't it that it's segregated? Isn't that what every website I look on for a new broker, they say there's a highlight that they're asset regulated, segregated accounts. Is that just a load of rubbish now? I mean if they're regulated by ASIC and they're segregated accounts it's all there on their first page, does that mean nothing?

Stewart McCallum: I don't know how to answer that. That's a question for ASIC.

Unknown: If you are talking to ASIC daily. Haven't you asked that question?

Stewart McCallum: To be frank, I'm concerned with understanding exactly what investor positions are and what cash there is. If we can shortcut it and get you the cash back that's what we'll do.

Paul Wilson: Well, that's my vote.

Brian Eastern: Brian Eastern MCM, options trader. This is my third one of these. I had the pleasure of being part of having an account with MANN, an account with BBY. I do have accounts in other parts of the world and I don't get these meetings. I've got accounts in four jurisdictions, so I understand why everyone's frustrated with ASIC. I've been listening to everybody here. This is a single director company, am I correct?

Stewart McCallum: Yes.

Brian Eastern: Halifax. Good, glad you nodded David because that's who I'm going to direct my question to. Single director company; I presume this gentleman he's already surrendered his passport. I presume he has a

nice house and some assets. Are we in a position to prevent him transferring his assets? Do we have anything to put that brake in place?

David Proudman: Can I perhaps respond to that?

Brian Eastern: The only way I can see myself not coming back to another one of these meetings is this will be my last trading operation in Australia. I have them in Europe and I have them in America. This does not happen.

David Proudman: Let me try and address that for you as best I can. The position of the Director in terms of their assets is currently not known by us but it is a matter that is being investigated by us. Whether or not they do or don't or he does not or does have a nice home or what have you I can't tell you today, but certainly by the time we get to filing the formal report you'll know what the position is. If it transpires in that investigation that we think there's a risk or a problem and there are significant assets, then it may well be that the administrators will get advice that says we should make an application to court and get those assets frozen for example.

You need to be very careful about doing that because that is getting an order from a court that is depriving somebody of their assets in circumstances where you don't yet know whether they do or don't have reliability okay.

David Proudman: The long and the short of it is, it is a matter about which we are very much alive. Yes, we will be looking at it. We have some mild comfort at the moment because we have a passport. It's not as though the person is going to disappear overseas, at least not in a big hurry we hope. As part of the investigations, the conduct of that director will be scrutinised and reported to you and as was answered earlier I think to Mr Baxter's question, it's not currently the forum to share with you everything that we currently know or indeed think. Apart from not wanting to give anybody any advance notice about what might be coming.

We are very alive to the issue. Yes, we will be investigating and it won't be just his affairs. We would normally make enquiries about those persons related to the Director because there may have been a transaction that took place last month or last year or what have you. We would be saying well, hang on a minute. What's the story there? What's going on. Yes, very much alive to it and we will be making as I say investigations and reporting to you about all of that.

Brian Eastern: Okay. I have another question that's different. I use TWS, the Interactive Brokers. There's been some question here about their insurance. If they have insurance and it is paid, does it cover my personal situation or do the funds go into the pool to cover the MetaTrader shortfalls where you're saying the shortfalls are in MetaTrader?

Stewart McCallum: Look, again I don't know. My starting point is that it will follow the investments that have been insured. If there's insurance specific to investments and let's say that they're the TWS shares, that's where those funds will go to. That would be my starting point.

Brian Eastern: Your insurance it covers it. Does that money go into the pool or if my account is small enough that I'm under their indemnity, do I just get fully paid out and I'm out of the game? It's up to the rest of you to look after yourselves, or does it go into the pool to go around all the MetaTraders?

David Proudman: The general principle at law with insurance in an insolvency administration, is that if a person has a claim, say for example you have a claim against the company and the company has insurance to cover it in respect of your claim, that insurance proceeds in a liquidation of the company will pass straight through the company and go to you to satisfy your claim.

Brian Eastern: So, it doesn't pay you guys?

David Proudman: It doesn't sit in the pool of funds available for all of the expenses and creditors of the company. There may be a small component that comes out in terms of cost to get the money to you, but in a liquidation

under section 562 of the Corporations Act, it's what we call a pass through from the insurance company straight through to the insured person effectively, which is you because you've got the claim against the company. Does that make sense?

Brian Eastern: Yes, so we've got two groups probably in this room now. The Interactive Brokers people and the rest.

David Proudman: There may be a number of groups because there may be a number of different insurance policies covering a number of different types of claims. There might be a dozen groups. I just don't know. As Stewart has said, the insurance guys are looking very carefully at all of the insurance policies for all the obvious reasons., not just the one that you've referred to but is there Director and officer insurance for example and if so, what's the deductible? What's the term? What does it cover? If we were to prosecute a claim against the directors or officers for their conduct, would that insurance respond or is there an insurance in respect of something or other else?

All of that is being investigated at the moment, so that we can give you a full report that says here's all the assets. Here are all the claims. Morgan mentioned there may be other transactions that we're looking at, all of which can form part of the assets that would be available, mostly to the body of creditors as a whole but in the case of insurance, there's that rule that says that there's a pass through.

Brian Eastern: Just before I sit down, when we come back for another meeting, is it possible to actually have an ASIC person up there as well? There's a lot of people here that have questions that are ASIC questions.

David Proudman: The position with ASIC is a very difficult one because we don't represent ASIC as you know. The best way I could recommend you deal with ASIC is either to write, ring or email or meet them and talk to them and express your concerns. We as, well we the administrators don't actually comment on or criticise or compliment ASIC. We just deal with them in the way that we do and make enquiries and what have you. The best suggestion I have for you and I know it's not a

particularly good suggestion because of the practicalities is to actually write to or email or ring ASIC and speak with them yourself about the specific concerns that you've got.

Brian Eastern: Okay, thank you.

Craig Sullen: Craig Sullen representing myself as a what are we calling ourselves, clients, shareholders. The problem as I see it there are two parts to it. I appreciate you guys are in a difficult position and have only had a week but it seems to me that you need to evaluate the quantum of loss. Then the root cause of that and then attributing that to various different classes of shareholders. You've frozen all of our assets while you go and do that. It seems completely unreasonable to keep them frozen for another 90 days. Is it possible for you to determine the quantum of loss so that you can unfreeze a proportion of the assets in a much quicker time period?

Stewart McCallum: We won't be unfreezing any assets unless we get the court telling us it's appropriate to do that. The reason for that is until we work out what each of the investor's entitlements are any wins - let's say we were to unfreeze them and we were to say to the investors, okay, it's open slather...

Craig Sullen: Say 50 per cent?

Stewart McCallum: Let's call it 50 per cent. Then those trades result in losses. I'm personally liable for the losses. No one else. Me, Morgan, Phil personally liable. Craig Sullen: My question was less about unfreezing the accounts to continue trading on those. Mine was more around let's take your example of 50 per cent. Your view here is there's some circa \$20 million of potential difference between assets holding versus assets owing. Then there should be no reason why you can't cash out to 50 per cent of the asset value, maintaining enough funds to cover the remaining amounts of bits that are owing. You sort out the actual root cause of where the funds missing are.

That doesn't expose any one individual shareholder to the full loss.

Morgan Kelly: That's possibly the case. As I said before, that different classes of investors, or different buckets of investors may be treated in different ways and have different timeframes.

Craig Sullen: I understand that but the point being, there isn't one class of shareholders that are going to exceed more than 50 per cent.

Morgan Kelly: I understand. What I'm trying to say to you is that the proposition you put forward is possibly doable. One of the things we need to make sure is that if we've got funds that are all mixed, we're not giving them to the wrong person. If we pay you 50 per cent of your entitlement, we might be giving you 50 per cent of his money. Then we'll be in really hot water. We will be, because we're dealing with other people's money. We're the custodians of these funds at the moment. We need to be very, very careful where we distribute those.

Stewart and I are subject to the exact same regulatory regime as anybody else in dealing with other people's money. We're not intending to go to prison. We're not intending to become liable for doing something that loses your funds. That's why we're suggesting we're going to be very, very careful in terms of how we distribute those funds. We understand the question. As I said before, we may be able to provide funds to some investors or clients sooner than others or distribute some funds before anything else happens but we need to do that fully informed and with the blessing of the court.

Craig Sullen: Okay and my second question is more around your communication protocol from this point forward? It's been quite lacking in my opinion over the last week. How are you proposing to keep various classes of investors informed over the coming weeks?

Stewart McCallum: Well, look the communication protocol, when you say it's been lacking over the last week and a half, it's not in this first week and a half in the interests of creditors for us to be tying up our resources and time crunching out daily reports to creditors. That's not the best use of time or resources. If you want to take an active role then we will be inviting participants to take part in a committee of inspection. Then committee

of inspection members can call meetings with the administrators when they like and within reason the administrators will hold those meetings.

In terms of written communications to all creditors, they will be at key points during the process. As David touched on before, if we've got to make a court application we'll set out exactly what we're heading off to court for. We'll invite creditors to have their say in court if they would like. If we make significant recoveries from the Director as an example, we'll be writing to creditors to let them know. At key milestones when anything material happens we'll be writing to creditors to let them know. The benefit of the court order from the Federal Court that we can do that via email makes it easier for us. We will write as soon as there's something material to report to creditors.

Craig Sullen: Your next key milestone is the court date, is that set?

Morgan Kelly: We have uploaded frequently asked questions in investor communications on the website to say what we know and what we can answer. We will be updating those real time. As in terms of communication with creditors, that will be happening as things occur that investors need to know or creditors need to know, we'll be communicating that real time or updating those frequently asked questions and those comms.

In terms of the key milestones, the reports that Stewart was referring to are the ones that happen when key events occur and we have to report to all creditors on that. You'll be hearing from us in the interim. We are responding to email queries as well as they come in and telephone queries and what have you as best we can.

Craig Sullen: That's fine, but the court date set for your time period for extension, is that set?

Morgan Kelly: No, not yet.

Toney Cenic: Tony Cenic representing my super fund. Moore Stephens did they approach you or who has actually approached you or appointed Ferrier Hodgson?

Stewart McCallum: The approach came through JWS and that was when the Director approached them. JWS became aware with the Director that there was a shortfall on the Thursday. We were approached by JWS to provide consents to act as administrators and the appointment happened on the Friday.

Tony Cenic: Could we see last year's financial figures?

Facilitator 2: I can take that on notice. I don't have them to hand at the moment.

Tony Cenic: Well, if I was in your position and trying to look after us, first thing I would do is look at the financial figures from 2017 financial year to this year to find out has it happened in a year.

Facilitator 2: I don't think the company's financials are going to tell you that. The exercise that needs to be undertaken and this is what we're undertaking is to in one sense forget about what the company books and records say because that's the profit that's been earned on the trades by Halifax. What we're worrying about first and foremost is what the investor position is.

In order to ascertain what the problem was we've got to go back and do bank traces. We've got to have a look at the actual bank statements and bank transactions as opposed to looking at a set of financials which are unlikely to tell us anything.

Tony Cenic: Can we vote or put a motion forward that we put a freeze on the Chinese business as well, sorry the Asian business? If the Director has shareholding in that business, surely it would make common sense to put a hold on that company as well.

Morgan Kelly: Creditors can't vote on that but it's on the record now - and that's obviously something we're looking at. As I go back to an earlier point, we know that there's money sitting in China. We don't know how much. We're trying to get an understanding of that. We don't have as administrators any power of those Chinese operations. We are owed money from Halifax Asia. Once we identify the amount that's sitting there and exactly what we are owed, then we'll be going down that

path of effectively doing whatever we can in that Asian jurisdiction to enforce that debt.

Tony Cenic: Can that be put as a priority? Surely it would be pretty simple to run a transaction report between Australia and Asia.

Morgan Kelly: It sounds simple yeah.

Tony Cenic: The Director's name is?

Morgan Kelly: Jeff Worboys.

Tony Cenic: Jeff, so you've found out he's appointed JWS on last Thursday?

Morgan Kelly: No, JWS have been doing some work for the company. Perhaps if I pass over to David.

David Proudman: Sure. The position is that my firm has along with a number of other firms been doing some work for the company over the last few years. Which has given a couple of members of my firm a good knowledge and understanding of the sorts of products and the processes and the transactions that Stewart has referred to in terms of the arrangements that exist between the investors, the trustees and so on. That work has been work of a transactional nature for the company. At no time has my firm acted for the Director. The Director approached the company's lawyers because of course the company lawyers deal with the company through the Director and said I've received a report from Moore Stephens which says that the company has a shortfall.

The advice that was given by my firm to the Director was that you should immediately obtain your own independent legal advice as a director. That we act for the company and in acting for the company if the company is insolvent or this is how you go about the process, and then they were referred to Ferrier Hodgson to say if the Director in his own view reaches a view about the state of solvency or otherwise of this company, then this firm of accountants have the skill, the capability, and most importantly the past experience in matters like this.

I refer specifically to the two matters that Stewart mentioned earlier; Sonray and BBY. We said we thought that this would be the best insolvency firm to run this administration. He then had that meeting. Then appointed on the Friday morning, he appointed Ferrier Hodgson as the administrators. I should add that's quite a normal process. That's often how those things come about.

Tony Cenic: Sorry, David what company do you work?

David Prodman: I'm at Johnson Winter and Slattery.

Tony Cenic: You've been in direct contact with the Director?

David Proudman: No, I haven't spoken to the Director at all, no.

Tony Cenic: Your firm has?

David Proudman: Yes. Yes, they have yeah.

Tony Cenic: You've appointed Ferrier Hodgson?

David Proudman: No, the Director made the decision. We simply referred him and we said Ferrier Hodgson are a competent, capable and very experienced insolvency accounting firm and we put them in touch with the Director.

Tony Cenic: Stewart, Morgan's left the room but had you met the Director previously?

Stewart McCallum: No. Last Friday morning was the first time that I've met him or had any correspondence with him.

Tony Cenic: Okay, all right thank you.

Unknown: Sorry, David just very quickly does that mean that JWS is going to be, may need to give advice or advise on the advice that's previously been provided by JWS?

David Proudman: That's a very good question. No, the answer of course is that in circumstances where the administrators think that they need some advice about anything which may have involved my firm or anybody else for that matter then they would very clearly and very simply say well, and we would say we're not in a position to provide that to you. Historically, this is always something that one needs to just balance.

You need to have if you can the benefit of knowledge, prior knowledge about the business. That's something that we can bring to bear in this matter.

If the administrators want to know about a piece of advice that my firm gave a year ago, then they'll quite properly go to another law firm and say, look on this particular aspect we'd like you to review this. Very common, yeah but it's a good question.

Kyle Hallam-Rose: Does the company own shares in the Asian subsidiary, sorry in the Asian company? Are they cross or is it that the shareholders are common?

Stewart McCallum: Halifax Australia doesn't own any shares in the Asian business.

Unknown: Sorry, just to go back David. If there's a potential conflict that requires outsourcing with obvious costs associated with it, where people have got to be brought up to speed with a file and different advice, if there's a potential for a conflict why act at all and why not just simply remove yourself from being potentially in a situation where there's conflict.

David Proudman: Well, yes it's a very good question. It's always a balancing act between bringing to bear knowledge and skill about the business and identifying those areas where you may as a firm, the administrators may need to have some advice about an aspect. The work that we've done is not significant and it's not been significant over the years. There's been six or seven I think, or indeed even eight law firms that have acted for Halifax over the period of time.

On balance we think we're going to bring more benefit to bear in terms of existing knowledge. Certainly, if it gets to the point where it's a major problem then of course we would revisit the matter.

Stewart McCallum: If I could just add to that, we understand that this is a live issue. What we've been focused on in the last week or so since appointment is understanding how this whole thing hangs together, what the structure is, what the platforms do. There's no doubt that JWS advice has been extremely valuable in that sense. We understand it's a live issue. If during the course of our investigations we even get the slightest sniff

that we've got to start having a look at anything that JWS might have advised the company on in the past we'll be going somewhere else for that advice.

We've already had discussions with a couple of law firms who are experienced in this area so it's a live issue. It will be dealt with appropriately.

Unknown: My understanding is that JWS have been reasonably involved with the structuring advice, particularly in regard to the move into Asia and the associated B Book business around that. From the comments that were made previously I think - don't let me misquote you Stewart, but when you mentioned previously the bulk of the losses that were talked of, were most likely in the MT4 and MT5 business which is exactly that B Book/Asia business. I'm just very, very slow to get my head around where there's no conflict there. I just can't see how you can provide advice on an objective basis relating to advice that you've previously provided to a company.

I just don't see that and whilst I understand that if there's a blur in the line it's extremely subjective when that gets made. Granted you've got extensive experience in this space, but it is a subjective blur. Rather than have anything subjective, why not make it simply binary and have independent advice so this is a not necessary conversation?

Stewart McCallum: No, because - well the answer to that question is the answer I gave previously. There will be some really valuable time saving advice that JWS can give us around the company, the structure, understanding the AFSL for example. We've got one of JWS' AFSL experts who has dealt extensively with ASIC. They're working that issue out now. All of those things are absolutely in the benefit of creditors. No doubt. If we get into points where it looks like there are issues that we need to explore around what happened in Asia. If it looks like JWS has been involved in providing advice on that, we'll absolutely use another firm.

Unknown: In relation to Asia, you mentioned difficulty in being able to ascertain what's being held in the bank accounts. The company Director would

be able to provide you a statement I would have thought given online access et cetera and you could get a very quick snapshot of what that account balance looks like pretty much instantly I would have thought.

Stewart McCallum: Yes, it is and look I'll take that on notice. Unknown: Okay, a final point is have we got a proxy count together so we've got an idea of where the votes sit?

Stewart McCallum: We have got a proxy count together.

Unknown: Some accounts have shares in them and some of them have got cash. If you take a haircut, it's easy enough to apply it to the cash. How is it going to be applied to shares? What's the capital gains tax implication? With your investigations, can you send out some advice on that?

Stewart McCallum: We're not going to be able to give any tax advice to each individual investor's positions. I don't know the status of the tax returns yet for Halifax. What we've needed to do in previous engagements is to effectively recreate accounts and lodge tax returns so that we can understand the benefit of any capital losses or that may flow through in an ultimate distribution to investors. What we have been able to provide at the time of distribution of either shares or cash in previous jobs is a tax statement which attributes the capital element, the revenue element, for investors to then head off to their individual tax accountants and say right, here's what we've got from the administrators. What do we do?

It will follow a pretty similar process here.

Unknown: Are you likely to just liquidate all the shares?

Stewart McCallum: No, no I don't know the answer to that. It might be that based on the analysis we do and the investigation and we put together the set of facts for the court, the court may say in this instance those shares held via TWS or Interactive Brokers they can be given back to the shareholders. I just don't know.

Unknown: So, you don't know or wouldn't know how to apply a haircut to them if the meeting decides to take a haircut?

Facilitator 2: That's right. That's one issue with the whole getting all of the creditors on board for a haircut.

Unknown: Thank you.

Unknown: Peter, acting on behalf of myself as a client; I'm just wondering, it's been about two and a quarter hours since we started. Do we have those proxy numbers now?

Stewart McCallum: Yes, we do.

Peter Attu: Can we have them please?

Stewart McCallum: Sure.

Unknown: I am representing myself. Proxy number 19. I'm quite concerned regarding the proxy voting because I receive an email from AHM suggesting to me to vote against all the proposals here. I'm really concerned right now regarding that all the other investors did not attend this meeting may be subconsciously influenced by what, by AHM email and vote against all this without being informed.

Stewart McCallum: I can assure you we had no idea of that AHM email until Link brought it to our attention a day or two ago. Our instructions to Link as soon as they realised that there were proxies coming in on AHM letterhead, is that it was only the proxies that had been filled on our paperwork that were legitimate proxies. I also understand there's been more than one party potentially out there trying to garner the support or round up the support of investor/creditors/clients. That's had nothing to do with us.

Unknown: Yes, I get that as well. I actually went to Link Market yesterday very early in the morning and with the form and I told them that I am personally attending this meeting. I hand in my form and I came in today. At the reception I was mentioning to them that - they did ask me whether I brought the document. I said, no I handed them yesterday. So he was saying to me that I am attending as an observer. I said no. I am a creditor. I'm investor. I want to vote.

According to my wishes, I want to see what's happening. After a few times I keep saying that I am voting. I am a creditor.

Then they give me this yellow form. They were saying that they want to give me a white form. I said what is a white form for? Your white form is observer. I said what? I said, me, I'm not entitled to vote? I say no. I am an investor. I'm a creditor and I'm entitled to vote. After few instances then I got one of these. Hence, I'm really concerned that other investors receive the email maybe subconsciously influence to voting against. I thank you and panel up here for helping us and I hope you do your best and do the right thing by all of us investors here and bring an end to this as soon as possible.

I'm willing to take a haircut of even up to 20 per cent and get a better result without dwindling our assets and our funds and continuing all this thing. I am very fortunate, this - I don't have much in Halifax and this is the first meeting I ever attended. So, I hope - God always look after and good luck to all investors and hope we have less pain and get a better result asap. So, they have some peace and some happiness. Thank you.

Stewart McCallum: Thank you.

Jody Elliss: I am from Investor Centre. My name is Jody Elliss. I carry a number of proxy votes as well as myself and my father who has a substantial amount here involved. Not only my clients but my father and myself have our personal wealth involved in this. We're probably ahead of the game compared to you as standard investors and we've had our team working on this. I'd just like to say with the proxy votes, I know you're all thinking, Ferrier Hodgson, they might access some of our funds to pay for bills. That's the same for everyone. If we appoint another company or another administrator, that will be the case with them as well.

We've done our investigation into Ferrier Hodgson fairly rapidly but fairly in depth and we believe that they'll be able to expedite the

situation. What we're all talking about is how much will we lose but how long will it take? What we don't want as Stewart mentioned is a Sonray issue where it was about three and a half years before funds were released. We do not want that. I like the gentleman before who said could we do it in 28 days? Now, when it comes to JWS, we've looked into them a little bit too. As Ferrier Hodgson pointed out, these guys are ahead of the game. They're not going to be sitting down for six weeks across Christmas time in go slow mode trying to work out exactly what a derivative is and how an AFSL works. It's going to be - they already know. They've been doing this for years and years. When it comes to the administration team for Investor Centre and for our clients, we feel that choosing another administrator if you're uninformed, we get the same thing without a skill set behind it.

Or without a substantial skill set that has a knowledge of the Halifax operation. What we're talking about is trying to with the proxy votes here I believe that personally we should have an oversight. With regard to the administrator, we're looking at a team that already has a substantial knowledge of the operation of this organisation and that's going to put months and perhaps even years off the timeframe of getting a new administrator. I know from listening to it some of you are thinking well, we don't want these guys to touch our funds. That is the same with every administrator. I know Stewart has been overly fair in his comments here, but it's something to consider when you're doing your proxy votes. That's my bit.

Unknown: Can I just say something? You guys dealt with the Sonray thing though didn't you?

Stewart McCallum: Yes.

Unknown: That was three years.

Stewart McCallum: Yes. That was the...

Unknown: You can do better than that this time you think?

Stewart McCallum: I hope.. If we can, shortcut is the wrong word, but if we can limit the amount of time we've got to spend in court then we will do it. Sonray was the first of these. MF Global followed. BBY followed.

Unknown: How long did they take in subsequent order? Still going?

Stewart McCallum: Some are still going. I think and not being involved in BBY or MF Global, the fact set of this is almost identical to the fact set of Sonray. I would hope that we'd be able to do it significantly shorter but I can't - I'm not going to stand here in front of the creditors and say we'll have this wrapped up by Easter.

Unknown ,: Can I say, I really don't know who I'm voting for or why. This is , new - this is a week old to me. That's all I've known. To be honest I'm going to ask Andrew Baxter. Andrew are you the same guy that was on the Board or something up on the thing of Halifax there?

Andrew Baxter: Yes, until 2016.

Unknown .: Okay. Initially I thought Andrew Baxter was one of the problems here, but after seeing what he has said today, I can see that he - I had no information. I thought he was the only face that I knew. After what I've seen him talk through and his approach to things today, I can see he's as offended as I am on the company. I'd like some input either from Andrew if he's open to it or anybody else what other options do we have? Are there other companies? We don't want to have a vote when we don't know any other information. I'd like some more input as to what our choices are and are there better options or not.

Stewart McCallum: I'll come to that very point now. I'll take you through the proxies and then we have received a consent to act and a DIRRI from a potential replacement administrator. I'll table those. I'll take you through the DIRRI and then I'll ask the potential replacement administrator to come up and have five minutes in front of the microphone to answer any questions that the creditors may have. Let me go through this proxy summary.

In favour of me as the Chairman of the meeting, I hold 1,411 proxies and out of that 1,411, there are a number of specific votes for. I hold

special proxies where creditors have made me the proxy but then they've ticked the boxes, either yes or no for replacement administrator, yes or no for committee of inspection, yes or no to how we deal with members of the committee of inspection. I'll come to that in a moment. That's 1,411.

Andrew Baxter holds 110 proxies. Same thing. Some which are specific with all the boxes ticked but the majority open. What that means is that those investors have said to Andrew, we'll make you our proxy. You vote how you see fit. Then, that is really it. The rest of the list of proxies are just individuals.

Stewart McCallum: We are going to go through a number of questions from the Webcast now.

Phil Quinlan: We're going to get a couple on the screen actually. The first question from John Samson is, has the actual integrity of segregated MT4 accounts been established yet?

Stewart McCallum: No, it hasn't and that comes back to the cash tracing exercise that will need to be done to see whether cash has gone out of what we call MT4 segregated accounts somewhere else and vice versa; whether money has been coming in.

Phil Quinlan: The next question is from Alex Corbin; why am I a creditor of Halifax Investment Services if I have been dealing with Halifax New Zealand the whole time as far as I know?

Stewart McCallum: That's a good question too. At the moment, and I touched on this earlier. It's not immediately apparent to us whether investors are actually creditors of Halifax Australia or Halifax New Zealand. What we've said to - because some New Zealand people will be operating on the Australian platform and vice versa, what we've said to all of the investors is that if you believe that you are a creditor or either Australia or New Zealand or both, you submit your proxy in and we'll admit you to vote.

Phil Quinlan: We've got a request to go through the attendance register proof of debts and proxies.

Stewart McCallum: Okay, well we'll go through the proxies in a minute. There are obviously too many people here to go through the attendance register person by person. Perhaps whoever sent that question in, we can provide the attendance register to them afterwards?

Phil Quinlan: We've got a question; who is the minority owner holding 30 per cent?

Stewart McCallum: The minority owner holding 30 per cent of Halifax New Zealand is Andrew Gibbs, who is the Managing Director.

Phil Quinlan: Will all the slides be made available to creditors?

Stewart McCallum: Yes, they will on our FH internet site on the website.

Phil Quinlan: What is Ferrier Hodgson's view on Halifax's existing actions to move clients from Halifax's AFSL to their related AMH, AFSL via interactive broker accounts? Is this legal given the current situation of Halifax?

Stewart McCallum: Look, until that question was asked I wasn't aware that that was happening but that will certainly be investigated.

Phil Quinlan: Another question; how much of the \$210,000 million funds belonged to secured creditors?

Stewart McCallum: No, there are no secured creditors involved in Halifax so there are no banks involved. It's investors' money.

Phil Quinlan: Another question; does the current position affect dividend accrual?

Stewart McCallum: It doesn't affect dividend accrual on shares that are still shares that haven't been sold. Dividends will continue to accrue and will continue to sit against the value of those shares.

Phil Quinlan: Based on your experience in similar administration processes, how likely is it that specific unsecured creditors will be impacted more than others?

Stewart McCallum: Well, unsecured creditors the point of clarifying here are creditors of the company. They might be Telstra or Optus or the landlord of the office premises or the power companies. I think it's unlikely that they'll see any return in my sense based on previous experience. I do get the sense that the court will say look, you have to exhaust the company

funds before you go looking at investors. That's my sense of what will happen.. Having said that there is one caveat to that. Any recoveries we have or a liquidator has against the Director for what we call antecedent transactions may be available to unsecured creditors .

So, unreasonable director related transactions if money or assets have been transferred to the Director or related parties. Insolvent trading. Preference payments. They come back to the company for the benefit of unsecured creditors. To the extent there are any recoveries there, then unsecured creditors may well get a return.

Phil Quinlan: We've got a question from an investor based in China and that's regarding the position with commissions that are owing.

Stewart McCallum: For those brokers who have an agreement with Halifax and unpaid commissions sitting out there then they're creditors of the company. They're not creditors of the investor funds. They're creditors of the company. They'll be treated as unsecured creditors.

Phil Quinlan: What are the trusts for the shares traded through MT5 platform?

Stewart McCallum: I don't know. I'm going to have to take that question on notice. I take that to mean I've explained in some detail about what the relationships are in relation to Interactive Brokers. That is by far and away the lion's share of the shares that are held. I don't know the parties involved in MT5. It will be similar but I don't know so I'll have to take that on notice.

Phil Quinlan: A question from a New Zealand investor; is the deficit in the Australian entity only or in the New Zealand entity as well?

Stewart McCallum: I don't know. It may well be that it's in the Australian entity but then we have all those issues of taint as I call it where we know that funds have been transferred from Australia to New Zealand and back again. Australia was acting effectively as the banker for New Zealand. There's been a lot of flow of funds between the two. It might well be that the New Zealand funds are affected. I don't know.

Phil Quinlan: Have the Halifax directors accessed client monies through the B book accounts and has this caused the shortfall?

Stewart McCallum: The A Book is hedged and I doubt that's caused the shortfall because it's a direct hedge. Any wins that the A Book investors have are offset by losses over here or wins over here and vice versa. It's a net sum game in terms of the A Book investor client base. The only money that Halifax makes is through commissions or charge per trade. I don't think it's caused by the hedging.

Phil Quinlan: Is there any protection for investors relevant to the government deposit guarantee scheme?

Stewart McCallum: I don't think so and the reason I don't think so is because Halifax is not an authorised deposit taking institution. I don't think it will be covered.

Phil Quinlan: The B Book trades which Halifax initiated, and that Halifax are counterpart to, have these trades been closed?

Stewart McCallum: Again, this is a reference to A Book hedging. There's two companies that were used to hedge. One was Invast which was the majority of the hedged positions. Then there was another organisation called Gain, which had hedge exposure of a couple of hundred thousand or something like that. What happened was Halifax wouldn't actually put their fingerprints on initiating the hedge. It was all set up automatically so that when an A Book investor put on a position automatically mainly through Invast, the hedged position would be taken automatically.

What Invast have said to us is we're not going to do anything with those hedged positions. If investors want to close out their open positions that will automatically trigger a close out of their associated hedge. Gain took a different view and Gain have closed out all of the hedged positions. That resulted in an amount of money actually coming back to Halifax. What we're trying to work out at the moment is that that money that came back to us, whether that's classified as investor money or classified as company money because it was actually a protection mechanism for the company to protect its losses

Phil Quinlan: This is a procedural question regarding whether there will be a download of the audio of this meeting available on our website?

Stewart McCallum: We can make it available. I'm comfortable with that.

Phil Quinlan: There's a question around if I close my account when will the funds be credited back to my bank account? I think it's maybe one that's already been covered.

Stewart McCallum: Yeah, I think that's been covered ad nauseum. If we pause there with the web based questions. Kyle?

Kyle Hallam-Rose: Thanks, yes Kyle Hallam-Rose. If I look at the ASIC website it looks like Halifax Investment Services haven't lodged accounts with ASIC since 2016.

Stewart McCallum: We're still trying to get to the bottom of that. I can't definitively say that that's the case and I also don't know the reporting that are being done under the terms of the AFSL with ASIC yet either. Something we're working on.

Boyd Martin: Two last quick questions and it's Boyd Martin again. Two really quick questions; I know you haven't really told us about the assets the company has. In my little bits of reading about this company, I found the New Zealand company two years ago had profit of around \$19,000 something like that. What was the FY18 for Halifax Australia?

Stewart McCallum: I'll have to take that on notice. I can get it to you before the end of the meeting I hope. I don't have it with me.

Boyd Martin: I only ask because it sounds like we've all signed up to something here where we should be generating profits from the company. This is the sort of thing where it sounds like that. I'm learning new things every day apparently.

Stewart McCallum: Yes, but again the profits of the company can't be confused with the investors over here.

Boyd Martin: No, I do understand that but usually when someone takes a risk with all of their money they expect a really good return when they're placing the trades themselves and then someone underhandedly does

it in the back corner. My final question and I understand your frustration with this whole process and we're obviously asking a lot of questions. My last question and I know this is probably going to give me the answer, you're asking us to trust our gut with choosing you and the other services in front of us as on face value.

Over the last week we haven't really heard anything. Today I feel like ad nauseum and a few other words that have been thrown around there's a certain level of frustration. My question is and I feel like my answer will come from it, with the Sonray case, did you tell them you tried to make that go faster too? That will give me my answer.

Stewart McCallum: In relation to Sonray, we didn't tell them it would go faster. We didn't know what we were walking into. No one in Australia knew what they were walking into on Sonray. The courts didn't know. It was the first time any of these issues had been tested. In terms of your comment about me being frustrated, I'm not frustrated at all. I'm happy to stand up here and answer questions all night if I need to. If I'm giving a view that I'm frustrated with the process I'm not. I'm trying to be very circumspect and not giving unnecessary hope around timeframes and returns and what it might look like.

Unknown: It might be a bit of a facetious question but given that there's been a bit of a history of the failure of these organisations now over a period of time in Australia, and people like yourself have been involved in sorting out for people like us, where do you put your money? You're obviously not putting it in these companies. You must be doing something. Maybe you can give us some advice on that.

Stewart McCallum: I'm not giving investment advice, particularly with the falling property prices.

Paul Wilson: Can I just say on your website, for us to access your information you force us to declare on there that we don't hold you liable to anything. I don't see why I should have to do that. You should provide that information, whatever is on there for free or without us having to

declare that we don't hold you liable or anything like that. Are you aware of what I'm talking about?

Stewart McCallum: I'm not specifically aware but I'm assuming you're talking about some sort of disclaimer to say that you've got an interest in the company or are a creditor.

Paul Wilson: Yeah and to get access.

Stewart McCallum: Do you have to declare that you're a creditor as well?

Paul Wilson: I haven't memorised it but I remember I saw it and it's to get access to the information that you were publicising for all of us to have access to as creditors. We have to sign a declaration, we have to tick a declaration box that says we don't hold you liable and we don't promote any of that information to anybody else. That's unacceptable to me. I need access to that information.

Stewart McCallum: If you're not comfortable signing off on that Paul, we'll just email everything to you.

Paul Wilson: Okay. That's okay that suits me yeah.

Francisco Benala-Luniz: Hello. I'm holding proxy number four. My name is Francisco Benala-Luniz. My question is on the presentation. There was a number of employees who are currently working for Halifax. I'm assuming and I'm hoping, not assuming my assumption is correct is if whether the Director or directors are not in payroll anymore. They've been either renounced or they been fired. We're not willing on paying if the Director is still on payroll. That would be unfair.

Stewart McCallum: We're not paying the Director one thing. The Director has been terminated. The Director has an obligation to assist the administrators during the process. He's not on the payroll.

Francisco Benala-Luniz: Thank you.

Steve Connors: My name is Steve Connors. I'm an investor under my own name. You touched on in respect of the Interactive Brokers there was or there should have been an insurance policy in place. Is that in place and is there a chance of recovering some monies?

Stewart McCallum: I expect it will be in place. That's a US insurance product called SIPC insurance. We've made - we've instructed our insurers to talk to any of the insurers that they need to, be it Interactive Brokers insurers, the Halifax insurers to get to the bottom of exactly all of the insurance cover that's been in place. We're assuming given we're dealing with Interactive Brokers who are a sophisticated organisation that the relevant insurance would be in place. I haven't got our answers from our insurance broker yet, so I can't stand up here and say yes, we're covered for this.

Steve Connors: They are saying they are on the website.

Stewart McCallum: They say they are do they?

Pete Wilson: Pete Wilson acting for my SMSF. Just with the Interactive Brokers insurance, on their website it says the American entity, the head entity insures for \$500,000. Under there there's all their subsidiaries like Canada and Australia and somewhere else. On there they said well for Australia at least there's no insurance at all. I might be wrong but I believe that. My question is the item two committee of inspection; could you explain further what that is?

Stewart McCallum: Sure. I'll do that now. A committee of inspection is a representative body selected from the creditors. Normally, on a job like this which is complex, that investors will have very specific detailed information about I encourage the formation of a committee of inspection. The roles of the committee are to advise the administrators on information. They're to suggest avenues of enquiry for example. They're to help explain the nuances of the various platforms or how investors went about investing in the first place.

They're really useful. Really, the only powers that a committee of inspection has is to approve administrator's fees and in a job like this that's not going to happen either. It would go to the whole body of creditors and then ultimately for the court to sign off. That's one of the powers a committee has. What a committee doesn't have is any power to direct an administrator what to do. The committee can say,

look we think you should go down this path or we think you need this information. The administrator will take all that on board. Ultimately, the administrator will make his or her own decision.

The committee of inspection is an advisory body of creditors. The other important thing to note is that as a member of the committee of inspection, your duty is to represent all of the creditors. Not yourself or not your band of creditors. You've got to be representing all of the creditors equally.

Pete Wilson: I'm just a bit concerned it's going to be paralysis by analysis.

Stewart McCallum: To avoid that paralysis by analysis I personally like to limit the members on the committee to no more than five. That's my preferred option.

Pete Wilson: Thanks.

Darius Patrick: Darius Patrick again here, I just want to share my personal experience with Halifax. I've been a client of them for about I think three years and I have some shares and I have an MT4 account as well. Back in January, I'm not sure how many of us investors have been in their offices on Level 49, Farrar Place but I was there once back in January. There was an issue. The issue was that my MT4 account details have been sent to someone else with the same first name, Darius but the surname was different. I got the login and password to someone else account.

What happened is that I was trading for a while. I'd made some profit. Suddenly I see that the purchase positions have been closed off. I went and say what's happening? I didn't close these purchase positions. The other guy who had access to my account actually closed off those positions when they were in profit. The only thing was that the same first name but different last name. I was thinking how could you confuse those two? That was all straightened out and they transferred that small profit to my account. I don't know what they done to other guy.

From that moment, that was January this year, I start to be suspicious about this company a little bit. Also, when I went there they wouldn't let me in through the door. You just stand here. Just go on - that was, I'm not sure how many of you have that experience but from that moment I was a bit worried about that company but then you get lazy. You just forget, forgive. I'm not surprised that the company is in a position like that. Thank you.

Stewart McCallum: Thanks Darius.

Andrew Baxter: Possibly last question and get into the proxies, just for the record we're duty bound to ask where the conversation has steered towards the back end of this meeting, it seems increasingly likely that there's going to be a deed of company arrangement (DOCA) tabled. As at this point in time has that been a conversation that's been mooted to Ferrier Hodgson or JWS and in doing that has that - is that a DOCA that's been submitted either by the existing Director of Halifax or anybody else?

Stewart McCallum: There's been no suggestion of any DOCA put forward at this stage by any party. We've had three or four, maybe half a dozen expressions of interest from competitors of Halifax to look to buy the business if that's possible. That's as far down the path as we've got. There's been no DOCA put up. There's been no suggestion of it. A DOCA is one of the three options that creditors will vote on at the second meeting. Really, there's two live options; one is to liquidate the company. A Liquidator has got the broadest and deepest investigation powers out of any of the insolvency appointees; administrators, receivers, liquidators have got all the investigation powers. That's one option. Or two, to execute a deed of company arrangement, which can take any form but typically it guarantees a return to creditors.

It can include all sorts of different things. It might be someone buying the business and making an amount available for investors. I don't know. We haven't seen anything.

Unknown: Second you've mentioned just previously and assuming this is something that gets voted on shortly, and we get an outcome on that in the event of a committee of inspection being appointed, in terms of nominations, what's the procedure for being nominated for that? Is that something I can table right now because I'd like to nominate myself. I don't know if that needs to be seconded from the floor in order to pass?

Stewart McCallum: Sure, so we don't even need a seconder from the floor for that. We do in due course. You've already submitted a willingness to be on the committee. It would be an excellent idea so you can consider yourself on. We have three requests to be members of the committee of inspection. They're all investors. I'd like ideally when we get to the committee to see an employee representative and a representative of the trade creditors to be on that as well. I don't know whether we've got anyone in the room to nominate on behalf of the employees and the trade creditors.

Stewart McCallum: With the webcast questions Phil, we were starting to go over ground we'd covered a bit. If we can get an answer to this proxy question and also the number of people here who are voting today either via proxy or in person then we can get onto the resolutions.

Unknown:

Unknown: Yeah. I would like to nominate another person to be on the inspection committee. I would like to nominate Jody Elliss.

Stewart McCallum: Thank you. We'll certainly take that on notice and I'll put that to the meeting when we get to that stage.

Unknown: Thank you.

Stewart McCallum: We have a total proxies for voting today, 1,578 and of those 1,578, depending on which resolution is being voted for we've got specific votes for and specific votes against and then what we call open votes, which is the proxy can vote on behalf as to how he or she wishes to in the meeting. Again, they depend on which resolution. If we look at the replacement of the administrator we've got 493 votes, 493 proxies in

favour of replacing and we've got 642 against replacing and we've got 266 open.

If we talk about the committee of inspection we've got 716 for the creation of a committee. We've got 567 against the creation of a committee and we've got 199 open holders. I won't go into the third resolution which is how we deal with members of the committee largely because it's a little bit confusing but it's something for potential members of the committee to be aware of that if you become a member of the committee of inspection under the law you're not allowed to have a financial interest in the ongoing business.

For example, if the landlord wanted to get onto the committee of inspection and we were continuing to pay the landlord rent then we'd have to get a resolution from the creditors at this meeting that it was okay for us to continue to pay the landlord. In terms of investor creditors that doesn't impact you. That's why I say it's largely irrelevant.

That's the proxy situation. Now, if we split that up then we mentioned this before, out of that number there's about 1,400 that I'm the nominated proxy for. We've got Andrew Baxter with 110 and we've got Jody Elliss with 29. Can I roll into perhaps an explanation of the voting. Then I'll table the consent and the DIRRI we've got for a potential replacement administrator.

I advise that a resolution put to the vote of the meeting must be decided on the voices unless a poll is demanded before or on the declaration of the result of the voices. That's in accordance with IPR 75-110. A poll can be demanded by the Chairperson or by at least two persons present in person by proxy or by attorney that are entitled to vote at the meeting or by a person present in person by proxy or by attorney representing not less than 10 per cent of the total voting rights of all the persons entitled to vote at the meeting.

What does that mean? Normally, what happens in these meetings is that I'll put a resolution to the meeting. There'll be a show of hands for,

a show of hands against and I'll make a decision based on the show of hands as to whether the resolution passes or fails. In this case though, in the event that there's a nomination for a replacement administrator, what I'll be doing as the Chairman of the meeting is calling a poll. What that will mean is that every person's vote is counted so that everybody is clear on the outcome.

There's an ability for creditors who are unhappy with any of these decisions to head off to court and have them tested within 10 business days. If a replacement administrator is put up I'll be calling for a poll. I won't be if I'm still the Chairman of the meeting calling for a poll on the resolution of the committee of inspection. I'll just do that on the voices or the show of hands.

In terms of a casting vote, I note that in accordance with IPR 75-115 I may exercise a casting vote if no result is reached for or against. My decision to exercise this vote is subject to review by the court upon application by a creditor in accordance with section 75-42, 75-43 of schedule 2 to the Act.

A resolution is passed if you have a majority of the number of people voting and a majority in the value of people voting. If you've got number four and value against there's a deadlock and I as the Chairman can exercise a casting vote. I can choose whether to do that or not. It's at my discretion.

I also note that a secured creditor may vote with respect to the whole of its debt or claim without being required to estimate the value of its security. That's in accordance with IPR 75-87. In addition, I note that a related party is permitted to vote as a creditor at the meeting provided its claim has been admitted by the administrators for the purposes of voting, in accordance with IPR 75-100. All of the investors have been through the process with Link out the front in the hour or so leading up to the commencement of the meeting to have their proofs accepted for the purposes of voting. For the sake of the meeting, let me just describe that process.

Under Insolvency Practice Rule 75-85, a creditor must not vote in relation to a debt the value of which is not established unless the administrators have made a just estimate of the amount claimed. Given the complexity of the issues in this case and the necessary investigations that have got to take place which we've spoken about, and coming back to an earlier point where I said in answer to one of the frequently asked questions; why are investor clients being called creditors?

That's because to the extent there's any shortfall in client funds going back to clients, then they'll be able to claim for the shortfall as a creditor of the company, then I don't know standing up here what that amount might be. There's no possible way for me to understand exactly the amount of the shortfall and what you might be able to claim on the company and its creditors for. On that basis and the courts are very clear on this and the case law is very clear on this; in those circumstances, the best course of action is to admit all of the investor clients for a dollar. You'll get a vote but your vote will be worth a dollar.

I need to clarify something though. I don't want investors to sit back and think well, you've only admitted me for one dollar to vote, does that somehow prejudice my claim? It doesn't at all. The two are completely unrelated. Your claim will be your claim and the starting point of that will be the value of your portfolio at the date of appointment. There might be some changes depending on what the court says. That's the starting point. The fact that we're admitting you for a dollar today is just to enable you to vote in circumstances where there's no way we can estimate what you'll be a creditor of the company for.

I note that you have 10 business days from today to appeal the decision to admit investors for a dollar by lodging a court application should you wish to do so. Any court applications will be at the cost of the individual creditor. Finally, I note that under Insolvency Practice Rule 75-95, if necessary an administrator can ask a creditor for more evidence if required. This is likely going to be a process that's ongoing

through the course of the administration while we firm up the actual value of your claims. Does anyone have any questions on that process?

Andrew Baxter: Given the fact that the numbers are relatively close at the moment on what you've just talked there, we know from the information that was sent out to clients and what's been filed through POD and COI, that's been sent through, we are short by about 50 or 60 that are showing in the count at the moment versus the proxies we know that have come through, whether we need to adjourn in order to establish where those missing proxy votes are? It's quite material particularly given how close the vote is.

Stewart McCallum: Yes, I think we should. Before we adjourn the meeting, Paul did you have a question?

Paul Wilson: No, that was my question. My feeling is the proxies are weighing in your favour anyway.

Unknown: What's the benefit of adjourning to do it? Let's go forwards.

Stewart McCallum: Mr Baxter, it's up to you really. If you'd like us to adjourn? It's every creditor's right to see an adjournment.

McCallumAndrew Baxter: In the event that there's a resolution carried, do we still get the ability to have those proxies sourced in terms of I'm not going to say a recount but...

Stewart McCallum: No, it's best to get it sorted out now. You've got the ability to head off to court and seek to have the decision overturned

Andrew Baxter: We don't want to tie everyone's time up with that. Everyone and as a creditor myself, noting that I'm not here banging my drum, I'm also a creditor with my account frozen that's tied up there. None of us want to see an unnecessary delay. We also want to see due process. As per Jody's comment earlier, there's a big yawning gap in the number of proxies he was expecting to see based on what he knows that he's submitted and I'm in exactly the same boat.

This is a material thing. We've got people's votes to carry that have entrusted us to communicate that message at this meeting. It's pivotal that that process is robust, transparent and accurate.

Stewart McCallum: I agree and that's why I'm quite happy to adjourn the meeting until we get that sorted out.

Unknown: Could those votes make a difference to the ones that you hold?

Andrew Baxter: In terms of whether those votes are material, at the end of the day you don't have to use your proxy. It's at your discretion, correct?

Stewart McCallum: That's right.

Stewart McCallum: I think where we'll end up, and it might take us a couple of minutes to summarise this, but I think it'll be very close in terms of individual votes to replace the administrator. This is before we've heard from the replacement administrator, which I'll give him an opportunity to do in a minute.

Andrew, if your votes are for the replacement of administrator in terms of number, I think in terms of value, it sits quite comfortably on us staying in as incumbents. Therefore, you have a deadlock. I wouldn't exercise my casting vote in that circumstance. The resolution would fail on that basis and we would stay in. That's the way the process would work.

Jody Elliss: Jody Elliss, proxy six and seven. Just trying to accelerate this part of the meeting along. I was just going to ask Andrew - we seem to be holding a fair few proxy votes and we both have concerns about the proxy process. However, it's really irrelevant. What we're both, I think, looking for, Andrew, is a COI on this whole process.

Jody Elliss: According to the numbers already, there is likely to be a COI, so I think this meeting can move along and if we have a major issue, then have a look at proxy issue afterwards. But I think the proxy issue is going to be negligible - you know, not relevant and we can reach a resolution now.

Stewart McCallum: Look, that may be right, but I don't - everyone has to have due process and if there are people, Jody, like yourself and like Andrew who are here who said well, actually, we expected not to see 600 proxies or 30 proxies, it was supposed to be 850, then on one view we've got to get that sorted out. But what I want to see first is just a breakdown of the quantum of the votes versus value because that might inform the decision to adjourn.

David Proudman: Mr Chairman, if I just make a couple of observations. It is not necessary to call a poll - for the committee of inspection first. So, we could not have to worry about the votes if everybody's supporting a committee of inspection. That only then really leaves you in a position where you have a poll or may need a poll in respect of a replacement administrator. Of course, that only gets considered in circumstances where the resolution to put a replacement administrator is actually formally put.

So, it might be worth just raising that as a possibility, because if it's not going to be put, then we can certainly save a lot of time. We wouldn't hold a poll in respect of the committee and I think the general message is here that everybody wants a committee and certainly I know you've said as administrator that you're hugely supportive of there being a committee.

Jody Elliss: Absolutely.

Stewart McCallum: So, that would be something that would certainly alleviate things. But we're in the hands of, I think, Mr Baxter and his colleagues. But if they want to put the resolution, then yes, we'll need to go through the process of making absolutely sure we have all the proxies correctly calculated.

Unknown: The downside, of course, is that if it takes a period of time when this resolution goes on, the cost of earning as well, especially if, for argument's sake, the cards fall where you are replaced as the administrator, there's another week of cash burn of whatever that number is. Again, as a creditor I'm very mindful of that. I'm not

banging my drum, I'm representing a lot of my clients that have got money tied up in this. So, just a question in regard to, how have you arrived at the dollar value where you've got the swing in terms of dollar?

Stewart McCallum: Yeah, so the dollar value comes about through trade creditors of the company.

Unknown: And are there trade creditors?

Stewart McCallum: Yes, there are.

David Proudman: I think it's probably worth recording, Mr Chairman, that as to the dollar value, it's my understanding that if you value all of the investors for all of their entitlements, assuming that there is a complete loss of every single cent that anybody has ever invested - which is not being contemplated - that there would still be the value against the change of an administrator.

Stewart McCallum: Yeah, that's...

David: So, we would still be in a deadlock, whichever way you cut it.

Stewart McCallum: Yes. So, that's right and it's a theoretical discussion in one sense but it's important for the minutes of the meeting, if it ever gets tested by a judge, the numbers - if everyone - so, the value of the investment positions that are voting to replace us as administrators is around about that \$13 or \$14 million mark. The value of the investors that are voting to keep us in is around \$34 or \$35 million. So, there's a significant discrepancy. Now, I say that just to provide full disclosure so that it's on the minutes in case it ever gets to court.

For the purposes of the meeting, what's being made completely clear is investors are in for a dollar, all investors. There's been no differentiation between different types of investors and others, the unsecured creditors include your normal trade creditors, electricity companies, phone companies, the brokers for the reasons we described before. That's where the value stands.

So, I think then, David, your point's a good one. Andrew and I wonder whether we just cut into you there a little bit. Are you going to put forward the motion for the meeting to decide on to replace us as administrators?

Unknown: In regard to that, I mean in terms of resolution, if we're to go down the road of an adjournment temporarily at least is to inspect the trade creditors proof of debt, just to see that we've got all that in file. You guys presumably would have all of that here?

Stewart McCallum: Yes, we do.

Unknown: We would take 15 minutes. I don't want to delay this anymore than is necessary. I don't know if anyone needs a bathroom break or something like that, but it's an important decision.

Stewart McCallum: Yeah. Let's adjourn for 15 minutes so that people can stretch their legs. It's now 2:33, so if we can aim to be back here ready to go by 2:45 pm.

Unknown: Sorry, how much longer do you think the meeting may go for after that? Just give us an idea? Because I have a plane to catch back to Queensland I'm booked and can't change.

Stewart McCallum: It all depends on whether the motion is put up to replace us as administrators. If that's the case and we have to go through a poll, the scenario will be that the Link people will come around and they will get the specific votes out of everybody in the room. They will go back and they'll collate those. I don't know how long that will take. That process might be half an hour, an hour. Half an hour to an hour.

Unknown: So, if I needed to leave, I could leave my votes with somebody here or not?

David Proudman: Well, no.

Stewart McCallum: You can't, no.

ADJOURNMENT

Stewart McCallum: Okay, ladies and gentlemen, thank you. That break took a little bit longer than I anticipated it may. I declare the meeting reopened at two minutes past three. So, where we've got to during that break is that I will shortly ask Mr Baxter to put forward a nomination for replacement administrator. I'll table the potential replacement administrators DIRRI and consents to act.

I'll then ask him, Mr Joe Hansell, to come up and address the body of creditors for a short period of time. Then what we're going to do is adjourn again to host the poll and that adjournment will be approximately one hour. We will then come back after that hour and we will vote then on the committee of inspection. So, let me first ask Mr Baxter can you put forward the motion please?

Andrew Baxter: I put forward a motion to nominate an alternative administrator in the form of FTI Consulting. Joe Hansell from FTI is here to explain why.

Stewart McCallum: Okay, terrific. Joe, can I ask you to come up and say a few words, please?

Joe Hansell: Thank you, Stewart. We have tabled with the administrators our consent to act and our declaration of independence, relevant relationships and indemnities. That has been tabled to the meeting but I think for the purpose of this meeting, I might give some background in the terms of how I've got up in this position. Essentially, we were asked to come here by Russells. Russells are a set of lawyers, and they're lawyers for Blundstone Capital Management and Mr Andrew Baxter, who are creditors of the company.

We believe we don't have a conflict of interest or duty because of the following reasons: Russells refer insolvency engagements to FTI from time to time and whilst we've worked for Russells in the past to provide legal advice, it's been separate and not in relation to this engagement. FTI have had no preceding 24-month relationship with the company, any associates of the company, any former insolvency practitioner appointed at the company or any person or entity that has security over whole or substantially whole of the company's property.

Neither I or our firm have provided any professional services to the company in the previous 24 months. There are no other known relationships including personal, business and professional relationships from the previous 24 months with anybody associated with the company. We have not been indemnified in relation to acting for this potential administration and other than indemnities that we may be entitled under statute, we have not received any up-front payments in respect of our remuneration or disbursements.

So, I've been asked here to come as an alternative administrator by Mr Andrew Baxter. FTI Consulting is a \$3 billion market capitalised company on the New York stock exchange. We have offices in 24 countries, 84 cities and myself and John Richard Park, who's one of the Australia practice leaders in our Brisbane office, have consented to act as administrators of the company. We have, much like our brethren here at Ferrier Hodgson, we have experience in relation to these matters and essentially that's it. I'll really open the floor to some potential questions.

Unknown: Barry, I think representing myself. What would be gained by appointing you as opposed to Ferrier Hodgson's who've already done a week or 10 days work which you're going to repeat, I guess, and so we'll pay for that?

Joe Hansell: That's a good question, Barry. I mean, Stewart has obviously put forward what the credentials of Ferrier Hodgson are. I'm not here to discredit Ferrier Hodgson. They're a great firm and I used to work for Ferrier Hodgson. Stewart has already put forward his case as to why they're more than qualified to act in relation to this matter and FTI are equally as qualified to act in relation to this matter.

Unknown: You've not answered the question. Are you going to repeat the work they've done and we're going to have to pay for that?

Joe Hansell: Yes.

Tony Cenic: Tony Cenic, representing my super fund. Do you anticipate having the same legal company represent or assisting you?

Joe Hansell: With respect to JWS?

Tony Cenic: Correct.

Joe Hansell: We have substantial knowledge in the background with relation to Mr Andrew Baxter and having regard to the views of this room, it would be very difficult for us with the exception of gaining background to engage JWS.

Tony Cenic: So, in other words, not likely?

Joe Hansell: Not likely.

Tony Cenic: Thank you.

Joe Hansell: Are there any other questions?

Unknown Hi. I don't know you, nor Ferrier Hodgson. My main concern is, as a creditor, as an investor, I'm looking forward to resolving the issue and get our funds back ASAP. So, I'm not interested in paying anybody any additional cost of fees to prolong the investigations. So, basically, my desire is I'm speaking for myself that I would nominate them, Ferrier Hodgson, to continue their work. I've got nothing against you. I'm looking at the cost involved and also the time as well. So, this is my opinion. Thank you.

Joe Hansell: Thank you.

Tony Cenic: Carolyn. I just want to point out that we asked Stewart a lot of questions and he was unable to answer a lot of those questions as well. In my opinion, I don't think we're going to lose much time. Secondly, yes, there is a cost involved in having someone independent. My concerns are that David has worked with the director previously.

David Proudman: That's not true.

Tony Cenic: And he's still in touch with the director.

David Proudman: I haven't spoken to the director ever.

Tony Cenic: No, not you, but your firm has. I find that's a big conflict of interest and JWS have appointed Ferrier Hodgson, so I find that's another...

David Proudman: That's not true either

Tony Cenic: No, okay, my apologies then. But I don't think there's a small cost involved, Carolyn, but to have someone independent work for us I think is more important.

Joe Hansell: Let me just clarify. Stewart and Phil and Morgan have a very difficult job in relation to this administration. I can understand the frustration from the number of people in this room and Stewart has been unable to answer some questions. But if I was up here in his position a week later, I'd be in very much the same position as Stewart would be. There are some answers today which are simply not known after being one week in the job.

Like Stewart said, he had one meeting and was appointed as voluntary administrator the next day and from listening to what Stewart has said today, in terms of the way that he would approach the administration, in terms of source and application of funds, doing the investigation, prioritising what has happened to the investors' money, is exactly the same as what I would do.

So, in terms of whether FTI or Ferrier Hodson, we will be conducting the exact same job. The question it really comes down to is what are creditors - who do they want to be their administrator? You've seen the declaration provided by Ferriers, you've seen the declaration provided by us. But I want to state for the record that we will be undertaking a similar process as to what Stewart has said today.

Brian Eastern: Brian Eastern, MCM. I'd like to direct a question to Stewart first. Some of your stuff is very vague and that, which I sort of understand, but can you just answer yes or no to this: are you under any legal restraints about answering any of those questions or is it simply...

Stewart McCallum: No.

Brian Eastern: No? Not at all? It's just information - you're not confident with the amount of information you have at this moment to answer - like, there was a lot of those questions that you just went, no, can't answer them at the moment. It's just there's a lack of sufficient data.

Stewart McCallum: Sure. It's actually too much data. It's actually seven days of being smashed with data from many different sources, and I'm not going to stand up in front of a creditor's meeting and give answers that I don't know the answer to. I've got no fear in saying I don't know the answer to something when I don't know the answer to it.

Brian Eastern: Okay, cool. Quick question for you: your company, how long does it shut down for over Christmas?

Brian Eastern: This is serious because if you shut down for four weeks over Christmas, you're starting 10 days behind, basically what we're talking about here is not 10 days, it's somewhere in the region of two months.

Joe Hansell: We shut down between 24 December and 2 January.

Brian Eastern: Skeleton staff after that, or your full house back on then?

Joe Hansell: We will be full back on on 2 January.

Brian Eastern: Okay, cool. Very rare. Okay, thanks.

Joe Hansell: Thank you.

Stewart McCallum: Thanks, Joe. Look, before we do adjourn the meeting - we will call a poll, we'll get the link people to come in and take the votes and then there'll be an adjournment for an hour. As I understand it, there's some queries around about 100 votes that Mr Baxter believes he should have had as proxy that haven't been registered, so we've got to sort that out. There seems to be some sort of misconception in the room as to Ferrier Hodson's independence in this matter.

Let's be crystal clear: there is absolutely no issue in terms of our independence at all. We went above and beyond in our DIRRI describing the whole history of work that we'd ever done for Halifax, which was done by our forensic accounting team. We didn't have to do that. What we could have done was just said, no work in the preceding two years and we would have satisfied every obligation that we have. But it's in the interests of creditors to know everything that's gone on.

ASIC rightfully then said, okay, we understand it's outside the two years, can you explain a bit more about it? So, we put together a detailed file note for ASIC on exactly what had been done and it just expanded what was in that DIRRI anyway.. So, I don't want the body of creditors to walk out of this meeting somehow thinking that Ferrier Hodgson is somehow not independent. It could not be further from the truth.

So, what I'll do now is I'll demand a poll in relation to the vote to replace us as administrators. If the creditors could stay in the room for the time being, I won't adjourn the meeting until that poll has happened. So if we can kick that process off, please, with the link team.

Phil Quinlan: Excuse me, Mr Chairman, it might be worth just taking people through the yellow form just explaining what needs to be done.

Stewart McCallum: So, the first resolution is that in the event that an administrator is proposed, and we've had Mr Hansel and Mr Park been proposed from FTI, that the existing administrators be replaced and FTI be appointed in their stead. So, if you want to replace the administrators you tick for. If you want us to stay in, against, or if you want to abstain from voting, abstain. A committee of inspection be appointed, that's pretty straight forward, for, against or abstain.

Sorry, park that. We're only doing the poll for one resolution, which is the first resolution. I'm going to do the committee of inspection or if Joe Hansell is the new Chairman, he'll do the committee of inspection on a show of hands. So, for this form, just resolution one. If you want Ferrier Hodgson out, FTI in, tick the for box. If you want Ferrier Hodgson to remain, tick the against. If you want to abstain, tick abstain.

Paul Wilson: I'm still trying to decide. Why am I here?

Stewart McCallum: I think as I said before, where we'll end up is that the number of people voting to replace and voting not to replace will be about line-ball. There might be a few votes either way, but the value of those

voting to keep us in will be significantly in excess of the value of the votes to replace. So, that will mean a deadlock in the voting. I then won't exercise my casting vote and the resolution will fail and we'll stay in.

But it is important that the due process is done and if we've got circumstances where Mr Baxter and potentially others think that the number of proxies that they've been asked to represent aren't accurately reflected, then we have to go through the process.

Okay, thank you. Well, I'm going to adjourn the meeting now for a period of 40 minutes in the first instance until four o'clock. If you could call come back at four o' clock, please. If we need another further adjournment, I'll let you know then.

ADJUOURNMENT

Stewart McCallum: All good. Okay, I declare the meeting re-opened at three minutes to four. Thank you for those creditors, clients, investors that have stuck out what's a pretty long day. The poll has been completed and the results are as follows: in favour of replacing the administrators, 659 votes for the replacement representing a dollar value of \$659. Against the motion replacing the administrators, so those in favour of keeping Ferrier Hodgson in, 661 votes. So, there was two votes in it. With a value of \$225,054.53.

So, I declare the motion failed and we will remain as voluntary administrators. What I would say is that I could have exercised a casting vote. I didn't need to, in the end. We also had a related party claim from Halifax New Zealand. We didn't include that in the votes. I held a number of general proxies in my favour which I was entitled under law to vote and I didn't do those either. So, this is - none of the general proxies in my favour were voted, nor was the related party from Halifax New Zealand. So, this is all external.

Paul Wilson: What were the numbers again?

Stewart McCallum: Six hundred and fifty-nine to replace versus 661 to keep in. Okay, committee of inspection. We'll be able to fly through the rest of it now.

So, let me refresh: the functions of the committee of inspection are to consult with the administrators about matters relating to the administration.

Sorry, before I move on to the committee of inspection, which will be on a show of hands, for the record I want to put on the record Joe's comments. I thought they were very balanced in the circumstances and I appreciated those, Joe.

Right, committee of inspection. Functions of the committee of inspection: to consult with the administrators to provide information, to provide advice, to direct us where we should be looking in terms of the investigation about the goings on leading up to the appointment. I advise that pursuant to section 80-55 of schedule two of the Act provides that a member of a committee of inspection must not directly or indirectly derive any profit or advantage from the external administration of the company unless creditors resolve otherwise.

Section 80-55 subsection two of schedule two of the Act provides that a member of a committee of inspection is taken to derive a profit or advantage from the external administration of the company if the member of the committee directly or indirectly derives a profit or advantage from a transaction, including a sale or a purchase entered into for or on account of the company or the member directly or indirectly derives a profit or advantage from a creditor of the company.

So, if an individual is acting as a proxy for his or her company and the company receives a benefit, or a related entity of the member directly or indirectly derives a profit or advantage from the administration of the company. In the event that the administrators enter into any transaction with a member of the committee of inspection, that may result in that member deriving a profit or advantage and therefore it will be necessary for creditors to consider a separate resolution to consent to that arrangement.

Now, I'll table the nominations for the committee of inspection. We have three at the moment.

Unknown: Can you advise what's involved in the committee and how much involvement is or isn't required?

Stewart McCallum: It's really as much involvement in a sense that the committee wants. So, I would expect that there would be weekly teleconferences in the first few weeks of the administration while we go down the path of separating groups of investors, doing the investigations. After that point, once it becomes clear, I'd expect it'd be nothing. But it'll be once a week, I would think, for the first four or five or six weeks.

Unknown: Does the committee have access to financials?

Stewart McCallum: Yes. –The committee will sign confidentiality agreements and will be provided with all of the information we have. The nominations that we've got so far are Andrew John Baxter, Rodney J Morris - Rodney, are you in the room? No. Bradley John O'Hara. Bradley, are you in the room? No. Okay, are there any other nominations from the floor?

Unknown: Yes. Mr Chairman, I nominated earlier on Jody Elliss. Who is right in the room over here.

Stewart McCallum: Thank you. Jody, are you prepared to be a member of the committee of inspection?

Unknown: Yes, and in actual fact I'm rather surprised because I put my own nomination in last Friday.

Stewart McCallum: Okay, well we've got the right outcome.

Stewart McCallum: Anyone else from the floor? There are a couple of investors that had some good input during the course of the meeting.

Unknown: I'd like to nominate Peter Wilson.

Stewart McCallum: Thank you. Well, we've got to our five, so unless anyone else has got a real burning desire to be on, I'm happy with those five. For the record, and this is will be voted on by a show of hands, that a committee of inspection be formed. Can I have somebody please put that motion forward? Andrew? Thank you. Can I have a seconder for that motion please? Thank you.

That the following: that a committee of inspection be appointed comprised as follows: Rodney J Morris, Andrew John Baxter, Bradley John O'Hara, Jody Ellis and Peter Wilson. Show of hands those in favour. Those against. Declare that motion carried. Now, because all of the committee of inspection are investors - I've got that right, haven't I? Then we don't need to have that third resolution about dealing with them because in that resolution, I've got to list out the types of things that they might profit from, so I don't need to put that motion forward to the meeting.

Unless there are any other questions, then I'd like to conclude the meeting by thanking you all again very much for coming. It's been a long day, there's been a lot to take in, but I thank you for your attendance. I'd like to thank Cameron and his team from Link for also managing a pretty difficult situation.

Unknown: Hello everybody. My desire and my hope is that everybody including the committee of inspection and the administrator do their best, do the right thing by all of us and get this mess sorted out ASAP, for the benefit of all investors and all creditors. Merry Christmas and a Happy New Year to all.

Stewart McCallum: Thank you. On that note, I declare the meeting closed at five minutes past four.

END OF TRANSCRIPT

Observer Register – Halifax Investment Services Pty Ltd (Administrators Appointed)

Administrators: Ferrier Hodgson: Morgan Kelly, Phil Quinlan and Stewart McCallum

Company: Halifax Investment Services Pty Ltd (Administrators Appointed)

Meeting Type: First Meeting of Creditors

Meeting Date/Time: Wednesday, 5 December 2018, 11.00am (AEDT)

Meeting Location: Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000

| Please PRINT Name | Company (PRINT NAME) | Signature |
|------------------------|---|------------------------|
| PETER BEV HALLIDAY | ATF HALSON SUPER FUND HALSON INVESTMENTS P/L HRN 100405493488 | P Mahoney |
| / | / | P Mahoney |
| / | / 100403472727 | P Mahoney |
| ✓ | / 100407113340 | P Mahoney |
| Michael Alyas | Touks with Michael | [Signature] |
| FRED W USNER | | [Signature] |
| SASKIA VAN LOON | John son Winter Slattery | [Signature] |
| Georgina Marwick | John son Winter Slattery | [Signature] |
| Nicholas Edwards | John son Winter Slattery | [Signature] |
| DOUGLAS McMAHON | GARTNESS PTY LTD | [Signature] |
| Phacharanad | | Phacharanad |
| Joseph Hansell | FTI Consulting | [Signature] |
| Peter Wilson | Pete & Shelly SMSE P/L | [Signature] |
| Chris J Nalty | Chris Nalty | C Nalty |
| Kyle Howland-Rose | self | [Signature] |
| LUTATA | SELF | [Signature] |
| Paul Woodward | | [Signature] |
| Zhanghua Lu | Private Capital Group | [Signature] |
| Howard Amois | Howard Amois Sfer | [Signature] |

Observer Register – Halifax Investment Services Pty Ltd (Administrators Appointed)

| Please PRINT Name | Company (PRINT NAME) | Signature |
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| L2N X210 48N | | Hals |
| David Dertz | | David Dertz |
| Grace Tao | | Grace |
| DOFFREY WORBOYS | | |
| K. Schum | | K. Schum |
| D A HIDE BROW | Octavius Capital | |
| Daniel Bliss | Polonne International | |
| CANDICE FERREIRA | FERRIER HODGSON | Candice |
| Sarah Arnfield | Ferrier Hodgson | Sarah Arnfield |
| LUKE Meany | FERRIER HODGSON | |
| MARTIE LIVANOR | FERRIER HODGSON | M. Livanor |
| Michael Grouhel | Ferrier Hodgson | |
| Jon Sutherland | Ferrier Hodgson | |
| PHIL QUINLAN | FERRIER HODGSON | |
| Hugh Kelly | Ferrier Hodgson | |
| Florence Xu | Ferrier Hodgson | |
| Emma Davy | Ferrier Hodgson | Emma Davy |
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[illegible]

Attendance Register – Halifax Investment Services Pty Ltd (Administrators Appointed)

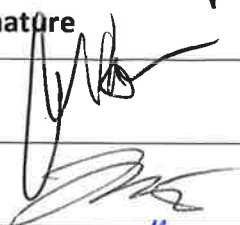






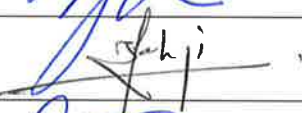

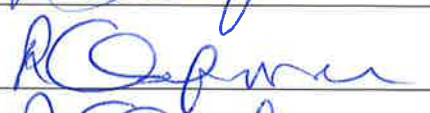



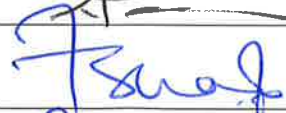
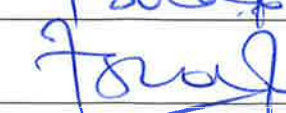
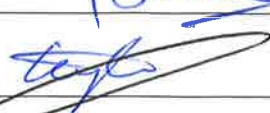
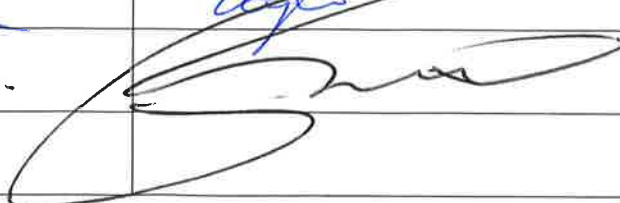
Administrators: Ferrier Hodgson: Morgan Kelly, Phil Quinlan and Stewart McCallum

Company: Halifax Investment Services Pty Ltd (Administrators Appointed)

Meeting Type: First Meeting of Creditors

Meeting Date/Time: Wednesday, 5 December 2018, 11.00am (AEDT)

Meeting Location: Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000

| Card No. | Cardholder Name (PRINT NAME) | Signature |
|----------|----------------------------------|--|
| 02 | JOHN WILLIAM ROBINSON |  |
| 03 | FIONA MCMULLIN |  |
| 04 | FRANCISCO BERNARDO MUNOZ ARMENTA |  |
| 05 | ENZO RULLI |  |
| 06 | CRAIG STALLAN |  |
| 07 | Jody Ellis |  |
| 08 | Jody Ellis |  |
| 10 | BALAJI IYER |  |
| 12 | Robert Chapman |  |
| 14 | Robert Chapman |  |
| 15 | Robert Chapman |  |
| 17 | LAVINIA RARINCA |  |
| 20 | ANTHONY SANEK |  |
| 21 | FREDERICK PATRICK STANIS |  |
| 22 | FREDERICK PATRICK STANIS |  |
| 23 | CAYLEY SEGAL |  |
| 24 | Jack Jameson |  |
| | | |

Attendance Register – Halifax Investment Services Pty Ltd (Administrators Appointed)








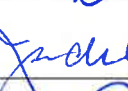



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| Card No. | Cardholder Name (PRINT NAME) | Signature |
|----------|------------------------------|---|
| 148 | BARRY HOUSTON |  |
| 341 | Alonso |  |
| 342 | Peter Valentis | Pete Valentis |
| 150 | Chris Markos | Chris Markos |
| 151 | Brian EASTON | Brian Easton |
| 153 | Rodney GOLDBERG |  |
| 152 | Rodney GOLDBERG |  |
| 154 | Rodney GOLDBERG |  |
| 155 | Lisa Brazier |  |
| 157 | ANDREW BAXTER |  |
| 158 | ANDREW BAXTER |  |
| 159 | JUDITH BRADING | Judith Brading |
| 161 | Peter Wilson |  |
| 162 | Zhonghua Hu | Zhonghua Hu |
| 164 | DARIUSZ PECZEK |  |
| 165 | DARIUSZ PECZEK |  |
| 167 | DARIUSZ PECZEK | |
| | | |

Attendance Register – Halifax Investment Services Pty Ltd (Administrators Appointed)

Administrators: Ferrier Hodgson: Morgan Kelly, Phil Quinlan and Stewart McCallum

Company: Halifax Investment Services Pty Ltd (Administrators Appointed)

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[illegible]

Attendance Register – Halifax Investment Services Pty Ltd (Administrators Appointed)

Administrators: Ferrier Hodgson: Morgan Kelly, Phil Quinlan and Stewart McCallum

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[illegible]

Attendance Register – Halifax Investment Services Pty Ltd (Administrators Appointed)

Administrators: Ferrier Hodgson: Morgan Kelly, Phil Quinlan and Stewart McCallum

Company: Halifax Investment Services Pty Ltd (Administrators Appointed)

| | |
|----------------------|----------------------------|
| Meeting Type: | First Meeting of Creditors |
|----------------------|----------------------------|

Meeting Date/Time: Wednesday, 5 December 2018, 11.00am (AEDT)

Meeting Location: Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000

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