



4 December 2014

Arun Maharaj
Chief Executive Officer
BBY Limited
Level 17
60 Margaret Street
SYDNEY NSW 2000

Dear Arun

1 Background

1.1 Saxo Capital Markets (Australia) Pty Ltd ABN 32 110 128 286 (**SCMA**) and BBY Ltd ABN 80 006 707 777 (**BBY**) are parties to the following agreements:

- (a) Institutional Trading Agreement dated 21 June 2012 (**Institutional Trading Agreement**);
- (b) Letter of Agreement dated 19 December 2013 amending the Institutional Trading Agreement (**Funding Agreement**);
- (c) White Label Trading System Agreement dated 21 June 2012;
- (d) International Swaps and Derivatives Association Inc 2002 Master Agreement dated 21 June 2012,

(Material Agreements).

1.2 Pursuant to the Funding Agreement, BBY was required to pay to SCMA, on or before 1 December 2014, 100% of the amount calculated under clause 4.1 of the Institutional Trading Agreement. This amount reflects monies received from, and held by BBY on behalf of, the underlying clients. In discussions with SCMA, BBY has confirmed that these funds are held in a client segregated trust account. As of the weekly netting report dated 1 December 2014, the amount payable to SCMA is equal to \$13,460,000 (**Third Funding Instalment**).

1.3 Not more than one month ago, BBY confirmed that payment would be made on 1 December 2014. However, BBY has failed to pay the Third Funding Instalment (as previously notified to BBY by letter dated 1 December 2014 (**Termination Letter**)). BBY's failure to pay constituted an Event of Default under clause 1.1.10(a) of the Institutional Trading Agreement and SCMA, pursuant to the Termination Letter, has exercised its rights to terminate the Material Agreements with effect from 1 February 2015. SCMA has notified ASIC of the termination of the Material Agreements and is in preliminary discussions with ASIC concerning this matter.

1.4 SCMA has also permitted BBY to hold an additional \$3,000,000 of client funds to help manage client redemptions. SCMA hereby notifies BBY that it also requires immediate payment of that amount.

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- 1.5 Accordingly, the amounts of \$13,460,000 and \$3,000,000, in aggregate being \$16,460,000, are outstanding (**Outstanding Amount**).
- 1.6 In a meeting on 27 November 2014, Arun Maharaj of BBY informed Anthony Griffin of SCMA that the reason for the delay in payment included that BBY was required to hold the funds in their St. George account in relation to a credit facility provided by St. George to BBY that had been granted to fund other parts of BBY's business operations.
- 1.7 BBY's failure to pay the Outstanding Amount, in the absence of adequate explanation as to the reasons for that failure, or assurance supported by independently verifiable evidence, gives rise to serious concerns for SCMA in relation to the handling and safe-keeping of client monies by BBY. SCMA is particularly concerned to ensure that the full amount of client monies:
- (a) is preserved; and
 - (b) is currently held by BBY on trust in a client segregated account and not encumbered in any way or otherwise used in connection with BBY's other business operations.
- 1.8 In failing to comply with SCMA's reasonable requests, BBY has not acted in good faith under the Material Agreements and in its ongoing dealings with SCMA. SCMA will continue to take all action necessary to ensure that client monies are preserved in accordance with SCMA's obligations.

2 Action required by BBY

- 2.1 SCMA requires BBY to take immediate action to pay the Outstanding Amount in cleared funds in full. SCMA requires evidence of the transfer of the Outstanding Amount by no later than **5.00pm today, 4 December 2014**.
- 2.2 In the alternative, SCMA requires:
- (a) BBY to take immediate action to pay 50% of Outstanding Amount (i.e. \$8,230,000) with evidence of the transfer by no later than 5.00pm today, 4 December 2014;
 - (b) BBY to provide full and unimpeded access for SCMA's internal staff and external consultants to all of BBY's books and financial records from 9.00am on 5 December 2014;
 - (c) BBY to provide immediate confirmation through the provision of bank statements showing the location of the balance of the Outstanding Amount and indicating that client monies are held in an appropriately designated segregated client trust account in accordance with the requirements of the Corporations Act; and
 - (d) payment of the remaining 50% of the Outstanding Amount by no later than 5.00pm, Thursday 18 December 2014.



- 2.3 SCMA requires that BBY notify it in writing of which course of action it intends to take (that is, under paragraph 2.1 or 2.2 above) by no later than 4.00pm today.
- 2.4 As set out in the Termination Letter, BBY's accounts will as of 4.35pm today be on "reduce only" and new accounts can no longer be created (effective 1 December 2014).

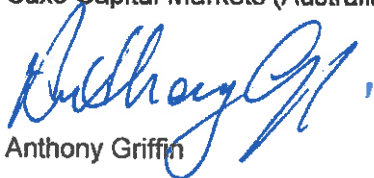
3 Action to be taken by SCMA

3.1 If SCMA does not receive notification in accordance with paragraph 2.3 above, or if BBY fails to take any of the steps required before their due date, SCMA will take all action necessary to:

- (a) ensure the safety of client monies; and
- (b) preserve its legal rights.

3.2 SCMA reserves all rights.

Regards
Saxo Capital Markets (Australia) Pty Ltd



Anthony Griffin

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