

## Appendix 5.8 – Adjusted BBYFUNDING Ledger completeness testing

**Note 1** – We identified email correspondence which appears to relate to this transaction (see **Exhibit 5.17**). The excel spreadsheet attached to the correspondence breaks down the total of \$896,657.91 between commission payments, GST and bank fees. From our review of the bank statements, this value appears to have been transferred from the Equities Trust account ending 8694 to the Operating account ending 0891 on 10 January 2012. This is in line with our understanding that commissions payments were paid to the Operating account ending 0891. This transaction appears to relate to a payment of commissions and other amounts due to House, rather than the repayment of Equity/ETO Funding Transactions, and is therefore not included on the Adjusted BBYFUNDING Ledger, in line with our expectation. It appears that the reference to “*BBY Corp*” in this instance refers to BBYL House.

**Note 2** – We identified email correspondence which relates to this transaction (see **Exhibit 5.18**). This correspondence suggest that this transaction relates to a client refund in relation to an Initial Public Offering (IPO). From our review of the bank statements, we identified what appears to be the initial deposit of \$10,000 made by the client into Trust 3 ending 5349 on 28 November 2011. We also identified the corresponding \$8,000 refund being made on 10 January 2012 from Trust 3 ending 5349 to the Equities Trust ending 8694. The payment of \$8,000 into Equity/ETO appears to relate to a placement being managed by the Corporate Finance division of BBYL, rather than the receipt of funding as part of an Equity/ETO Funding Transaction, and is therefore not included on the Adjusted BBYFUNDING Ledger, in line with expectation. It appears that the reference to “*BBY Corp*” in this instance refers to BBYL’s Corporate Finance division.

**Note 3** – We identified email correspondence which appears to relate to this transaction (see **Exhibit 5.19**). This correspondence suggests that this transaction relates to “*BBY Jan12 Brokerage*”. From our review of the bank statements, this value appears to have been transferred from the Equities Trust account ending 8694 to the Operating account ending 0891 on 31 January 2012. This is in line with our understanding that commissions payments were paid to the Operating account ending 0891. This transaction appears to relate to a payment of commissions from Equity/ETO to House, rather than the repayment of Equity/ETO Funding Transactions, and is therefore not included on the Adjusted BBYFUNDING Ledger, in line with our expectation. The correspondence at **Exhibit 5.19** also appears to show some confusion between the BBYL staff as to the types of transactions being posted to the BBYFUNDING ledger. It appears that the reference to “*BBY Corp*” in this instance refers to BBYL House.

**Note 4** – We identified email correspondence which appears to relate to this transaction (see **Exhibit 5.20**). This correspondence suggests that this transaction relates to a client’s allocation in the “*Victory Mines placement*”. From our review of the bank statements, this value appears to have been transferred from the Equity/ETO Client trust account ending 541 to Trust 2 ending 5330 on 25 February 2012. The transaction appears to relate to a placement being managed by the Corporate Finance division of BBYL, rather than a repayment of Equity/ETO Funding Transactions, and is therefore not included on the Adjusted BBYFUNDING Ledger, in line with expectation. We note that the description of this transaction on the BBYL bank movement schedule contains “*BBY CorpTrust2*” rather than solely “*BBY Corp*”. As outlined in section 6.2.3 of the CSA Report, we note that the Other Trust accounts were often used by BBYL’s Corporate Finance division for specific Equity placements. It appears that the reference to “*BBY Corp*” in this instance refers to BBYL’s Corporate Finance division.

**Note 5** – We identified email correspondence which appears to relate to this transaction (see **Exhibit 5.21** and **Exhibit 5.22**). This correspondence suggests that this transaction relates to share placement fees paid by Equity/ETO to House. The correspondence at **Exhibit 5.21** outlines that the total share placement was 12,855,191 shares valued at \$1,542,622.92, the total fee owing to BBYL was \$84,844.27, and the payment to the client was \$1,457,778.65 (total value of shares less fees owed to BBYL). The email correspondence at **Exhibit 5.22** shows a transfer request for the value of \$84,844.27 to be made to the Operating account ending 0891. From our review of the bank statements, we identified a payment of \$84,844.27 being made from Equities Trust account ending 8694 to the Operating account ending 0891 on 30 April 2012. The transaction appears to relate to a placement being managed by the Corporate Finance division of BBYL, rather than a repayment of Equity/ETO Funding Transactions, and is therefore not included on the Adjusted BBYFUNDING Ledger, in line with expectation. It appears that the reference to “*BBY Corp*” in this instance refers to BBYL’s Corporate Finance division.

**Note 6** – We identified email correspondence which appears to relate to this transaction (see **Exhibit 5.23**). This correspondence suggests that this transaction relates to a client payment in relation to an invoice settled by BBYL. It appears that the amount was withdrawn from the client’s CMT account by Equity/ETO, before being transferred to House. From our review of the bank statements, we note a transfer of \$1,000 from the Equity/ETO Client Trust account ending 541 to the Operating account 0891 on 23 August 2012. This transaction appears to relate to a payment from Equity/ETO to BBYL House, rather than the repayment of Equity/ETO Funding Transactions, and is therefore not included on the Adjusted BBYFUNDING Ledger, in line with expectation. It appears that the reference to “*BBY Corp*” in this instance refers to BBYL House.

**Note 7** – We identified correspondence which appears to relate to this transaction (see **Exhibit 5.24**). This correspondence suggests that this transaction relates to the ‘sweep’ of surplus funds from Equity/ETO to House, as outlined in section 3.2.4 of the CSA Report. The value of \$87,610.93 appears to be the balances of Equity/ETO funds in excess of trust requirement on 1 July 2013 (the sum of “bank balance”, “funds from DE” and “open fails funding” less “trust requirement”). From our review of the bank

statements, we note that this value is transferred from the Equity/ETO Client Trust account ending 541 to the General account ending 576 on 1 July 2013, with the description "EOD FUNDING 01072013". This movement is in line with the funds flow pattern relating to the 'sweep' of surplus funds as set out at Appendix 53 of the CSA Report. It therefore does not appear that this transaction represents the repayment of Equity/ETO Funding Transactions from Equity/ETO to House, and therefore it is in line with expectation that this transfer is not recorded on the Adjusted BBYFUNDING Ledger. It appears that the reference to "BBY Corp" in this instance refers to the BBYL General House account.

Note 8 – We identified correspondence which appears to relate to this transaction (see **Exhibit 5.25**). This correspondence suggests that this transaction relates to the purchase of shares by a client. It appears that the client deposited \$22,249.76 into Trust 3 ending 5349 and that this was subsequently transferred to the Equity/ETO Client Trust account ending 541 for settlement. From our review of the bank statements, we note a deposit of this value into Trust 3 ending 5349 on 31 October 2013 and the subsequent transfer of this amount from Trust 3 ending 5349 to the Equity/ETO Client Trust account ending 541 on 6 November 2013. It therefore does not appear that this transaction is an Equity/ETO Funding Transaction, and therefore it is in line with expectation that this transfer is not recorded on the Adjusted BBYFUNDING Ledger. It appears that the reference to "BBY Corp" in this instance refers to the BBYL's Corporate Finance division.