



Explanatory Memorandum: Distribution to Beneficiaries of Brite Advisors Pty Ltd

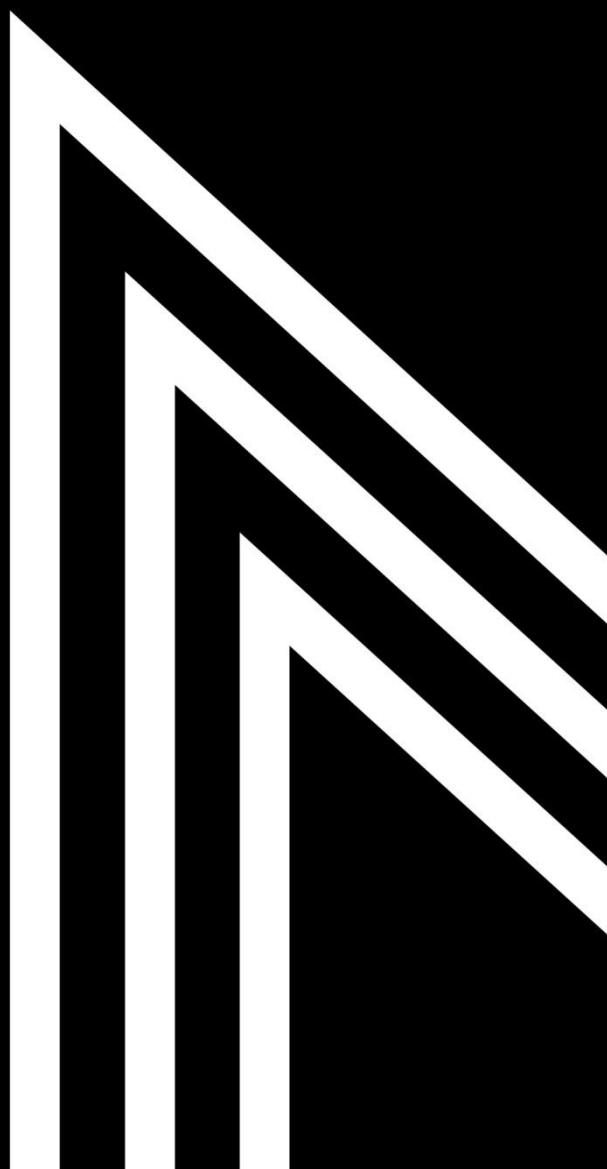
ASIC v Brite Advisors Pty Ltd (Receivers and Managers appointed) (In Liquidation) WAD 13 of 2024

Prepared by the Receivers and Managers

4 December 2024



McGrathNicol



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Glossary

Term	Meaning
\$'000	Thousands of Australian Dollars
9 November Orders	Court orders dated 9 November 2023 in Federal Court Proceedings WAD 262 of 2023 as varied by subsequent orders
13 December Orders	Court orders dated 13 December 2023 in Federal Court Proceedings WAD 262 of 2023
13 December 2023 Data	The updated Raw Data which reports the value of each Beneficiaries' investment that they ought to have had with Brite Advisors as at 13 December 2023
21 December Orders	Court orders dated 21 December 2023 in Federal Court Proceedings WAD 262 of 2023
6 February Orders	Court orders dated 6 February 2024 in Federal Court Proceedings WAD 262 of 2023 and WAD 13 of 2024
5 June Orders	Court orders dated 5 June 2024 in Federal Court Proceedings WAD 13 of 2024
2 September Orders	Court orders dated 2 September 2024 in Federal Court Proceedings WAD 13 of 2024
29 October 2024 Orders	Court orders dated 29 October 2024 in Federal Court Proceedings WAD 13 of 2024
ACN	Australian Company Number
Act	Corporations Act 2001 (Cth)
Administrators	Pension scheme administrators, as defined by the Finance Act 2004 (UK), acting on behalf of the Beneficiaries
ASIC	Australian Securities and Investment Commission
Asset Preservation Orders	Asset Preservation Orders made by the Federal Court of Australia on 25 October 2023
AUD / AU\$ / \$	Australian Dollar
AutoRek	AutoRek Process Integration Limited
BAG	Brite Advisory Group Limited (HK) (Company number 2202650)
Beneficiaries / Beneficiary	Individuals whose superannuation and pension funds are under management by Brite Advisors
Beneficiary Portal	The Salesforce Org online portal which allows Beneficiaries to view the calculation of the value of their investments as at 13 December 2023
BHKL	Brite Hong Kong Limited (formerly Genesis Investment Management Limited) (Hong Kong Company number 16332233)
BHKL HSBC Accounts	BHKL's multi-currency HSBC bank accounts for managing operating funds and client funds
BHKL Outsourcing Agreement	Outsourcing agreement between Brite Advisors and BHKL dated 22 June 2023
BML	BML Funds Management Pty Ltd (AUS) (Company number 664 470 991)
Brite Advisors	Brite Advisors Pty Ltd (AUS) (Company number 135 024 412)
Brite Group	BHKL and its subsidiaries and related/associated entities including Brite Advisors
c.	circa
CBA	Commonwealth Bank of Australia
CBA term deposit account	Multi-currency bank accounts set up by the Receivers to accrue interest on client funds

Term	Meaning
Client AuM or Trust Assets	Client assets under management by Brite Advisors, being all property, assets and undertakings held by Brite Advisors on trust for another
Corporate Trustees	Pension scheme administrators (in their capacity as the representatives appointed by trustees of pension schemes) purportedly acting on behalf of the Beneficiaries
Court	Federal Court of Australia
Court Orders	9 November Orders, 13 December Orders, 21 December Orders, 6 February Orders and 5 June Orders, 21 August Orders, 2 September Orders, 29 October 2024 Orders
December Report	The Investigative Accountants' Report to the Federal Court dated 8 December 2023
Deficient Mixed Fund	Comprising the assets set out at section 2.1.2
EM	This report dated 4 December 2024
EUR	Euro
Exit Fee	A fee charged by Brite to a Beneficiary upon exiting the Brite Platform within five years of investment
Explanatory Memorandum	This report dated 4 December 2024
Excluded Moventum Assets	Comprising the assets set out at section 2.1.7(a)
Excluded Assets	Comprising the assets set out at section 2.1.7
Fifth Report	The Receivers' report to the Federal Court of Australia dated 4 December 2024
Fourth Report	The Receivers' report to the Federal Court of Australia dated 9 August 2024
Forthplus Pensions	Forthplus Pensions Limited (UK) (Company number 7990504)
FYXX	Financial year ended 30 June 20XX
GBP	Great British Pound
HK	Hong Kong
HSBC	The Hongkong and Shanghai Banking Corporation Limited
IB Accounts / IB Platform	All identified accounts held by the Brite Group with IBA and IBHK
IBA	Interactive Brokers Australia Pty Ltd
IBA Accounts	Identified accounts held by Brite Advisors with IBA
IBA Master Account	Master accounts held on the IB Platform which each comprise three underlying sub-accounts
IBA Master A	Accounts held by Brite Advisors with IBA within master account I5876295 including sub accounts I5876295, UL3311311 and UL3311312
IBA Master B	Accounts held by Brite Advisors with IBA within master account I6075976 including sub accounts I6075976, UL6060948 and US6060949
IBA Master C	Accounts held by Brite Advisors with IBA within master account I3214939 including sub accounts I3214939, U3214940 and U11423761
IBA Master D	Accounts held by Brite Advisors with IBA within master account I12469256 including sub accounts I12469256, UL9224189 and US9224190
IBHK	Interactive Brokers Hong Kong Limited
IBHK Accounts	Identified accounts held by BHKL with IBHK

Term	Meaning
IBHK Master	Accounts held by BHKL with IBHK within master account I9876396 including sub accounts I9876396, UL9876936 and US9876937
i-Convergence	i-Convergence Ltd
Interactive Brokers / IB	IBA, IBHK and affiliates
Interim Fund Manager	BML appointed as interim fund manager
Interested Parties	The Corporate Trustees and the Beneficiaries, as well as any other person with a legal or equitable interest in the Client AuM
Investigative Accountants	Linda Smith and Robert Kirman of McGrathNicol in their former capacity as investigative accountants of Brite Advisors
January Report	The Receivers' Report to the Federal Court dated 24 January 2024
Late Investors	Beneficiaries who deposited cash into Brite Advisors' bank account on or after 16 October 2023 where those funds were not transferred to the Interactive Brokers platform
Liquidators	The Liquidators of Brite Advisors, being Linda Smith and Rob Kirman
m	Millions
Managed Portfolio Fee	A fee charged by Brite Advisors for the fund management service it provided
March Report	The Receivers' Report to the Federal Court dated 4 March 2024
Minerva	Minerva Lending Plc
Minerva Notes	10 Minerva Notes 6% June 2024 (Sedol: BYVKVX6) and one Minerva Note 6.00% Nov 2020 (Sedol: BF7P303)
Model Portfolio Assets	That portion of the Client AuM that are designated in the 13 December 2023 Data as model portfolio assets per the 13 December 2023 Data
Moventum	Moventum S.C.A.
Moventum Platform	The online system which enables the Receivers to view the assets held by Moventum
October 2023 Position	Historic AutoRek data which held a data set of all Beneficiary positions up to October 2023
p.a.	Per annum
Previous Reports	Collectively, the December Report, January Report, March Report and Fourth Report
Property	The property of Brite Advisors as defined in the 13 December Orders
Raw Data	The raw export of the October 2023 Position provided by i-Convergence
Receivers	The Receivers and Managers of the Trust Assets, being Linda Smith and Rob Kirman of McGrathNicol
RoW	Rest of World (Brite Advisors' Beneficiaries excluding those located in the UK or the US)
SalesForce	SalesForce, Inc.
Structured Notes	Financial notes held by Brite Advisors on trust for certain Beneficiaries, not being the Minerva Notes or the Moventum Assets.
Surrender Rebate	A loan offered by Brite Advisors to allow Beneficiaries to discharge the surrender fee payable to their outgoing pension fund.
Surrender Rebate Fees	The repayments on the above-mentioned Surrender Rebate, generally in equal monthly instalments
Trust Assets	The property, assets and undertakings held by Brite Advisors on trust for another
UK	United Kingdom

Term	Meaning
Upfront Transfer Fee	An upfront fee which was charged to some beneficiaries which had the effect of prepaying the Managed Portfolio Fees for a five-year period
US / USA	United States / United States of America
USD\$'000	Thousands of United States Dollars
USD\$m	Millions of United States Dollars
USD / USD\$	United States Dollar
Valuation Date	The date at which the Distributable Amount will be determined by the Receivers
Valuation Notice	A notice released to each Beneficiary via Salesforce which sets out investments/money Brite Advisors should have held at 13 December 2023 for that Beneficiary
Verified Entitlement	The entitlement of each Beneficiary as calculated and verified in accordance with the Court Orders dated 2 September 2024
Westpac	Westpac Banking Corporation
Westpac Accounts	Westpac Client Accounts and Westpac Operating Accounts
Westpac Client Account(s) / Client Account(s)	Brite Advisors multi-currency bank accounts for managing client funds
Westpac Operating Account(s) / Operating Account(s)	Brite Advisors multi-currency bank accounts for managing operating funds

1 What you need to know

1.1 What is the purpose of the Explanatory Memorandum?

The Receivers were appointed by the Federal Court of Australia to collect, protect and preserve the Client AuM held by Brite Advisors and to formulate a methodology to distribute the Client AuM back to the Corporate Trustees and Beneficiaries. To make a distribution, the Receivers need orders from the Court. The Explanatory Memorandum is an important step in seeking those orders.

This document explains how the Receivers propose to distribute the Client AuM held by Brite Advisors to allow you to provide feedback on that proposal. You should read the document carefully, consider how it impacts you, seek appropriate advice, and provide any feedback you have to the Receivers. If there is anything which you do not understand you can write to the Receivers to ask questions and the Receivers will provide clarity where they are able to. Feedback must be provided in writing by **31 January 2025** to **BriteAdvisorsDistributionFeedback@mcgrathnicol.com**.

1.2 What stage is the Receivership at?

The background to the Receivers' appointment is set out in the Receivers' reports to the Court and the circulars issued to Corporate Trustees and Beneficiaries during the course of the receivership. Those materials can be accessed via the Receivers' online creditor portal.

In short, the Receivers have undertaken an investigation into the affairs of Brite Advisors to enable them to formulate the proposal in this Explanatory Memorandum. The results of that investigation is for the most part detailed in the Fourth Receivers' Report dated 9 August 2024 and the Fifth Receivers' Report dated 4 December 2024.

As part of the process of determining what distribution should be made to each Beneficiary, the Court has ordered that the Receivers verify what investments Brite Advisors should have held for each Beneficiary as at 13 December 2023 and the value of those investments, set out in a Valuation Notice. Beneficiaries have been required to first undergo an identity verification process before being given access to their Valuation Notice. Once access has been given, Beneficiaries can accept or dispute the Valuation Notice.

If you have not yet completed your identity verification, please do so as soon as possible.

If you have not yet received access to your Valuation Notice and have not otherwise received any communication from the Receivers relating to reasons why your Valuation Notice may have been withheld, please contact us as soon as possible at BriteAdvisorsValuation@mcgrathnicol.com.

The next stage is for the Receivers to seek orders permitting the distribution of Client AuM back to Corporate Trustees and Beneficiaries. Before that happens, the Receivers are seeking your feedback.

1.3 What are the Receivers proposing?

You should refer to sections 2 and 3 of this Explanatory Memorandum for details. In short, the Receivers are proposing that the distribution be made as follows.

- (a) Beneficiaries will fall into six different categories, which will determine what pool of assets they are entitled to claim against, and how their distribution will be determined. Some Beneficiaries' may have claims in multiple categories.
- (b) Certain assets will be liquidated and pooled into a single fund, which is referred to as the 'Deficient Mixed Fund' in this Explanatory Memorandum. These assets are described in detail at section 2.1.2, but includes all securities held on the Interactive Brokers platform. Certain specific holdings, identified in the dot points that follow, are excluded from the Deficient Mixed Fund. Those Beneficiaries with an entitlement to the Deficient Mixed Fund, will be distributed a share of these funds, net of the Receivers' fees, costs and expenses as discussed at section 3.3.17, proportionate to the value of their entitlement, which will have been confirmed in the Beneficiaries' Valuation Notice. The effect of this is that these Beneficiaries will share equally in the shortfall.

- (c) Where Beneficiaries deposited cash into Brite Advisors' bank account on or after 16 October 2023 and those funds were not transferred to the Interactive Brokers platform (**Late Investors**), that cash and any interest earned will be returned to those Beneficiaries. A fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the assets (along with any tax or other liability linked with the assets) will be payable by the Beneficiary / deductible from their distribution.
- (d) All structured notes held on the Moventum Platform in the GBP and USD accounts, as well as the cash proceeds of those notes, will be transferred back to Beneficiaries. A fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the Moventum Platform Assets (along with any tax or other liability linked with the assets) will be payable by the Beneficiary / deductible from their distribution.
- (e) Any Beneficiary who held Minerva Notes as at 13 December 2023 will hold no rights to those notes and will instead have an entitlement to the Deficient Mixed Fund equal to the funds provided by the Beneficiaries to Brite Advisors to purchase those notes. Any recoveries relating to the Minerva Notes will be contributed to the Deficient Mixed Fund.

As reflected in the Verified Entitlements in the Valuation Notices, Beneficiaries' entitlements have been reduced by the amount of any Surrender Rebate owing by them to Brite Advisors.

The total amount of each Beneficiary's pension withdrawals received after 13 December 2023 (if applicable) will then be deducted from that Beneficiary's distribution.

To help Beneficiaries determine which of the six categories of Beneficiary they fall into and what the proposed distribution means for them (with reference to the specific relevant sections of this Explanatory Memorandum for Beneficiaries to refer to), please refer to the guide contained at Appendix A.

1.4 How will I receive my distribution?

You should refer to section 4 of this Explanatory Memorandum for details. In short, the distribution will not be made all at once. Rather, an amount (yet to be determined) will be retained to cover potential liabilities and ongoing costs for matters that have not been resolved at the time of the first distribution.

Those Beneficiaries receiving notes transferred from the Moventum Platform will receive these instruments *in specie* (or cash if the notes have reached maturity). Otherwise, all other Beneficiaries will receive a distribution to their Corporate Trustee (where they have one) in the currency in which their account with Brite Advisors was denominated.

1.5 Are there any alternatives to the Receivers' proposal?

You should refer to section 5 of this Explanatory Memorandum for details. In short, the Receivers have considered alternate approaches to the method of determining and making the distribution. The Receivers have developed the proposal put forward in this Explanatory Memorandum having regard for (i) the legal principles which apply to such a distribution, and (ii) prioritising a timely and efficient return of funds to Beneficiaries.

1.6 What do I need to do?

You should read this Explanatory Memorandum carefully, consider how it impacts you, seek appropriate advice, and provide any feedback you have to the Receivers. If there is anything which you do not understand you can write to the Receivers to ask questions and the Receivers will provide clarity where they are able to. Feedback must be provided in writing by **31 January 2025** to BriteAdvisorsDistributionFeedback@mcgrathnicol.com.

If you have no feedback, you do not need to respond to this Explanatory Memorandum.

If you have not yet completed your identity verification, please do so as soon as possible.

If you have not yet received access to your Valuation Notice and have not otherwise received any communication from the Receivers relating to reasons why your Valuation Notice may have been withheld, please contact us as soon as possible at BriteAdvisorsValuation@mcgrathnicol.com.

1.7 Are the Receivers bringing claims against any third parties to make up the shortfall in client assets?

The Receivers are investigating potential recovery actions against third parties, including Interactive Brokers, and the directors and officers of Brite Advisors. Irrespective of the merits of these claims, they will only be pursued if there is likely to be a commercial return to Beneficiaries. To avoid compromising any recovery actions, the Receivers are unable to disclose any further information as to the nature of the potential claims that they are investigating in this Explanatory Memorandum.

1.8 What will the distribution orders from the Court do?

The Receivers are Court appointed and, as such, their role is determined by the orders of the Court. If the Court orders that the Receivers would be justified in implementing the proposed approach to distribution, after full and fair disclosure of the material facts has been made, and the Receivers comply with the Court's orders, the Receiver will be protected from liability for any alleged breach of duty as Receivers, to a beneficiary of the trust.

1.9 How do taxation matters impact the distribution to Beneficiaries?

Section 4.5 provides details of the complex taxation matters that the Receivers are addressing with specialist taxation advisors in view of the conduct of Brite Advisors prior to the Receivership. Resolution of taxation matters may materially impact both the timing and quantum of the distribution to Beneficiaries.

The timing of the distribution will be impacted by uncertainties around Brite Advisors' tax position and may become reliant on the ATO's position.

1.10 What is the Receivers' current estimate of the variance?

The Receivers have set out a current estimate of the variance at section 4.1 of the Fifth Report.

As at 29 November 2024, the Receivers estimate Brite Advisors holds circa USD\$714.0m in Client AuM and has an estimated USD(\$11.2m) (or 1.5%) shortfall to Beneficiaries' claims as at 13 December 2023, excluding the impact of potential taxation liabilities and any feedback from the Valuation Notice process. **The Receivers stress that the quantum of the shortfall varies with time and may materially change due to a number of factors.** The primary reason for the decrease in the shortfall to date is the growth in assets held in the IBA Accounts.

1.11 What role will the Corporate Trustees play in the distribution process?

The Receivers have concerns where (i) Corporate Trustees are not independent of Brite Advisors, (ii) there is no documentation between the Corporate Trustee and Brite Advisors, and (iii) the Corporate Trustees have not cooperated with the Receivers. However, the Receivers consider that the relationship between Beneficiaries and Corporate Trustees is a matter for them, and that Beneficiaries who have concerns about their Corporate Trustee should seek their own independent advice and take steps to address that concern as appropriate.

Where a Beneficiary has a Corporate Trustee in respect of an account with Brite Advisors in relation to which their entitlement arises, the Receivers propose to make the distribution payment or transfer the asset, as applicable, to that Corporate Trustee.

The Receivers intend to seek an Order from the Court that upon a request from a Beneficiary, the Receivers will not distribute funds to their Corporate Trustee, until they provide consent to do so. This will allow Beneficiaries time to arrange to change their Corporate Trustee should they wish to do so.

The Receivers also consider that before any funds are distributed to Corporate Trustees, additional documentation should be put in place between Brite Advisors and Corporate Trustees to clarify the terms of the trust arrangement and to govern the distribution back to Corporate Trustees. The Receivers consider this is required for all Corporate Trustees, regardless of whether they had a Platform Agreement with Brite Advisors or not.

2 Assessment of assets and approach to distribution

2.1 Overview

- 2.1.1 The Receivers are seeking orders from the Court in relation to the approach to determining and making a distribution from the Client AuM to Beneficiaries. The Receivers have identified several classes or groups of assets that comprise the Client AuM, which the Receivers consider should be treated differently from one another for the purposes of a distribution. These are explained further below. The approach to distribution outlined in this section should be read alongside the approach to offsetting any liabilities which Beneficiaries may have outlined in section 3. This proposal has been formulated having regard to the legal principles identified in section 6 below and to the need for an efficient, timely means of returning value to Beneficiaries.

Deficient Mixed Fund

- 2.1.2 The Receivers consider that the following money and investments should be treated as a single deficient mixed fund (**Deficient Mixed Fund**):
- (a) all cash and securities held in the IBA Accounts;
 - (b) any cash held in the Westpac Client Accounts and not forming part of the Excluded Assets, including cash moved to interest bearing accounts subsequently opened by the Receivers in accordance with the 29 October 2024 Orders along with any interest accrued in respect of these funds (see below for a description of what falls into this category);
 - (c) the cash and securities on the Moventum Platform in relation to the EUR account at 13 December 2023;
 - (d) any cash contained in the Westpac Operating Accounts, or any other account operated by the Receivers for the purposes of the Brite Advisors receivership and which holds money on trust for the Beneficiaries, along with any interest accrued in respect of these funds;
 - (e) any future recoveries made from the Minerva Notes; and
 - (f) sale proceeds from the sale of hVIVO shares currently held in a CBA term deposit account in accordance with the 29 October 2024 Orders, along with any interest accrued in respect of these funds.
- 2.1.3 This means that individual assets within the Deficient Mixed Fund will not be attributed to individual Beneficiaries. Rather, the assets will be pooled and each Beneficiary who has an entitlement to the Deficient Mixed Fund (as confirmed in their Valuation Notice) will receive a share of the proceeds from liquidating the Deficient Mixed Fund.
- 2.1.4 To illustrate, if Beneficiary A's Valuation Notice recorded that their entitlement was comprised of an investment in a model portfolio which as at 13 December 2023 was worth \$100,000, and the Deficient Mixed Fund once liquidated has a shortfall of 10%, Beneficiary A will receive a total distribution of \$90,000 (although this may be made in two or more payments over time) subject to any relevant taxation liabilities.
- 2.1.5 The Receivers consider that treating the cash and securities held in the IBA Accounts as a single deficient mixed fund is appropriate when considering the following circumstances:
- (a) the assets were held in an omnibus account without records being held by IBA which identified the ultimate beneficial owner of any given asset;
 - (b) there has been a shortfall in the IBA Accounts since at least the year ended 30 June 2020 which increased over the period to 13 December 2023, when the Receivers were appointed;
 - (c) the security facility agreement between Brite Advisors and IBA ostensibly provided that all funds in the different IBA Accounts served as collateral for the margin loan(s) across all other IBA Accounts;
 - (d) securities in the IBA Accounts were liquidated and client deposits were diverted, without authorisation from the Beneficiaries entitled to those securities or cash, to repay amounts outstanding on that security facility;
 - (e) Brite Advisors did not maintain adequate books and records, meaning that there are significant difficulties in determining whose securities remain in the IBA Accounts;
 - (f) attempts to reconstruct books and records to determine specific Beneficiaries' tracing entitlements, even if it is possible, would be prohibitively expensive and time-consuming to resolve; and

- (g) in cases where particular assets can be attributed to specific Beneficiaries on the records available, those assets are still exposed to the Deficient Mixed Fund and would be subject to competing claims by other Beneficiaries, including as a result of (i) the securities being purchased with cash which had already been mixed with other cash in the deficient fund or is otherwise tainted, and (ii) other Beneficiaries' having had their assets depleted to meet obligations associated with the assets the subject of a tracing claim (i.e. reduction of the margin loan and the corresponding security held over the assets).

- 2.1.6 For the above reasons, the Receivers consider that any Client AuM which has, at any point in time, been mixed with or otherwise tainted by the Deficient Mixed Fund (via the IBA Accounts or otherwise) ought to be treated as comprising part of the Deficient Mixed Fund.

Excluded Assets

- 2.1.7 By exception, the Receivers have identified that there are certain bespoke investments and cash transactions which were never on or mixed with the IB Platform and therefore should be excluded from the Deficient Mixed Fund (**Excluded Assets**) as noted below:
- (a) the cash and securities held on the Moventum Platform in the GBP and USD accounts, with an approximate value of USD\$1.3m (**Excluded Moventum Assets**), which can be attributed to specific beneficiaries; and
 - (b) cash totalling approximately USD\$1.0m held in the Westpac Client Accounts at 13 December 2023, comprising (i) USD\$0.9m deposited by four Beneficiaries after 16 October 2023, and (ii) USD\$0.1m transferred from the Moventum Platform comprising proceeds of matured structured notes held on behalf of two Beneficiaries.

Asset Summary

The table below summarises the assets which comprise the Client AuM, grouped by the classification the Receivers consider appropriate for the purposes of distributing to Beneficiaries (further detail on the classification of assets and their treatment in distribution is set out in sections 2.2 and 2.3 below):

Client AuM held at 13 December 2023				
USD\$m	Report section	Deficient Mixed Fund	Excluded Assets	Total
Client AuM				
IBA Accounts (after deduction of margin loan)	2.2	645.0	-	645.0
IBHK Accounts	2.2	0.1	-	0.1
Minerva Notes	2.2	-	-	-
Westpac Client Accounts	2.2 / 2.3	4.5	1.0	5.5
HSBC Hong Kong Accounts	2.2	1.8	-	1.8
Moventum	2.3	0.0	1.3	1.3
Total Client AuM		651.4	2.2	653.7

Source: Westpac Account Statements, IB Account Statements, Moventum Account Statement, HSBC Account Statements, 13 December 2023 Data

- 2.1.8 The Receivers note that the value of the assets has moved since 13 December 2023, and in particular note the following:
- (a) The Client AuM held in the IBA Accounts has performed favourably following aggregated growth in the portfolio.
 - (b) The Client AuM held in the IBHK Accounts has since been returned to the IBA Accounts.
 - (c) The Receivers have transferred cash totalling USD\$5.4m from the Westpac Client Accounts to an interest bearing account held with CBA.
 - (d) The Client AuM held in the HSBC Hong Kong Accounts has since been returned to the Westpac Client Accounts.
 - (e) The Receivers have moved the proceeds from the sell-down of hVIVO shares to a term deposit account held with CBA.

An updated value of the Client AuM as at 29 November 2024 is set out in section 4.1 of the Fifth Report.

Worked examples of distribution

- 2.1.9 To help Beneficiaries understand how the distribution proposed will work in practice, the Receivers have set out below some examples of how the Court Orders would operate in relation to the various asset classes described above and the items to be set off against entitlements or deducted from distributions described in section 3 below.

For each scenario, it has been assumed that there is a shortfall of 10% in the Deficient Mixed Fund. This number has been used for illustrative purposes only and the shortfall as it currently stands is described in section 4 of the Fifth Report. The shortfall could go up or down before a distribution is made.

- (a) **Deficient Mixed Fund Beneficiary with Surrender Rebate** – Beneficiary A was supposed to hold various assets, including cash, model portfolio and bespoke securities, on the IB Platform and owed a Surrender Rebate to Brite Advisors based on the 13 December 2023 Data. These assets form part of the Deficient Mixed Fund to be distributed rateably amongst all Beneficiaries with a claim to the Deficient Mixed Fund. The distribution that Beneficiary A will receive will be based on their Verified Entitlement, calculated as the value of the assets which Brite Advisors should have held less the value of the Surrender Rebate owed.

An illustration of how the distribution would work for Beneficiary A is set out below:

Beneficiary A			Value at 13 Dec-23 (USD)
Asset	Platform	Classification	
Cash	IB	Deficient Mixed Fund	50,000
Model portfolio securities	IB	Deficient Mixed Fund	400,000
Bespoke securities	IB	Deficient Mixed Fund	500,000
Surrender rebate	IB	Deficient Mixed Fund	(100,000)
Total Verified Entitlements (Deficient Mixed Fund)			850,000
<i>Distribution illustration (c/\$)</i>			<i>0.90</i>
Illustrative distribution from Deficient Mixed Fund			765,000

- (b) **Deficient Mixed Fund Beneficiary with Surrender Rebate and Post-appointment Pension Withdrawals** – Beneficiary B was supposed to hold various assets, including cash, model portfolio and bespoke securities, on the IB Platform and owed a Surrender Rebate to Brite Advisors based on the 13 December 2023 Data. These assets form part of the Deficient Mixed Fund to be distributed rateably amongst all Beneficiaries with a claim to the Deficient Mixed Fund. The distribution that Beneficiary B will receive will be based on their Verified Entitlement, calculated as the value of the assets which Brite Advisors should have held less the value of the Surrender Rebate owed.

In addition, Beneficiary B received payments totalling USD\$50k during the receivership for approved pension withdrawals requested. The Receivers will deduct the amounts paid to Beneficiaries during the course of the receivership from Beneficiaries' final distributions to reflect that these payments constitute an advance on their distribution.

An illustration of how the distribution would work for Beneficiary B is set out below:

Beneficiary B			Value at 13 Dec-23 (USD)
Asset	Platform	Classification	
Cash	IB	Deficient Mixed Fund	30,000
Model portfolio securities	IB	Deficient Mixed Fund	150,000
Bespoke securities	IB	Deficient Mixed Fund	100,000
Surrender rebate	IB	Deficient Mixed Fund	(50,000)
Total Verified Entitlements (Deficient Mixed Fund)			230,000
<i>Distribution illustration (c/\$)</i>			<i>0.90</i>
Illustrative distribution before advances			207,000
Less: Post-appointment pension withdrawals (i.e. advances on distribution)			(50,000)
Illustrative distribution from Deficient Mixed Fund			157,000

- (c) **Late Investor** – Beneficiary C deposited USD\$0.4m cash to Brite Advisors' Westpac Client Accounts on 25 October 2023, on the same day as the Asset Preservation Orders were made. The Receivers are satisfied that the funds held in relation to Beneficiary C have not been mixed with the Deficient Mixed Fund. The Receivers will return these funds in full to Beneficiary C's Corporate Trustee (along with any interest earned on that amount). The Receivers propose that a fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the assets (along with any tax or other liability linked with the assets) will be payable by the Beneficiary / deductible from their distribution.
- (d) **Moventum Beneficiary with Deficient Mixed Fund assets and Surrender Rebate** – As at 13 December 2023, Beneficiary D held quantities of three structured notes on the Moventum Platform. Since 13 December 2023, two of these structured notes have matured, realising payouts of USD\$0.3m which are currently held on the Moventum Platform. The other structured note matures on 1 December 2024. As set out in section 2.3 below, the Receivers consider that these assets are Excluded Assets capable of being traced on a Beneficiary-by-Beneficiary basis. Accordingly, the Receivers propose to (i) transfer any structured notes holdings that have not yet matured *in specie* to a platform account held by Beneficiary D, and (ii) transfer the cash proceeds attributable to Beneficiary D's structured notes holdings to Beneficiary D's Corporate Trustee. The Receivers propose that a fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the Moventum Assets (along with any tax or other liability linked with the assets) will be payable by the Beneficiary / deductible from their distribution.

In addition to the structured notes held on the Moventum Platform, the 13 December 2023 Data indicates that Brite Advisors was supposed to hold various assets on the IB Platform for Beneficiary D (both model portfolio and bespoke securities) and that Beneficiary D owed a Surrender Rebate to Brite Advisors. These assets form part of the Deficient Mixed Fund to be distributed rateably amongst all Beneficiaries with a claim to the Deficient Mixed Fund. The distribution that Beneficiary D will receive will be based on their Verified Entitlement, calculated as the value of the assets supposed to have been held less the value of the Surrender Rebate owed.

An illustration of how the distribution would work for Beneficiary D is set out below:

Beneficiary D			
Asset	Platform	Classification	Value at 13 Dec-23 (USD)
Cash	IB	Deficient Mixed Fund	250,000
Model portfolio securities	IB	Deficient Mixed Fund	2,200,000
Bespoke securities	IB	Deficient Mixed Fund	800,000
Surrender rebate	IB	Deficient Mixed Fund	(200,000)
Total Verified Entitlements (Deficient Mixed Fund)			3,050,000
<i>Distribution illustration (c/\$)</i>			<i>0.90</i>
Illustrative distribution from Deficient Mixed Fund			2,745,000
Other assets			
Cash proceeds from matured Moventum structured notes	Moventum	Excluded Assets	Unascertained
Moventum structured note (matures 1 Dec-25)	Moventum	Excluded Assets	Unascertained
Total Verified Entitlements (Excluded Assets to be transferred in-specie)			Unascertained

Note: The above Excluded Assets to be transferred in specie does not include the proportionate share of the Receivers' fees and costs to be deducted from the distribution payable to Beneficiary D.

2.2 Deficient Mixed Fund

IBA Accounts (including margin loan)

- 2.2.1 Historically, Brite Advisors managed the majority of Client AuM in four sub-accounts with IBA together comprising an omnibus structure, all held in the name of Brite Advisors only. The omnibus structure of the accounts means that the accounts comprise pooled assets from multiple individual investors.
- 2.2.2 The Client AuM is commingled in the IBA Accounts, and IBA is unable to provide a breakdown of the assets held on an individual investor level (i.e. the identity of the underlying Beneficiaries who contributed the funds held in the IBA Accounts is unknown to IBA).
- 2.2.3 Brite Advisors offered investment options to Beneficiaries which included both model portfolios and bespoke investments which were managed in the IBA Accounts. Based on the 13 December 2023 Data, there is significant overlap between securities holdings for model portfolio and bespoke investments. It is therefore extremely difficult and likely cost prohibitive to determine tracing rights into the remaining assets held on the IB Platform due to both (i) the aggregation of Beneficiary funds on the IB Platform, and (ii) material variances between the quantity of securities reported to Beneficiaries and those held on the IB Platform.
- 2.2.4 The Receivers consider that the Client AuM held in the IBA Accounts ought to be treated as forming part of the Deficient Mixed Fund (i.e. not as individual assets owned by an underlying Beneficiary or effectively segregated by virtue of the transfers of Client AuM into different IBA Master Accounts), noting:
- The Receivers' investigations indicate that a shortfall existed between the securities reported to Beneficiaries as being held on the IB Platform and the securities actually held on the IB Platform from as early as the year ended 30 June 2020. The estimated shortfall as at 13 December 2023 was USD(\$97.6m) (or 13.0%). The shortfall was primarily caused by unauthorised withdrawals from Client AuM and drawdowns of the margin loan facility (leveraged against the Client AuM) in excess of what was authorised pursuant to contractual documentation between Brite Advisors and Corporate Trustees and/or Beneficiaries.
 - Given all investments were held in an omnibus account structure, where there is a variance between the quantity of securities reported to Beneficiaries as being held on the IB Platform and the quantity of securities actually held on the IB Platform, it is extremely difficult and likely cost prohibitive to identify the specific beneficial owner of the remaining securities and/or cash.

- (c) Given the significant overlap between securities held in model portfolios and bespoke investment portfolios, it is extremely difficult and likely cost prohibitive to identify what proportion of the securities remaining are from model portfolios versus bespoke portfolios.
- (d) The terms of the margin loan facility ostensibly stated that any debt owed by Brite Advisors to IBA with respect to the facility was secured by all assets held by IBA for Brite Advisors. As a result, the drawdowns in excess of those which were disclosed to Beneficiaries (i.e. pursuant to contractual documentation between Brite Advisors and Corporate Trustees and/or Beneficiaries) exposed all Client AuM in the IBA Accounts to the risk of enforcement in respect of the significant sums borrowed for Brite Advisors' own use.
- (e) In cases where particular assets can be attributed to specific Beneficiaries on the records available, those assets are still exposed to the Deficient Mixed Fund and would be subject to competing claims by other Beneficiaries, including as a result of (i) the securities being purchased with cash which had already been mixed with other cash in the deficient fund, and (ii) other Beneficiaries' having had their assets depleted to meet obligations associated with the assets the subject of a tracing claim (i.e. reduction of the margin loan and the corresponding security held over the assets).

2.2.5 The Receivers consider that, for the above reasons, they are justified in pooling all assets held in the IBA Accounts and applying a *pari passu* distribution methodology to the Deficient Mixed Fund to Beneficiaries who have a claim to those assets. This would mean that the shortfall is equitably shared across Beneficiaries whose investments were commingled with other Beneficiaries' investments.

2.2.6 Set out below is the Receivers' detailed analysis of each of the types of assets/liabilities held in the IBA Accounts and why the Receivers consider that each ought to be included in the Deficient Mixed Fund, namely:

- (a) model portfolio securities;
- (b) bespoke investment securities;
- (c) cash; and
- (d) margin loan liability.

2.2.7 See further information relating to the IBA Accounts in the below reports:

- (a) Investigative Accountants' Report dated 8 December 2023 – sections 3.2 and 3.4;
- (b) Second Report dated 24 January 2024 – sections 4.2, 4.3, 4.4 and 4.5;
- (c) Third Report dated 4 March 2024 – sections 2.3, 3, 4, 5.1 Appendix D; and
- (d) Fourth Report dated 9 August 2024 – sections 2.1, 4.6, 5.2, 5.3, 5.6 and 6.

Model portfolio

2.2.8 The Receivers have located Investment Mandates entered into between several Corporate Trustees and Brite Advisors that set out the model portfolio asset allocations for each of the model portfolios offered to Beneficiaries. Broadly speaking, the Investment Mandates provided a predefined asset allocation between a mix of asset classes, based on desired risk level. The model portfolio asset allocations also appeared to differ based on the geographical location of a Beneficiary, as set out below:

- (a) UK and International – Seven model portfolios, ranging from low to high risk, comprising differing percentage breakdowns of equities, fixed income, commodities, and real estate.
- (b) US – Five model portfolios, ranging from low to high risk, comprising differing percentage breakdowns of domestic and international equities, domestic and international bonds, and cash.
- (c) South Africa – Seven model portfolios, ranging from low to high risk, comprising differing percentage breakdowns of equities, fixed income, and real estate.

2.2.9 Based on Brite Advisors' standard form platform agreement, the Receivers understand that the model portfolios were or should have been periodically reviewed and rebalanced in accordance with the applicable investment objective.

2.2.10 Of the investments which Brite Advisors should have held for Beneficiaries as at 13 December 2023, 79% of client funds was invested in 13 different model portfolios on behalf of 1,657 Beneficiaries.

- 2.2.11 The Receivers have identified the following with respect to the model portfolios securities:
- (a) Several securities held in one model portfolio overlap with securities held in another portfolio. Securities are not separated in the IBA Accounts between the different model portfolios, and accordingly, it would be extremely difficult and likely cost prohibitive to determine which specific securities belong to which model portfolio (and therefore who the specific beneficial owner of the securities in those model portfolios is).
 - (b) Similarly, several securities held in model portfolios overlap with securities held in bespoke investment arrangements. Securities are not separated in the IBA Accounts between model portfolio arrangements and bespoke arrangements, and accordingly, it would be extremely difficult and likely cost prohibitive to determine which specific securities belong to model portfolios or bespoke investments (and therefore who the specific beneficial owner of the securities is).
- 2.2.12 There is a shortfall between the total security holdings per the IB Statements and the total security holdings per the 13 December 2023 Data for the majority of securities. That shortfall is valued at USD(\$40.3)m as at 29 November 2024. Determining the shortfall on a Beneficiary-by-Beneficiary basis for the model portfolio securities is extremely difficult and likely cost prohibitive with the information available due to overlap in holdings between (i) several of the different model portfolios, and (ii) securities held by the model portfolios and Beneficiaries with bespoke investments.
- 2.2.13 See further information relating to the model portfolio securities held in the IBA Accounts in the below reports:
- (a) Second Report dated 24 January 2024 – section 4.5;
 - (b) Third Report dated 4 March 2024 – sections 3.1, 3.2, 5.1, Appendix E and Appendix F; and
 - (c) Fourth Report dated 9 August 2024 – sections 5.3, 5.6.27 – 5.6.38, 5.6.83 – 5.6.86 and Appendix A6.

Bespoke holdings

- 2.2.14 As set out above, Brite Advisors offered investment options to Beneficiaries which included both model portfolios and bespoke investments. All bespoke investments except those identified as Excluded Assets above were held in the IBA Accounts.
- 2.2.15 Bespoke investments were entirely Beneficiary directed and would require specific instructions to be given by the Beneficiary (in contrast to the model portfolios, which were managed under a discretionary mandate).
- 2.2.16 The Receivers have identified 389 Beneficiaries with bespoke asset holdings totalling circa USD\$142.9m as at 13 December 2023 across 696 securities.
- 2.2.17 The Receivers have identified the following with respect to the bespoke investment securities:
- (a) Several securities held as bespoke investments are also held in one or more model portfolio. Securities are not separated in the IBA Accounts between model portfolio arrangements and bespoke arrangements, and accordingly, in these circumstances there is no way to determine which specific securities belong to model portfolios or bespoke investments (and therefore who the specific beneficial owner of the securities is).
 - (b) As at 13 December 2023, there were 69 securities which were held by one or more model portfolio and as bespoke investments. These overlapping securities represent approximately 84% of the Client AuM by value.
 - (c) There is a shortfall between the total security holdings per the IB Statements and the total security holdings per the 13 December 2023 Data for bespoke securities only (i.e. holdings which do not overlap with model portfolio investments), totalling USD(\$3.6m). Determining the shortfall on a Beneficiary-by-Beneficiary basis for the bespoke securities is extremely difficult and likely cost prohibitive with the information available due to overlap in holdings between multiple Beneficiaries.
 - (d) Even where there is no overlap in holdings and securities holdings can be tied back to specific Beneficiaries as at 13 December 2023, properly determining Beneficiaries' individual rights would require the Receivers to review the circumstances in which those assets came to be held in the IBA Account. The securities held would be exposed to the Deficient Mixed Fund where they were purchased with cash which had been mixed with other cash in the deficient fund or where other impacted securities holdings were sold to generate proceeds to fund the later acquisition.

- 2.2.18 The Receivers have conducted investigations into the bespoke only securities (i.e. bespoke assets that are not mixed with the model portfolio) in order to identify bespoke assets:
- (a) without variance (where there are both single and multiple Beneficiary investors); and
 - (b) with variance, but with only single Beneficiary investors,
- on the basis that those securities are capable of being identified as belonging to specific Beneficiaries (**Identifiable Bespoke Assets**).
- 2.2.19 Based on those investigations, the Receivers have concluded that based on the 13 December 2023 Data:
- (a) there is approximately USD\$52.1m (valued as at 13 December 2023) in bespoke only assets (i.e. bespoke assets that are not mixed with the model portfolio) without variance and held by both single and multiple Beneficiaries; and
 - (b) there is approximately USD\$0.2m (valued as at 13 December 2023) in bespoke only assets (i.e. bespoke assets that are not mixed with model portfolio) with variance but held by a single Beneficiary.
- 2.2.20 The Receivers consider that whilst the Identifiable Bespoke Assets are capable of being linked to specific Beneficiaries, those assets are still exposed to the Deficient Mixed Fund and would be subject to competing claims by other Beneficiaries, including as a result of (i) the securities being purchased with cash which had already been mixed with other cash in the deficient fund (see 2.2.4 above) and (ii) other Beneficiaries' having had their assets depleted to meet obligations associated with the assets the subject of a tracing claim (i.e. reduction of the margin loan and the corresponding security held over the assets – see 2.2.31 below).
- 2.2.21 See further information relating to the bespoke securities held in the IBA Accounts in the below reports:
- (a) Second Report dated 24 January 2024 – sections 2.3 and 4.5;
 - (b) Third Report dated 4 March 2024 – sections 3.2, 5.1 and Appendix F; and
 - (c) Fourth Report dated 9 August 2024 – sections 5.6.39 – 5.6.48, 5.6.83 – 5.6.86 and Appendix A6.

Cash held in IBA Accounts

- 2.2.22 Based on the IBA Account Statements, as at 13 December 2023, Brite Advisors held cash in the IBA Accounts totalling USD\$119.3m. The cash is held in USD, GBP and AUD.
- 2.2.23 As set out in section 6.4 of the Fourth Report, the Receivers identified that from the quarter ended December 2022, the cash positions held in the IBA Accounts were materially different from the cash positions actually held in the IBA Accounts.
- 2.2.24 During the quarter ended December 2022, there was a significant reduction in the margin loan facility liability, which coincided with the timing of the discrepancies between the cash reported to Beneficiaries as being held in IBA Accounts compared to the cash actually held in the IBA Accounts.
- 2.2.25 The Receivers understand that (i) Beneficiaries' cash held in the IBA Accounts was utilised to repay the margin loan facility during the December 2022 quarter, and (ii) this repayment was done without authorisation or notification of the Beneficiaries whose cash was used.
- 2.2.26 Accordingly, the Receivers consider that the cash held in the IBA Accounts ought to form part of the Deficient Mixed Fund.
- 2.2.27 See further information relating to the cash held in the IBA Accounts in the below reports:
- (a) Third Report dated 4 March 2024 – sections 3.1, 3.2 and 5.1; and
 - (b) Fourth Report dated 9 August 2024 – section 5.3.

Margin loan

- 2.2.28 Based on documentation provided to the Receivers by IBA in November 2023, Brite Advisors entered into General Terms and Conditions with IBA in October 2021 which, ostensibly, enabled funds to be loaned to Brite Advisors against the security of the assets held in the IBA Accounts and which was referred to within Brite Advisors as the "margin loan". This agreement was purportedly supplemented in June 2021 by the Leverage Facility Agreement which provided the supplemental terms governing the margin lending arrangements between IBA and Brite Advisors.

- 2.2.29 Although the margin loan liability appears to have been notionally allocated among the sub-accounts comprising the IBA Accounts, the contractual terms of the margin loan facility ostensibly enabled IBA to have recourse against the assets held in **any** of the sub-accounts comprising the IBA Accounts (i.e. the Client AuM) to satisfy Brite Advisors' indebtedness under the margin loan facility. As a result, the Receivers consider it appropriate to apply the outstanding liability under the margin loan to the Deficient Mixed Fund.
- 2.2.30 In the Receivers' view, the circumstances surrounding the margin loan also contributes to the justification for treating all assets contained in the IBA Accounts as mixed, on the following basis:
- (a) all financial securities held in the IBA Accounts ostensibly serve as collateral for the outstanding balance of the margin loan at 13 December 2023;
 - (b) the margin loan was paid down at various times through the misappropriation of certain client assets and money (for instance the repayment utilising Beneficiaries' cash holdings in IBA Master A during the quarter ending December 2022);
 - (c) the pay down of the margin loan was of benefit to all Beneficiaries and had the effect of partially discharging obligations attaching to their assets; and
 - (d) those Beneficiaries whose assets were misappropriated may assert a claim against the assets receiving the benefit of that misappropriation.
- 2.2.31 The margin loan liability outstanding in the IBA Accounts at 13 December 2023 totalled USD(\$19.9m), being significantly repaid using Client AuM from a peak indebtedness position of USD(\$98.9m) in June 2022. The margin loan facility has reduced to USD(\$13.8m) as at 29 November 2024 as a result of IB setting off the outstanding balance with Client AuM (including dividends and matured bonds).
- 2.2.32 The Receivers have challenged IBA's entitlement to set off any receipt of dividends and bond maturities generated from the Client AuM against the margin loan liability following the Receivers' appointment. IBA has maintained that it is entitled to do so. The Receivers are investigating whether there is any basis on which the margin loan could be set aside or on which IBAU is otherwise liable to compensate the Client AuM trust.
- 2.2.33 See further information relating to the margin loan facility in the below reports:
- (a) Investigative Accountants' Report dated 8 December 2023 – sections 2.7 and 3.2;
 - (b) Second Report dated 24 January 2024 – section 3.8;
 - (c) Third Report dated 4 March 2024 – sections 2.4, 3.1 and 4.2.23 – 4.2.26; and
 - (d) Fourth Report dated 9 August 2024 – sections 4.7, 5.2, 5.3, 6.4 and 6.7.

IBHK Accounts

- 2.2.34 During the quarter ending March 2023, Brite Advisors began the sell-down of securities in IBA Master A and transferred the resultant net cash proceeds totalling USD\$113.0m to IBA Master C.
- 2.2.35 The cash was subsequently withdrawn from IBA Master C and deposited to Brite Advisors' Westpac Client Accounts. During the quarters ending June 2023 and September 2023, Brite Advisors transferred funds totalling USD\$87.6m from the Westpac Client Accounts to BHKL HSBC Client Accounts ostensibly pursuant to the BHKL Outsourcing Agreement. Cash totalling USD\$81.4m was transferred from BHKL HSBC Accounts to the IBHK Account thereafter.
- 2.2.36 Of the funds transferred to BHKL totalling USD\$87.6m, the Receivers have recovered circa USD\$78.4m (in addition to USD\$4.9m funds which were transferred back to Brite Advisors prior to the Receivers' appointment). The Receivers' investigations indicate that the variance is primarily due to (i) client withdrawals and surrenders (USD\$3.2m), and (ii) payments by BHKL from Client AuM in excess of their entitlement per the BHKL Outsourcing Agreement paid to related parties and to meet operating expenses totalling (USD\$2.4m). Please refer to section 6.6 of the Fourth Report for further details in this regard.
- 2.2.37 As the Client AuM transferred to the IBHK Accounts either (i) originated from the IBA Accounts, or (ii) were ultimately mixed with the Client AuM which originated from the IBA Accounts, the Receivers consider that the Client AuM held in the IBHK Accounts ought to form part of the Deficient Mixed Fund.

2.2.38 See further information relating to the IBHK Accounts in the below reports and affidavit material:

- (a) Investigative Accountants' Report dated 8 December 2023 – sections 3.4 and Appendix G;
- (b) Second Report dated 24 January 2024 – sections 2.2 and 8.2.27 – 8.2.35; and
- (c) Fourth Report dated 9 August 2024 – section 6.6.

Minerva Notes

- 2.2.39 Between September 2017 and October 2018, Brite Advisors invested funds from both Corporate Trustee deposits and funds drawdown from the IB Platform totalling GBP8.9m in debt securities issued by Minerva (**Minerva Notes**). The Minerva Notes are not held on IB and were still held by Brite Advisors at 13 December 2023.
- 2.2.40 Between September 2017 and August 2019, 109 Beneficiaries who contributed funds to Brite Advisors via a number of different Corporate Trustees (including ForthPlus Pensions, discussed below), invested in Minerva Notes. Between February 2018 and February 2020:
- (a) four Beneficiaries sold their interest in the Minerva Notes back to Brite Advisors at cost; and
 - (b) 68 Beneficiaries in effect, systematically had their interest in the Minerva Notes sold back to Brite Advisors at cost (i.e. their interest was sold but it does not appear that this is as a result of a specific request to do so).
- 2.2.41 Beneficiaries who had their Minerva Notes "sold out" on or around February 2020, received a credit to their portfolio equivalent of the cost of their initial investment which the Beneficiaries paid to Brite Advisors. The Receivers consider these Beneficiaries will have an entitlement to the Deficient Mixed Fund (including any recoveries from the Minerva Notes) equivalent to the initial investment that was paid to Brite Advisors.
- 2.2.42 As at 13 December 2023, 37 Beneficiaries with total investments of GBP0.5m remained invested in the Minerva Notes. All 37 of these Beneficiaries have the same Corporate Trustee, ForthPlus Pensions. The funds which these Beneficiaries paid to Brite Advisors to purchase these notes was transferred into the IBA Accounts (potentially to replenish funds misappropriated by Brite Advisors from the account to purchase the Minerva Notes in the first place).
- 2.2.43 On the basis of conflicts of interest which Brite Advisors appeared to have, combined with the lack of disclosure to Beneficiaries, it appears that the Minerva Notes were likely sold to Beneficiaries in breach of Brite Advisors' fiduciary duties. As the funds paid by the Beneficiaries in the impugned transactions were paid into the IBA Accounts, those Beneficiaries would likely have a claim against the Deficient Mixed Fund.
- 2.2.44 As a result, the Receivers have valued the Minerva Notes still held by the Beneficiaries at cost price and will treat this as an entitlement to the Deficient Mixed Fund. To the extent that there is any realisable value from the Minerva Notes, this will be contributed to the Deficient Mixed Fund.
- 2.2.45 See further information relating to the Minerva Notes in the below reports:
- (a) Second Report dated 24 January 2024 – section 2.3; and
 - (b) Fourth Report dated 9 August 2024 – sections 5.6.52 – 5.6.71 and Appendix A4.

Structured Notes sell down

- 2.2.46 The Receivers' investigations identified that certain Structured Notes were sold by Brite Advisors between March 2022 and October 2022, and the Receivers have not identified any Structured Notes as being repurchased, or currently being held in the name of Brite Advisors. The proceeds from the sale of the Structured Notes were firstly paid to Westpac Client Accounts, then subsequently transferred to the IB Platform.
- 2.2.47 The 13 December 2023 Data records these Structured Notes as still being held by Beneficiaries.
- 2.2.48 The Receivers will value the Structured Notes which were sold down but which should still have been held by Brite Advisors for the Beneficiaries in the 13 December 2023 Data at their mark-to-market value or by the valuation determined by the valuation expert engaged by the Receivers. As a result of the proceeds of the sales being paid to the IB Platform, the Receivers will treat the Beneficiaries who held those Structured Notes as having an entitlement to the Deficient Mixed Fund to the value of those notes as at 13 December 2023.

2.2.49 See further information relating to sale of the Structured Notes assets in the below reports:

- (a) Fourth Report dated 9 August 2024 – sections 5.6.72 to 5.6.78 and A5.3.

Westpac Client Accounts

2.2.50 Brite Advisors held 13 bank accounts with Westpac, which are classified in the books and records of Brite Advisors and by reference to account names as follows:

- (a) Seven client accounts (referred to as the **Westpac Client Accounts**) – utilised as intermediary accounts between the Corporate Trustees (or Beneficiaries) when transferring Beneficiary funds on and off the IB Platform. Accounts are held in USD, GBP, AUD, EUR, ZAR, CHF and NZD currencies.
- (b) Six operational accounts (referred to as the **Westpac Operational Accounts**) – utilised to pay operating expenses of Brite Advisors and related parties funded primarily from Client AuM received from the IB Platform. Accounts are held in USD, GBP, AUD, EUR, ZAR and CHF currencies.

2.2.51 As at 13 December 2023, Brite Advisors held USD\$5.5m across the 13 Westpac Accounts, split between the Westpac Client Accounts and Westpac Operating Accounts which held USD\$5.4m and USD\$19k, respectively, as set out in the table below:

Westpac Accounts as at 13 December 2023

Account	Currency	Balance in denom. currency (‘m)	USD ex rate (per IB)	Balance in US\$‘m
Westpac Client Account - 036 237 - 450 549	AUD	0.0	0.666	0.0
Westpac Client Account - 034 770 - 001 769	CHF	0.0	1.147	0.0
Westpac Client Account - 034 762 - 003 019	ZAR	0.0	0.054	0.0
Westpac Client Account - 034 705 - 036 500	EUR	0.0	1.088	0.0
Westpac Client Account - 034 702 - 136 274	USD	4.0	1.000	4.0
Westpac Client Account - 034 703 - 011 086	GBP	1.1	1.262	1.4
Westpac Client Account - 034 748 - 032 163	NZD	0.0	0.617	0.0
Total Westpac Client Accounts				5.4
Westpac Operating Account - 036 230 - 149 905	AUD	0.0	0.666	0.0
Westpac Operating Account - 034 770 - 001 857	CHF	0.0	1.147	0.0
Westpac Operating Account - 034 762 - 002 649	ZAR	0.0	0.054	0.0
Westpac Operating Account - 034 705 - 040 737	EUR	0.0	1.088	0.0
Westpac Operating Account - 034 702 - 241 939	USD	0.0	1.000	0.0
Westpac Operating Account - 034 703 - 025 840	GBP	0.0	1.262	0.0
Total Westpac Operating Accounts				0.0
Total Westpac Accounts				5.5

Source: Westpac Account bank statements

2.2.52 Of the USD\$5.4m held in the Westpac Client Accounts as at 13 December 2023, USD\$5.3m (or 98%) comprised:

- (a) USD\$0.9m funds deposited by four Beneficiaries onboarded on or after 16 October 2023 but prior to the Asset Preservation Orders (**Late Investors**) (the Receivers have confirmed these Beneficiaries’ claims have been captured in the 13 December 2023 Data);
- (b) two payments received from Moventum totalling USD\$2.6m (section 2.3 below sets out further details of the Receivers’ investigations in respect of the assets held on the Moventum Platform) comprising:
- (i) USD\$0.1m of proceeds from matured structured notes held on behalf of two Beneficiaries (refer section 2.3 below for further details regarding Excluded Assets); and
- (ii) USD\$2.5m of funds originally transferred to the Moventum Platform in July 2023 from Client AuM held in IBA Master C; and
- (c) at least USD\$1.8m received from the IBA Accounts to meet withdrawal and surrender requests received from at least 12 Beneficiaries, but which were not distributed prior to the Asset Preservation Orders.

- 2.2.53 The Receivers are satisfied that the funds held in relation to the four Late Investors and the proceeds from the matured structured notes held in Moventum Platform (together, totalling USD\$1.0m) have not been mixed with the Deficient Mixed Fund and are not otherwise tainted by the deficiency in the Client AuM. Accordingly, the Receivers propose to return these funds in full to the respective Beneficiaries (along with any associated accrued interest). The Receivers propose that a fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the assets (along with any tax or other liability linked with the assets) will be payable by the Beneficiary / deductible from their distribution.
- 2.2.54 Please refer to section 2.3.11 below for further details on the Excluded Assets.
- 2.2.55 The remainder of the cash held in the Westpac Client Accounts totalling USD\$4.5m originated from the Deficient Mixed Fund and, accordingly (i) are not able to be traced or followed to specific Beneficiaries or Corporate Trustees, and (ii) at points in time were subject to a shortfall position. Accordingly, the Receivers propose to treat these as forming a part of the Deficient Mixed Fund.
- 2.2.56 On 26 November 2024, with the consent of the Court, the Receivers transferred funds totalling USD\$7.1m (which includes the USD\$5.4m balance held at 13 December 2023 and USD\$1.8m returned to Westpac from the HSBC Hong Kong Client Accounts, as set out below) from the Westpac Client Accounts to interest bearing term deposit accounts with Commonwealth Bank of Australia to enhance the return received on cash held.
- 2.2.57 As at 13 December 2023, there were balances totalling approximately USD\$18.6k held in the Westpac Operating Accounts. These balances have decreased to USD\$7.7k as at 29 November 2024 primarily due to drawdowns from the Westpac Operating Accounts to meet the Receivers' fees and costs. Any balance remaining in the Westpac Operating Accounts (if any) will form part of the Deficient Mixed Fund.
- 2.2.58 See further information relating to the Westpac Accounts in the below reports:
- (a) Investigative Accountants' Report dated 8 December 2023 – sections 2.2, 2.3 and 3.3;
 - (b) Second Report dated 24 January 2024 – sections 3.2 and 3.4; and
 - (c) Fourth Report dated 9 August 2024 – sections 4.4, 4.7, 5.2 and 5.4

HSBC Hong Kong Client Accounts

- 2.2.59 At 13 December 2023, BHKL held USD\$1.8m in the HSBC Hong Kong Client Accounts as set out in the table below:

HSBC Hong Kong Client Accounts as at 13 December 2023

Account	Currency	Balance in denom. currency (‘m)	USD ex rate (per 1B)	Balance in US\$‘m
HSBC Client Account - 741-326060-274	USD	1.4	1.000	1.4
HSBC Client Account - 741-326060-275	EUR	0.1	1.088	0.1
HSBC Client Account - 741-326060-276	GBP	0.3	1.262	0.3
HSBC Client Account - 741-326060-277	AUD	0.0	0.666	0.0
Total HSBC Client Accounts				1.8

Source: HSBC Hong Kong Client Account bank statements

- 2.2.60 The Receivers have since received the amounts held in the HSBC Hong Kong Client Accounts to Brite Advisors' Westpac Client Accounts in tranches on 22 December 2023 and 29 December 2023. There are no balances remaining in the HSBC Hong Kong Client Accounts.
- 2.2.61 The cash held in the HSBC Hong Kong Client Accounts as at 13 December 2023 originated from the Deficient Mixed Fund and the Receivers therefore propose to treat it as forming part of the Deficient Mixed Fund.
- 2.2.62 See further information relating to the HSBC Hong Kong Client Accounts in the below reports:
- (a) Investigative Accountants' Report dated 8 December 2023 – sections 3.3, 3.4, Appendix D and Appendix G.
 - (b) Second Report dated 24 January 2024 – section 2.2.
 - (c) Fourth Report dated 9 August 2024 – section 5.4.

Proceeds from recovery actions

- 2.2.63 The Receivers are currently investigating potential recovery actions against several third parties. These actions are being investigated for the purpose of recovering compensation to contribute to the deficiency in the Client AuM. The assessment of recovery actions to pursue will depend on: (i) the viability of claims against each potential defendant; and (ii) the financial means of each defendant to meet a judgment. It is too early to provide any assessment of the merits of any claims. To the extent there is any recovery, this would form part of the Deficient Mixed Fund.

2.3 Excluded Assets

Momentum

- 2.3.1 The Receivers identified cash and securities held on the Momentum Platform totalling USD\$1.3m as at 13 December 2023, as summarised in the table below:

Assets held on Momentum at 13 December 2023				
ccy'000	GBP Account (GBP£)	USD Account (USD\$)	EUR Account (EUR€)	Total (USD\$)
Cash	15.4	41.9	3.9	65.5
Securities (market value per Momentum statements)	599.3	473.6	2.2	1,232.2
Total	614.7	515.6	6.0	1,297.8

- 2.3.2 In relation to the GBP and USD accounts, there are 16 structured notes which were transferred to the Momentum Platform *in specie* and held on behalf of 12 Beneficiaries. There is no shortfall in respect of these Momentum Platform assets.
- 2.3.3 In relation to the EUR account, two structured notes were purchased using cash transferred from the Westpac Operating Account. The Receivers have been unable to identify any Beneficiaries which purported to hold these Structured Notes, as no Beneficiaries hold these securities according to the 13 December 2023 Data.
- 2.3.4 At 13 December 2023, three structured notes had matured and the proceeds had been paid onto the Momentum Platform. Since 13 December 2023, an additional 12 structured notes have matured and proceeds have been paid onto the Momentum Platform, leaving only three structured notes remaining (one attributed to a Beneficiary and the two in the EUR account which are not).
- 2.3.5 On 13 November 2023 (i) GBP82,294, and (ii) USD\$53 of cash relating to proceeds from matured structured notes was transferred from the Momentum Platform to the Westpac Client Accounts. These funds were not transferred to the IBA Accounts and remained in the Westpac Client Accounts at 13 December 2023.
- 2.3.6 The remaining cash and investments held on the Momentum Platform at 29 November 2024, is summarised in the table below:

Assets held on Momentum at 29 November 2024				
ccy'000	GBP Account (GBP£)	USD Account (USD\$)	EUR Account (EUR€)	Total (USD\$)
Cash	543.1	645.5	0.1	1,330.8
Securities (market value per Momentum statements)	179.6	-	2.4	229.2
Total	722.7	645.5	2.5	1,560.1

- 2.3.7 The Receivers consider that:
- (a) The cash and securities on the Momentum Platform in relation to the GBP and the USD accounts at 13 December 2023 are Excluded Assets from the Deficient Mixed Fund on the basis that the structured notes were transferred to the Momentum Platform *in specie*, and were never held on the IB platform or otherwise tainted by the Deficient Mixed Fund;

- (b) Proceeds from the matured structured notes totalling USD\$0.1m which were held in the Westpac Client Accounts at 13 December 2023 are Excluded Assets from the Deficient Mixed Fund on the basis that (i) the funds are proceeds from matured structured notes which had been transferred *in specie* to the Moventum Platform, and (ii) the funds were still held in the Westpac Client Accounts at 13 December 2023. Accordingly, these funds were never held on the IB platform and, as a result, were never exposed to the Deficient Mixed Fund. Please refer to section 2.2.52 above for further details in this regard; and
- (c) The cash and securities on the Moventum Platform in relation to the EUR account at 13 December 2023 forms part of the Deficient Mixed Fund on the basis that the structured notes were purchased with funds from the IB platform and were tainted by the Deficient Mixed Fund.

- 2.3.8 In relation to the GBP and USD accounts, the Receivers therefore propose to transfer both (i) the cash and securities held on the Moventum Platform, and (ii) the USD\$0.1m cash held on the Westpac Client Accounts, to the respective Beneficiaries and/or their Corporate Trustee for the benefit of the Beneficiary. Where the securities have matured, the Beneficiary will receive the full benefit of the amount paid at maturity (including coupons). Prior to making the transfer above, the Receivers propose that a fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the Moventum Assets (along with any tax or other liability linked with the assets) will be payable by the Beneficiary / deductible from their distribution.
- 2.3.9 In relation to the structured notes held on the EUR account, the Receivers propose to treat these as forming a part of the Deficient Mixed Fund.
- 2.3.10 See further information relating to Moventum assets in the below reports and affidavit material:
 - (a) Second Report dated 24 January 2024 – sections 2.3;
 - (b) Fourth Report dated 9 August 2024 - sections 5.4 and 5.6.50 - 5.6.51; and
 - (c) Fifth Report dated 4 December 2024 – sections 4.2.1 to 4.2.5.

Westpac Client Accounts

- 2.3.11 As set out at section 2.2.52, USD\$1.0m of the USD\$5.4m held in the Westpac Client Accounts as at 13 December 2023, comprised (i) USD\$0.9m of funds deposited by four Beneficiaries onboarded on or after 16 October 2023 but prior to the Asset Preservation Orders (or Late Investors), and (ii) USD\$0.1m of proceeds from matured Moventum structured notes held on behalf of two Beneficiaries.
- 2.3.12 The Receivers are satisfied that the funds held in relation to the four Late Investors and the proceeds from the matured secured notes held in Moventum (together, totalling USD\$1.0m) have not been mixed with the Deficient Mixed Fund and are not otherwise tainted by the deficiency in the Client AuM. Accordingly, the Receivers propose to return these funds in full to the respective Beneficiaries (along with any associated accrued interest). The Receivers propose that a fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the assets (along with any tax or other liability linked with the assets) will be payable by the Beneficiary / deductible from their distribution.

3 Assessment of liabilities and approach to set-off and deduction for distribution

3.1 Overview

- 3.1.1 The Receivers are seeking orders from the Court in relation to the approach to determining and making a distribution from the Client AuM to Beneficiaries. The Receivers have identified several classes of liabilities that apply to Beneficiaries and relate to the Client AuM. How these liabilities will impact entitlements or distributions is explained further below. This proposal has been formulated having regard to the legal principles identified in section 6 below and to the need for an efficient, timely means of returning value to Beneficiaries.

Liabilities to be set-off against Beneficiary entitlements (section 3.2)

- 3.1.2 In calculating Beneficiaries' entitlements, the Receivers are permitted to set-off positive balances and investment values held by a particular Beneficiary against negative account balances (i.e. overdrawn cash or Surrender Rebate liabilities) incurred by the same Beneficiary. A Beneficiary's entitlement is the value of investments and cash which Brite Advisors should have held for them as at 13 December 2023. A Beneficiary's entitlement is not the same as their distribution (which is what they will in fact receive).
- 3.1.3 Whilst the Receivers' investigations are ongoing, this section sets out the potential liabilities to be set-off against Beneficiary entitlements and their proposed treatment including Surrender Rebates, Exit Fees and Upfront Transfer Fees, in accordance with the 2 September Orders.

Liabilities to be deducted from the distribution to beneficiaries (section 3.3)

- 3.1.4 This section sets out amounts which will be deducted from the distribution amount paid to Beneficiaries, rather than amounts which are deducted from entitlements. The deductions which are currently contemplated to apply are post-appointment withdrawals, Beneficiary Loans and amounts in respect of tax that relate to particular Corporate Trustees or Beneficiaries.

Potential deductions relating to tax

- 3.1.5 The Receivers are in the process of considering whether there are or will be any tax liabilities payable by Brite Advisors or the Receivers. There may be some deductions from distributions on account of tax that relates to particular Corporate Trustees or Beneficiaries. Refer to section 3.3.15 and 4.5 for further details.

3.2 Liabilities to be set-off against Beneficiary entitlements

Surrender Rebates

- 3.2.1 Beneficiaries were often charged a fee by their prior pension fund manager in order to leave their prior fund and join Brite Advisors. Those fees were deducted from the Beneficiary's investment by the prior fund manager, before transferring the net funds to Brite Advisors.
- 3.2.2 Brite Advisors offered a loan, typically repayable over a 10-year period, to allow Beneficiaries to invest the whole amount of their existing pension investment with Brite Advisors. This loan was known as a '**Surrender Rebate**'. Surrender Rebates were used on an 'opt in' basis and was an 'incentive' for Beneficiaries to join Brite Advisors.
- 3.2.3 Brite Advisors would essentially 'top up' a Beneficiary's rolled over investments from their outgoing pension fund manager by the Surrender Rebate amount, and Brite Advisors would record this amount as a loan owed by the Beneficiary to Brite Advisors. The Surrender Rebate loan did not attract interest and was typically repayable by Beneficiaries to Brite Advisors in equal monthly instalments over a 10-year period.
- 3.2.4 If a Beneficiary took the option to have a Surrender Rebate loan, the following occurred:
- Even though their prior pension fund transferred a reduced amount (net of the exit fee) to Brite Advisors, their cash balance with Brite Advisors was increased by the Surrender Rebate loan amount so they could invest the full amount of their investment through Brite Advisors;
 - A loan was created for the value of the Surrender Rebate provided; and
 - The Surrender Rebate loan was re-paid over (typically) 10 years, in equal monthly instalments by way of a Surrender Rebate Fee which was paid from the Beneficiaries' cash balance.

- 3.2.5 Beneficiaries' entitlements, as shown in their Valuation Notice, are net of the Surrender Rebate loan. That means that, to the extent a Beneficiary has not repaid their Surrender Rebate, the balance of the Surrender Rebate loan will be a deduction in the calculation of the Beneficiary's total entitlement.

Exit Fees not triggered

- 3.2.6 Some Beneficiaries were liable to pay an exit fee if they left the Brite Platform within five years of investing with Brite Advisors (**Exit Fee**). The Exit Fee was equal to the remaining balance of five years' worth of Managed Portfolio Fees that the Beneficiary would otherwise pay if they stayed on the Brite Platform.
- 3.2.7 The Receivers do not consider that the Exit Fee is triggered by the appointment of the Receivers and the eventual distribution of the Client AuM. Accordingly, Beneficiary entitlements for those Beneficiaries who (i) had not surrendered from Brite Advisors prior to 13 December 2023, and (ii) had not received their funds off the Brite Platform from any surrender request will exclude any Exit Fees.

Upfront Transfer Fees

- 3.2.8 Where an Exit Fee was imposed on a Beneficiary, the Beneficiaries' documentation sometimes included terms regarding an **Upfront Transfer Fee**.
- 3.2.9 The Receivers understand the Upfront Transfer Fee was, in effect, a prepayment of five years of Managed Portfolio Fees (or 5% of the net value of the Beneficiary's assets transferred to Brite Advisors). It appears to have been expressly noted in some (but not all) documentation that the Upfront Transfer Fee was not in addition to the Managed Portfolio Fee. In practice, the Upfront Transfer Fee was not charged to Beneficiaries but rather, funded by Brite Advisors drawing down on the margin loan facility. The Upfront Transfer Fee was over-time earned by Brite Advisors through monthly Managed Portfolio Fees accruing and/or the Exit Fees.
- 3.2.10 Beneficiaries whose documentation included terms relating to the Upfront Transfer Fee will not be charged for these amounts as Brite Advisors, in practice, did not charge Beneficiaries' for these amounts and the terms in the respective Beneficiaries' documentation does not reflect a current entitlement for Brite Advisors to deduct the Upfront Transfer Fee from the Beneficiaries' account.

3.3 Liabilities to be deducted from the distribution to Beneficiaries

Post-appointment withdrawals

- 3.3.1 All withdrawal requests have been dealt with by the Receivers in accordance with Court Orders (previous and current) including orders dated 13 December 2023, 21 December 2023 and 6 February 2024, and more recently Court Orders dated 2 September 2024.
- 3.3.2 Prior to the increase to the upper threshold on pension withdrawals pursuant to the Court Orders dated 2 September 2024, the Receivers only had the Court's direction to approve and process pension withdrawal requests in certain circumstances, namely:
- (a) where the requests related to regular pension withdrawals that were in place as at 9 November 2023; and
 - (b) where processing the requested regular withdrawal would not result in the total processed withdrawals exceeding 30% of the value of the Beneficiary's investments (recorded as at 9 November 2023).
- 3.3.3 In addition to these directions, Court Orders dated 13 December 2023 and 21 December 2023 also granted the Receivers a discretion to pay withdrawal requests '*if deemed appropriate by the Corporate Receivers and Managers processing the withdrawal*'. In this regard, the Receivers have applied limited discretion to pay irregular withdrawal requests (subject to sufficient investment coverage) to Beneficiaries in circumstances of proven hardship and/or pension commencement lump sum (**PCLS**) entitlement.
- 3.3.4 The December 2023 and February 2024 Orders were recently amended by the 2 September 2024 Orders. Through those orders, the Court has given direction that the Receivers would be justified in assessing pension withdrawal requests:
- (a) by only assessing and processing the regular withdrawals which were already in place; and
 - (b) declining to assess and process withdrawals if the total processed withdrawals for any Beneficiary would exceed 50% of the value of the cash and model portfolio holdings of the Beneficiary's investment as at 13 December 2023.

- 3.3.5 As at 4 December 2024, the Receivers have processed 760 withdrawal requests totalling \$(24.3m) USD, reducing Client AuM for ultimate distribution accordingly.
- 3.3.6 The Receivers have maintained records of all pension withdrawals processed since their appointment on 13 December 2023.
- 3.3.7 The Receivers are also required to lodge periodic reports to the Australian Securities and Investment Commission in relation to all cash receipts and payments for the period of their appointment as Receivers of Brite Advisors, and have done so as required.
- 3.3.8 In addition to the Receivers maintaining their own specific records, the Salesforce data system and Beneficiary portals have been updated and maintained for all pension withdrawals on a regular basis.
- 3.3.9 Pension withdrawals will **not** be set-off, against Verified Entitlements. Rather, all pension withdrawals paid to Beneficiaries following the appointment of the Receivers will reduce the distribution made to that Beneficiary. That is, the amount due to the Beneficiary by way of a distribution will be calculated by reference to their Verified Entitlement, and then any amount paid as a withdrawal will be treated as a pre-payment of that distribution amount.
- 3.3.10 Post appointment withdrawal information is visible to Beneficiaries in Salesforce portals at the time of verification, although as explained in the preceding paragraph, this does not impact a Beneficiary's entitlement as at 13 December 2023.

Loan accounts

- 3.3.11 The Receivers identified ten Beneficiaries with entitlements who received funds from Brite Advisors by way of 19 separate loans totalling approximately USD\$1.7m.
- 3.3.12 The Receivers located loan agreements with BAG for six of the 19 loan advances, but have not been able to locate agreements for the remaining 13. The Receivers' further investigations identified that USD\$0.2m was repaid, leaving USD\$1.5m outstanding (excluding interest). In all scenarios however, the funds loaned were withdrawn from the IBA Accounts before being paid to the Beneficiary (**Beneficiary Loan**).
- 3.3.13 Although the loan agreements were with BAG, they were funded with cash drawn from the IBA Accounts. Therefore, the Receivers intend to reduce the distribution made to each Beneficiary with an outstanding loan amount payable for the amount of the loan (subject to further information becoming available). That is, the amount due to the Beneficiary by way of a distribution will be calculated by reference to their entitlement, and then any amount paid to a Beneficiary as a distribution will be reduced by the outstanding amount under the Beneficiary Loan.
- 3.3.14 Beneficiary Loan information is not disclosed on the Valuation Notice. The Receivers have arranged for Beneficiary Loan information to be reported to Beneficiaries separately in the Salesforce portal. As explained in the preceding paragraph, any amount paid to a Beneficiary as a distribution will be reduced by the outstanding amount under the Beneficiary Loan and any Beneficiary Loans does not impact a Beneficiary's entitlement as at 13 December 2023.

Potential deductions relating to tax

- 3.3.15 The Receivers are in the process of considering whether there are or will be any tax liabilities payable by Brite Advisors and/or the Receivers.
- 3.3.16 There may be some deductions from distributions on account of tax that relates to particular Corporate Trustees or Beneficiaries. Refer to section 4.5 for further details.

Receivers' fees, costs and expenses

- 3.3.17 The Receivers' fees, costs and expenses are subject to review and approval by the Court.
- 3.3.18 The Receivers propose that these fees, costs and expenses are shared appropriately amongst the categories of Beneficiaries identified at Appendix A, noting that there are both:
- (a) general fees, costs and expenses that have been incurred in a general or global sense, without reference to any particular category of Beneficiaries or assets (**General Costs**); and
 - (b) fees, costs and expenses that relate only to a particular category or categories of Beneficiaries, assets or Corporate Trustees (**Specific Costs**),
- (together, the **Costs**).
- 3.3.19 It is the Receivers' view that any allocation of these Costs between Beneficiaries should be based on estimation, since precise attribution is not possible at least in the case of the General Costs, and the additional work and time associated with attempting precise attribution of the Specific Costs is likely to outweigh any practical benefit to Beneficiaries.
- 3.3.20 With that in mind, the Receivers intend to seek further orders of the Court as to the appropriate allocation of the Costs between the Beneficiaries. Any costs liability that the Beneficiaries are allocated by those orders will be set-off against a Beneficiary's distribution amount.
- 3.3.21 In the meantime, in accordance with the 21 December Orders and 6 February Orders, the Receivers will continue to submit their claims for Costs to the Court for approval in the ordinary course, with the approved claims paid from Trust Assets.

4 Approach to distribution

4.1 Overview

- 4.1.1 The Receivers have considered the different options to effect a distribution of the Deficient Mixed Fund to Beneficiaries, namely (i) a liquidation of the Deficient Mixed Fund and transfer of the proceeds to Corporate Trustees or Beneficiaries, or (ii) an *in specie* transfer of the Deficient Mixed Fund to a new Fund Manager or Corporate Trustees/Beneficiaries.
- 4.1.2 The Receivers do not consider an *in specie* transfer of the Deficient Mixed Fund to a new Fund Manager or to Corporate Trustees/Beneficiaries to be a viable option (for the reasons set out at section 4.2.3).
- 4.1.3 The Receivers consider the liquidation of the Deficient Mixed Fund and transfer of the proceeds to Corporate Trustees (or Beneficiaries, in the case of direct investments), to be the most efficient and effective way to return the Deficient Mixed Fund to Beneficiaries. The Receivers consider this option will likely be a faster, simpler, and lower cost solution than an *in specie* distribution (refer section 4.2.4).
- 4.1.4 The Receivers Interim Fund Manager will arrange for the Deficient Mixed Fund to be sold for the best available price directly through Interactive Brokers. The Interim Fund Manager expects that 99% of the Interactive Broker Assets can be liquidated within five trading days (refer section 4.2.6).
- 4.1.5 The Receivers propose that the proceeds of liquidating the Deficient Mixed Fund less the amount identified for retention, will be available for distribution to all Beneficiaries. Refer to section 4.2.7 for further details of the distribution process.
- 4.1.6 The Receivers propose that the distribution payment or asset transfer will be made to Corporate Trustees, if a Beneficiary has a Corporate Trustee. Beneficiaries without a Corporate Trustee will receive the distribution payment or asset transfer direct (refer sections 4.2.80 to 4.2.11).
- 4.1.7 The Receivers do not propose that the Excluded Assets, comprising the Excluded Moventum Assets and the funds held in relation to the four Late Investors, be liquidated and pooled with the Deficient Mixed Fund with these assets to be transferred *in specie* (refer section 4.2.12 to 4.2.15).
- 4.1.8 The Receivers will be required to retain a portion of the Client AuM in the IBA Accounts and not distribute these funds as part of the initial distribution from the Deficient Mixed Fund (**Retained Funds**), which will be retained as a provision for a number of liabilities and potential liabilities (refer section 4.2.16).
- 4.1.9 The Receivers have sought information from Corporate Trustees regarding a number of matters relating to the distribution (refer section 4.3). The Receivers intend to seek an Order from the Court that upon a request from a Beneficiary, the Receivers may withhold payment for a period of up to one year. This will allow Beneficiaries time to arrange to change their Corporate Trustee should they wish to do so.
- 4.1.10 The Receivers are in the process of considering a number of taxation issues which could impact the distribution. If it is determined that the Receivers or Brite Advisors might be liable for any tax liabilities, the Receivers will either retain part of the Client AuM, as part of the Retained Fund (refer section 4.2.16) or deduct amounts from distributions made to particular Corporate Trustees or Beneficiaries. Refer to section 4.5 for a discussion of the tax issues.
- 4.1.11 In accordance with their duties, and with a view to maximising the funds available for distribution, the Receivers have and continue to investigate and take steps to protect the interests of the Beneficiaries, including investigating potential recovery actions against third parties, including Interactive Brokers, and the directors and officers of Brite Advisors (refer section 4.6).
- 4.1.12 This proposal has been formulated having regard to the legal principles identified in section 6 below and to the need for an efficient, timely means of returning value to Beneficiaries.

4.2 Liquidation and transfer to Corporate Trustees

- 4.2.1 The Receivers have considered the different options to effect a distribution of the Deficient Mixed Fund to Beneficiaries, namely (i) a liquidation of the Deficient Mixed Fund and transfer of the proceeds to Trustees or Beneficiaries, or (ii) an *in specie* transfer of the Deficient Mixed Fund to a new Fund Manager or Corporate Trustees/Beneficiaries. The Receivers' view of each of the options (after having regard to feedback from

Beneficiaries, Corporate Trustees, the Interim Fund Manager and the Receivers' tax advisors as well as legal input) are set out below.

- 4.2.2 The discussion below excludes the Excluded Assets, which the Receivers propose to deal with separately to the Deficient Mixed Fund (refer section 4.2.12).

In specie transfer

- 4.2.3 The Receivers do not consider an *in specie* transfer of the Deficient Mixed Fund to a new Fund Manager or to Corporate Trustees/Beneficiaries to be a viable option. The Receivers consider there to be a number of practical difficulties with an *in specie* distribution (as set out below) resulting in it likely being more complex, costly and time consuming.
- The Receivers' investigations indicate that a shortfall existed between the securities reported to Beneficiaries as being held on the IB Platform and the securities actually held on the IB Platform from as early as the year ended 30 June 2020. The estimated shortfall as at 13 December 2023 was USD(\$97.6m) (or 13%). It is therefore extremely difficult and likely cost prohibitive to determine tracing rights into the remaining assets held on the IB Platform.
 - Given all investments were held in an omnibus account structure, and there is a variance between the quantity of securities reported to Beneficiaries as being held on the IB Platform and the quantity of securities actually held on the IB Platform, it is extremely difficult and likely cost prohibitive to identify the specific beneficial owner of the remaining securities and/or cash.
 - Given the significant overlap between securities held in model portfolios and bespoke investment portfolios, it is extremely difficult and likely cost prohibitive to identify what proportion of the securities remaining are from model portfolios versus bespoke portfolios.
 - In light of the Receivers' view that the assets held in the IBA Account should be treated as a single mixed deficient fund, with the shortfall to be shared *pari passu* in accordance with each Beneficiary's entitlement to the fund, an *in specie* transfer is inappropriate.
 - In respect of engaging a new Fund Manager, the Receivers consider there to be additional legal complexity as well as commercial considerations for the new Fund Manager which mean this option is unlikely to be feasible.

After consideration of the above, the Receivers do not consider an *in specie* transfer of the Deficient Mixed Fund to be a viable option for distribution.

Liquidation of the Deficient Mixed Fund and funds transfer

- 4.2.4 The Receivers consider the liquidation of the Deficient Mixed Fund and transfer of the proceeds to Corporate Trustees (or Beneficiaries, in the case of direct investments), to be the most efficient and effective way to return the Deficient Mixed Fund to Beneficiaries. The Receivers consider this option will likely be a faster, simpler, and lower cost solution than an *in specie* distribution.
- 4.2.5 This approach will mean that all Beneficiaries with claims to the Deficient Mixed Funds will be treated equitably and receive a distribution from the proceeds proportionate to their verified entitlement.

How will the liquidation be carried out?

- 4.2.6 In arranging liquidation of the Deficient Mixed Fund, the Receivers consider the process would be broadly as follows:
- **Sale** – The Interim Fund Manager will arrange for the Deficient Mixed Fund to be sold for the best available price directly through Interactive Brokers. Foreign currency risks related to holding a cash balance of this size will be managed by the Interim Fund Manager.
 - **Timing** - The Deficient Mixed Fund would be sold by the Interim Fund Manager over such period as is necessary in their opinion to achieve a fair price for the assets. The Interim Fund Manager expects that 99% of the Interactive Broker Assets can be liquidated within five trading days.
 - **Costs** - The total costs of the Interim Fund Manager of the sell down are estimated to be approximately 0.06% of the total traded amount.

How will the distribution be carried out?

4.2.7 The Receivers propose that the proceeds of liquidating the Deficient Mixed Fund, less the amount identified for retention (**Retained Funds**) (refer section 4.2.16), will be available for distribution to all Beneficiaries with an entitlement to the Deficient Mixed Fund (**Distributable Amount**). The Receivers propose that the distribution process take place as follows:

- **Step One** - The total amount of pension withdrawals (or the USD equivalent calculated as at the date of each payment) paid to Beneficiaries after 13 December 2023 will be added to the Distributable Amount (this will be the **Final Total Value**). This calculation of Final Total Value, and its use in the formula below, is to ensure that pension withdrawals paid to Beneficiaries are properly accounted for and treated as pre-payments to that Beneficiary of their distribution.
- **Step Two** - The distribution to be paid to each Beneficiary will be calculated as a proportionate amount of the Final Total Value, with the proportion payable depending on the Beneficiary's Verified Entitlement. Where a Beneficiary has received a pension withdrawal or owes an amount under a loan, this will be set-off from the amount to be distributed to them or to their Corporate Trustee. A Beneficiary's distribution from the Mixed Deficient Fund will be calculated *pari passu*, applying the following formula:

$$\text{Beneficiary's Deficient Mixed Fund Distribution} = \left(\frac{\text{BE}}{\text{TE}} \right) * \text{Final Total Value} - (\text{Withdrawals} + \text{Loans} + \text{Tax})$$

BE (Beneficiary Entitlement) is the total value of an individual Beneficiary's Verified Entitlements relating to assets and cash which Brite Advisors held or purported to hold in the IBA Accounts.

TE (Total Entitlements) is the sum of each and every Beneficiary's Verified Entitlement relating to assets and cash which Brite Advisors held or purported to hold in the IBA Accounts.

Withdrawals are post-appointment pension/hardship withdrawals paid to a Beneficiary.

Loans are any funds provided by Brite Advisors to a Beneficiary pursuant to loan arrangements (refer section 3.3.11 to 3.3.14).

Tax is any tax liability which Brite Advisors must pay on behalf of a Corporate Trustee or Beneficiary.

- **Step Three** - Where a Beneficiary is to be paid their distribution in a currency other than US dollars, the Receivers will convert such funds to the Beneficiary's nominated currency as required on or shortly after the Valuation Date at the prevailing exchange rate where necessary.
- **Step Four** - A cash payment will be made to each Corporate Trustee or Beneficiary, the recipient to be determined in accordance with the Court's orders, in the currency in which their account is denominated unless the Beneficiary has otherwise advised in accordance with a process established by the Receivers to opt for an alternate currency.

Who will receive the distribution?

- 4.2.8 Where a Beneficiary has a Corporate Trustee in respect of an account with Brite Advisors in relation to which their entitlement arises, the Receivers propose to make the distribution payment or transfer the asset, as applicable, to that Corporate Trustee. Refer to section 1.11 and 4.3 for details of the Receivers' concerns and proposed approach in respect of Corporate Trustees.
- 4.2.9 Where a Beneficiary has an account with Brite Advisors without an intermediary Corporate Trustee, the Receivers propose to make the distribution payment or transfer the asset, as applicable, directly to that Beneficiary.
- 4.2.10 Unless directed otherwise by the Beneficiary, the Receivers do not propose to make the distribution payment directly to Beneficiaries where they have a Corporate Trustee. The Receivers consider that doing so could trigger material adverse taxation consequences for the Beneficiary.
- 4.2.11 Where a Beneficiary has advised the Receivers that they do not wish for the payment to be made immediately, pending a possible change in Corporate Trustee, the Receivers may withhold payment (in cash) for a period of up to twelve months from the Valuation Date while the Beneficiary makes appropriate arrangements to substitute their Corporate Trustee.

Excluded Assets

- 4.2.12 The Receivers do not propose that the Excluded Assets, comprising the Excluded Moventum Assets and the funds held in relation to the four Late Investors (refer section 2.3), be liquidated and pooled with the Deficient Mixed Fund.

Moventum Platform

- 4.2.13 The Receivers propose to arrange for the Excluded Moventum Assets to be transferred back to the Beneficiary or the Corporate Trustee for the benefit of the Beneficiary, *in specie* where applicable. Where the securities have matured, the Beneficiary will receive the full benefit of the amount paid at maturity (including coupons) along with any interest accrued.
- 4.2.14 The Receivers propose that a fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the Moventum Assets (along with any tax or other liability linked with the assets) will be payable by the Beneficiary / deductible from their distribution. The Receivers propose to allow a Beneficiary who is entitled to a distribution from the Deficient Mixed Fund to set-off the fee against their Deficient Mixed Fund Distribution.

Late Investors' Funds

- 4.2.15 The Receivers propose to return these funds in full to the relevant parties, with an adjustment being made for any interest attributable. The Receivers propose that a fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the assets (along with any tax or other liability linked with the assets) will be payable by the Beneficiary / deductible from their distribution.

Retained Fund

- 4.2.16 The Receivers will be required to retain a portion of the Client AuM in the IBA Accounts and not distribute these funds as part of the initial distribution from the Deficient Mixed Fund. The Retained Fund will be for the purposes of providing for (i) any estimated taxation liabilities of Brite Advisors or the Receivers that do not refer to particular Corporate Trustees or Beneficiaries (refer section 4.5), (ii) security for the repayment of the IBA margin loan facility in accordance with Court orders, (iii) any historic liabilities relating to the period of the Receivers' appointment (including operational liabilities), (iv) costs of maintaining the Retained Fund, and (v) future costs and expenses of the Receivership (including the costs of pursuing any further recoveries – refer section 4.7 below). Upon the conclusion of the Receivership, a further distribution will be made of any remaining funds retained.

4.3 Trustees' reinvestment of funds, application of fees and changing Trustees

- 4.3.1 The Receivers have no control over how Corporate Trustees will reinvest Beneficiaries' funds or what fees will be charged. However, the Receivers have sought information relating to these matters to provide clarity for both the Court and for Beneficiaries as to what the Corporate Trustees' stated intentions are once those funds are received.
- 4.3.2 The Receivers set out information on the Corporate Trustees for Beneficiaries' benefit at Appendix A7 of the Fifth Report. The information includes (i) current and former names, (ii) jurisdiction, (iii) current directors, (iv) whether the Corporate Trustees are independent of Brite Advisors, (v) whether the Corporate Trustees have a Platform Agreement, and (vi) whether the Corporate Trustees have responded to the Corporate Trustee surveys. The Fifth Report also annexes all responses received from Corporate Trustees to the Receivers' surveys.
- 4.3.3 The Receivers have concerns where (i) Corporate Trustees are not independent of Brite Advisors, (ii) where there is no documentation between the Corporate Trustee and Brite Advisors, and (iii) the Corporate Trustees have not cooperated with the Receivers. However, the Receivers consider that the relationship between Beneficiaries and Corporate Trustees is a matter for them, and that Beneficiaries who have concerns about their Corporate Trustee should seek their own independent advice and take steps to address that concern as appropriate.
- 4.3.4 The Receivers intend to seek an Order from the Court that upon a request from a Beneficiary, the Receivers will not distribute funds to their Corporate Trustee, until they provide consent to do so. This will allow Beneficiaries time to arrange to change their Corporate Trustee should they wish to do so.
- 4.3.5 The Receivers also consider that before any funds are distributed to Corporate Trustees, additional documentation should be put in place between Brite Advisors and Corporate Trustees to clarify the terms of the trust arrangement and to govern the distribution back to Corporate Trustees. The Receivers consider this is required for all Corporate Trustees, regardless of whether they had a Platform Agreement with Brite Advisors or not.

4.4 UK pension regulatory treatment

- 4.4.1 The Receivers consider that the payment of the proceeds of the liquidation to the Corporate Trustees is unlikely to result in breaches of UK regulations applicable to the types of UK pension schemes of which the Corporate Trustees are a part. The Receivers do not consider that the liquidation of the portfolio would be classified as a withdrawal to the Beneficiary, rather the liquidation and payment of its proceeds to the Corporate Trustees would simply be a return of the Beneficiary's assets.
- 4.4.2 The Receivers have sought feedback from the Corporate Trustees regarding the proposed liquidation of the portfolio and transfer of the proceeds to Corporate Trustees. Some Corporate Trustees have not expressed concerns regarding any negative impacts for Beneficiaries, while other Corporate Trustees have raised concerns that a surrender penalty or redemption charge may apply or that there may be taxation implications.
- 4.4.3 This feedback has been considered by the Receivers in formulating the proposed approach to distribution.

4.5 Tax implications

- 4.5.1 As a general rule, either the trustee or the beneficiaries are liable for tax on the income of a trust and a receiver or liquidator will be liable for the taxation liabilities of a trustee company to which they have been appointed.
- 4.5.2 If the Receivers are or will be liable for any tax liabilities as a result of liquidating the Client AuM and making distributions to Corporate Trustees and Beneficiaries or liabilities arising from Brite Advisors' historical operations, the Receivers will either retain an appropriate amount from the Client AuM or deduct the amount from distributions to Corporate Trustees or Beneficiaries.
- 4.5.3 The Receivers are in the process of considering the potential taxation consequences of the proposed distribution, including the following issues:

(a) Whether the Receivers will be liable for any Australian tax liabilities as a result of liquidating the Client AuM and making distributions to the Corporate Trustees and Beneficiaries:

The tax liability of Brite Advisors, and therefore the Receivers, will depend on a number of factors, including:

- (i) whether Corporate Trustees or Beneficiaries are "absolutely entitled" to assets in the Client AuM, such that the Corporate Trustees or Beneficiaries and not the Receiver will be liable for tax on capital gains made on those assets;
- (ii) whether Corporate Trustees or Beneficiaries are "presently entitled" to income generated in respect of their investments (including capital gains made on assets to which no beneficiary has an absolute entitlement); and
- (iii) the nature of the income generated from liquidating the Client AuM.

There is a risk that the Corporate Trustees and Beneficiaries are neither absolutely entitled to assets in the Client AuM nor presently entitled to income earned in respect of the Client AuM. In that case, Brite Advisors or the Receivers might be liable for tax on capital gains and income generating from liquidating the Client AuM at a rate of 45%. The Receivers would retain part of the Client AuM to satisfy that liability (refer section 4.2.16).

(b) Whether the Receivers will be required to pay tax as a result of liquidating the Client AuM and making distributions to Corporate Trustees and Beneficiaries that are foreign residents.

Even if Corporate Trustees or Beneficiaries are presently entitled to income earned in respect of the Client AuM, Brite Advisors or the Receivers might be required to pay tax on behalf any Corporate Trustee or Beneficiary that is a foreign resident. The Receivers would deduct any such amount from the distribution made to the relevant Corporate Trustee or Beneficiary (refer to section 3.3.15 and 3.3.16).

(c) Whether the Receivers will be required to withhold part of the distributions to Corporate Trustees and Beneficiaries on account of withholding tax.

Foreign resident Corporate Trustees and Beneficiaries might be liable to pay withholding tax in respect of income distributed to them. In particular, withholding tax might apply to distributions of Australian dividends or interest received by Brite Advisors or certain payments of net income made by Brite Advisors if the company is subject to the managed investment trust withholding regime.

Where there is a withholding tax obligation, the Receivers are likely to be required to withhold amounts on account of that tax from distributions made to those Corporate Trustees and Beneficiaries (refer to section 3.3.15 and 3.3.16).

(d) Whether the Receivers will be liable for any tax liabilities in other jurisdictions as a result of liquidating the Client AuM and making distributions to Corporate Trustees and Beneficiaries.

This is being considered by the Receivers' tax advisors.

(e) Whether Brite Advisors' operations (both before and after the Receivers' appointment) have resulted in any tax liabilities, penalties or outstanding lodgements in Australia or other countries.

The Receivers' tax advisors are considering whether Brite Advisors has incurred other tax liabilities before or after the Receivers' appointment that the Receivers will be required to pay. The issues being considered are similar to those discussed above and include whether there has been any trust income on which Brite Advisors (rather than the Corporate Trustees or Beneficiaries) is liable to pay tax, whether Brite Advisors is liable to pay any tax on behalf of foreign resident Corporate Trustees and Beneficiaries and whether there are any unmet withholding obligations.

If there are any such liabilities, the Receivers will either retain an appropriate amount from the Client AuM or deduct the amount from distributions to Corporate Trustees or Beneficiaries (as explained above).

(f) The Australian tax consequences for Corporate Trustees and Beneficiaries of the Receivers' liquidating the Client AuM and making distributions to Corporate Trustees and Beneficiaries.

The Australian tax consequences for Corporate Trustees and Beneficiaries will depend on a number of factors, including their country of residence, the applicability of any exemptions to Australian taxation liabilities, whether the Corporate Trustees and Beneficiaries are "absolutely entitled" to assets in the Client AuM or "presently entitled" to the income earned in respect of the Client AuM, and the nature of income generated from liquidating the Client AuM.

Depending on those (and other) factors, there is also a possibility that Corporate Trustees or Beneficiaries will be liable for tax before they receive any distributions from the Receivers, or before they receive sufficient distributions to pay that tax liability.

While the Receivers are mindful of the Australian tax consequences for the Corporate Trustees and Beneficiaries as a group, they are not considering individual tax consequences. The Corporate Trustees and Beneficiaries' individual taxation obligations are matters for them and the Receivers strongly encourage them to seek their own independent professional advice.

- 4.5.4 The Receivers are considering options to clarify the tax issues, including by engaging with the ATO, and intend to seek directions from the Court as and when required.

4.6 Potential further recoveries

- 4.6.1 In accordance with their duties, the Receivers have and continue to investigate and take steps to protect the interests of the Beneficiaries, including investigating potential recovery actions against third parties, including Interactive Brokers, and the directors and officers of Brite Advisors.
- 4.6.2 The Receivers are aware of the Beneficiaries' interest in what steps have been taken to investigate and pursue potential claims against Interactive Brokers. The Receivers confirm that potential claims against Interactive Brokers are being investigated. Most recently, the Receivers have requested that Interactive Brokers disclose various categories of documents which are relevant to their investigations. While coercive powers may be available to the Receivers in respect of investigations, to date the Receivers have not resorted to those powers.
- 4.6.3 Irrespective of their merits, any claims that might be available will only be pursued if there is likely to be a commercial return to Beneficiaries.
- 4.6.4 In order to avoid compromising any recovery actions, the Receivers are unable to disclose any further information as to the nature of the potential claims in this Explanatory Memorandum.
- 4.6.5 Once the Receivers' investigations and assessments are further advanced, if any potential recovery actions appear to be viable, the Receivers will need to consider options for funding those actions, update Beneficiaries and seek appropriate orders from the Court before commencing litigation.

4.7 Retention of funds to pursue further recoveries

- 4.7.1 In respect of any claims that the Receivers consider ought to be pursued, the Receivers intend to take the following steps:
- (a) take any steps necessary to preserve and protect the ability to pursue those claims, which may include commencing formal proceedings against the relevant defendant parties;
 - (b) attend to pre-litigation workstreams, including:
 - (i) conducting further investigations, public examinations or any other compulsive information gathering processes available to the Receivers;
 - (ii) obtaining legal advice on the merits of the recovery actions; and
 - (iii) forming a view on likely recoveries that will be made for the benefit of Beneficiaries;
 - (c) request funding proposals from third party litigation funders to fund the recovery actions, which will require some of the pre-litigation workstreams described above to be progressed;
 - (d) secure litigation funding for ongoing pre-litigation workstreams and to formally pursue the recovery actions proper;
 - (e) subject to the outcomes of the above, commencing proceedings for the recovery actions and dealing with all associated materials filed in those proceedings, attending to mediation and settlement discussions, and, failing a successful settlement outcome, proceeding to trial; and
 - (f) obtain approval from the Court at the relevant junctures in order to take the above steps.
- 4.7.2 As set out above at section 4.2.16, the Receivers propose that funds be retained by them, referred to as Retained Funds, for various reasons, including funding the pre-litigation workstreams to enable the Receivers to obtain funding proposals from third party litigation funders.
- 4.7.3 A litigation funder is a third party that pays for some or all of the costs associated with pursuing recovery actions in exchange for a share of the recovery. The share of the recovery is based on the risk profile and size of the recovery action and is usually a percentage of the settlement or amount of damages ordered by the Court. The Receivers have significant experience and success in working with litigation funders to pursue large scale recovery actions.
- 4.7.4 The Receivers will continue to keep Corporate Trustees and Beneficiaries updated on work being undertaken and seek direction from the Court as appropriate.

4.8 Effect of Court Orders

- 4.8.1 The Receivers are Court appointed and, as such, their role is determined by the orders of the Court. If the Court directs that the Receivers would be justified in implementing the proposed approach to distribution, after full and fair disclosure of the material facts has been made, and the Receivers comply with the Court's directions, the Receivers will be protected from liability for any alleged breach of duty as Receivers, to a beneficiary of the trust.

5 What are the alternatives to the proposed distribution?

5.1 Overview

- 5.1.1 The proposal set out in section 2 and 3 has been formulated having regard to the legal principles identified in section 6 below as well as to the need for an efficient, timely means of returning value to Beneficiaries. However, there are other approaches which could be taken to the classification and distribution of assets.
- 5.1.2 To assist in the consideration of the proposed approach by Beneficiaries and Corporate Trustees, set out below are some alternative approaches to the classification and distribution of assets which have been deployed in other cases. For each an explanation is provided as to why the Receivers do not consider that they are appropriate in the present case.

5.2 Tracing within the IBA Accounts

- 5.2.1 As is apparent from Appendix A6 of the Receivers' Fourth Report, there are certain assets identifiable in the 13 December 2023 data:
 - (a) without variance (where there are both single and multiple Beneficiary investors); and
 - (b) with variance, but with only single Beneficiary investors.
- 5.2.2 The Receivers can therefore identify certain assets in the IB Platform to which an individual Beneficiary is entitled according to the 13 December 2023 Data. Even so, the Receivers consider that any attempt to establish a proprietary claim to those assets in the present circumstances would be hindered by the following matters.
 - (a) Those assets have benefited from the misappropriation of other Beneficiaries' assets and cash to repay the margin loan. The benefit derived is through a reduced exposure to the security interest under that margin loan (see above at section 2.2.4) and justifies treating these funds as mixed; and
 - (b) The securities are likely to have been purchased with cash which had already been mixed with other cash in the deficient fund. Mixing in this case could be exacerbated if, for instance, the securities were purchased using the proceeds of the sale of other assets on the platform.
- 5.2.3 The Receivers consider that the matter in (a) cannot be overcome through circumstances revealed by conducting further forensic work.
- 5.2.4 The Receivers consider that the matter in (b) could possibly be overcome through further forensic work. However, this would incur further fees and create further delay. While the matter in (a) stands, it would also have no effect on entitlements or distribution. Even with that further work, the state of Brite Advisors' books and records are such that the exercise is not possible in respect of all assets.
- 5.2.5 The Receivers also consider that it would also be inequitable to focus further forensic work on the Beneficiaries holding assets identified in paragraph 5.2.1 when there may be sub-groups of investors outside that group who could possibly have similar grounds to claim against a sub-set of the Deficient Mixed Fund. Undertaking a tracing exercise more broadly to attempt to identify potential proprietary rights would be a significant undertaking and would produce delay and incur significant further fees. Again, while the matter in (a) stands, the Receivers consider that it would have no effect on entitlements or distribution.
- 5.2.6 For these reasons, the Receivers have not identified any proprietary claims to assets in the Deficient Mixed Fund from the forensic work undertaken to date and do not propose to undertake further work to attempt to identify such claims.

5.3 Alternate assessment of Deficient Mixed Fund

- 5.3.1 Rather than applying a simple *pari passu* approach to distribution of the Deficient Mixed Fund, the Receivers could instead apply the lowest intermediate balance rule (**LIBR**).
- 5.3.2 The LIBR is essentially a modified *pari passu* method which seeks to recognise that, at some point in time, because of earlier misappropriations, an earlier Beneficiary's money has unquestionably left the fund and therefore cannot physically still be in the fund.

- 5.3.3 Applying the LIBR, that earlier Beneficiaries money cannot be “traced” to any subsequent versions of the fund that have been swollen by the contributions of others, beyond the lowest intermediate balance in the fund. The result is that tracing through a mixed fund cannot occur for any sum that exceeds the lowest intermediate balance in the fund during the interval between the original contribution and the time when a claim with respect to that contribution is being made against the fund.
- 5.3.4 This means that those people whose money was paid into the account before that low level was reached out will be accorded a smaller dividend on the amount of their claim than people whose money was paid in after. As a general matter, this approach will tend to favour later investors.
- 5.3.5 The Receivers consider that the tracing methodology involved in application of LIBR would be extremely complex noting the shortcomings in Brite Advisors’ operations in view of the significant number of Beneficiaries and deposits over an extended period of time. Other matters that would cause significant complexity in the application of LIBR include (i) no segregation of Beneficiaries’ funds, (ii) the misuse of Client AuM over an extended period of time, (iii) significant movement of Client AuM between IBA Accounts, and (iv) significant transactions involving the margin loans.
- 5.3.6 The Receivers also understand there are limited legal precedents supporting the use of this methodology in large complex matters.

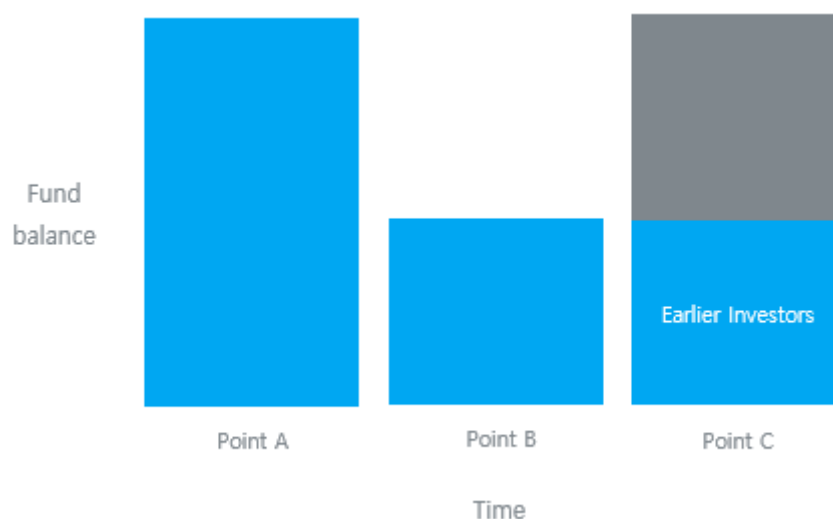


Figure 1: An illustration of the operation of the LIBR

- 5.3.7 Figure 1 illustrates the operation of the LIBR. If a group of investors deposit funds, which are mixed, at point A, and through misconduct by a fund manager their funds are depleted by point B, the aggregate of the early investors’ entitlements cannot exceed the point to which they were depleted at Point B. So, if further funds were added by new investors shortly afterwards, at point C, the earlier investors entitlement at this point in time would be limited to the blue shaded portion despite the funds being mixed.
- 5.3.8 As highlighted in section 6 below, the LIBR may not be appropriate where its application would be unduly complex. The Receivers have reached the view that attempting to apply the LIBR would require a significant amount of forensic work, generating further costs as well as delays in a final distribution. This is primarily due to the volume of transactions. Between 9 June 2016 and 13 December 2023, there were 3,339 deposits onto the IB platform, 1,746 withdrawals from the IB platform, 131,583 buy or sell transactions (as well as over 390,000 other transactions relating to fees, dividends, corporate actions and transfers in/out).
- 5.3.9 Even with that further work, the state of Brite Advisors’ books and records are such that the application of the rule would likely still rely heavily on inference and estimation from available data. This lack of certainty risks generating disputes from Beneficiaries.
- 5.3.10 Given the significant amount of work which would be required to even attempt to apply the LIBR and the likelihood that there would still be a need to rely heavily on inference and estimation from the available data, the Receivers are of the view that this investment of time and Client AuM is not in the best interests of the Beneficiaries as a whole.

5.4 Segregation of IBA Accounts

- 5.4.1 As explained in the Receivers' Fourth Report, during the period from June 2021 to September 2023, there were several arbitrary transfers of Client AuM between IBA Accounts which appear to be directed at purporting to demonstrate to third parties that there was segregation of certain Beneficiaries' Client AuM from others, primarily in response to financial regulatory investigations commenced in the US and the UK.
- 5.4.2 The Receivers have further investigated these matters and have provided an update in the Fifth Report. The Receivers have reached the view that the separation of assets into different IBA Accounts does not constitute an effective segregation of Beneficiaries' interests in a legal sense nor did it give rise to a ring fencing of assets to protect certain accounts from the shortfall. The Receivers have reached this view on the basis of:
- (a) the omnibus nature of the IBA Accounts;
 - (b) the security facility agreement between Brite Advisors and IBA which ostensibly provided that all funds in the different IBA Accounts served as collateral for the margin loan(s) across all other IBA Accounts;
 - (c) the existing shortfall in the Client AuM at the time of each transfer of Client AuM to give effect to the purported segregation;
 - (d) the Client AuM was comingled in the IBA Accounts prior to the transfers and designation of ownership of securities held by Beneficiaries across jurisdictions post transfer was largely arbitrary;
 - (e) all IBA Accounts were held in the name of Brite Advisors and there was otherwise no legal mechanism or instrument which implemented any true segregation; and
 - (f) the majority of payments made to Brite US being made from funds originating from IBA Accounts arbitrarily designated as holding RoW and/or UK Beneficiaries' funds, despite there being no contractual arrangements between Brite US and these Beneficiaries which would entitle Brite US to payment from RoW Beneficiaries' Client AuM. Please refer to section 5.5 of the Fifth Report for further details.
- 5.4.3 The Receivers consider that the Fourth Report and the Fifth Report provide a sufficient basis to reject the application of any ring-fencing of assets based on a purported segregation.

6 Key legal issues relating to the proposed distribution

6.1 Overview

- 6.1.1 Set out below are explanations of key legal principles which apply to the circumstances of Brite Advisors, and which are relevant to the approach proposed by the Receivers.

6.2 Receivers' Application

- 6.2.1 The Receivers are seeking directions from the Court on how to distribute the Client AuM. The Court will necessarily need to be pragmatic in its approach and do the best it can with the evidence available. Applications to the Court in similar circumstances will often require the application of a species of "*rough justice*" because of the limitations of the available evidence and considering what is reasonably and practically economical.

6.3 Client Money and Assets

- 6.3.1 Where the holder of an Australian Financial Services License receives client money and makes investments with that client money, all client money and investments made with that client money is held on trust by the licensee for the client.

6.4 Beneficiaries' Entitlement

- 6.4.1 In the event of the insolvency of a licensee, the distribution of funds from a client money account or the assets purchased with client money is taken from such accounts is determined by reference to a Beneficiary's "entitlement".
- 6.4.2 The Court has made orders that Beneficiaries' entitlements are to be determined as at 13 December 2023 and that they are to be calculated by reference to the value of the money and investments which were recorded as being held by each Beneficiary in Brite Advisors' systems.

6.5 Pooling of Mixed Deficient Funds

- 6.5.1 Two or more accounts can be pooled with a view to their proportionate distribution on the basis that they have been subject to mixing.
- 6.5.2 A 'mixed fund' is one which contains funds from more than one source. While the typical case involves mixing 'across accounts', a fund may also be 'mixed' where funds of one trust are applied to meet the obligations of another. There are relevantly two types of mixing.
- 6.5.3 In relation to mixing 'across accounts', pooling may be appropriate where, as a matter of fact, funds have been mixed such that it is practically difficult or not economically feasible to trace or identify individual investors entitlements.
- 6.5.4 In relation to mixing through the application of one fund to meet the obligations of another, this has been applied where, for instance, fees or commission payments have been made from one account for the benefit of clients of another account.
- 6.5.5 The effect of this is that where client money is deposited in a trust account, and that money is mixed into a deficient second trust account through subsequent transactions, a client with funds in the first account acquires an equitable charge over all of the moneys in the second account, and so can be said to be "entitled" to the money in the second account as well (along with all other beneficiaries of the first and second account). In this way, the first account becomes "tainted" with the deficiency of the second.
- 6.5.6 The extent to which beneficiaries also understood that funds would be pooled or mixed along with other beneficiaries may influence the extent to which pooling is appropriate or even independently justify pooling.

6.6 Proprietary claims to assets in a deficient mixed fund

- 6.6.1 The question of whether a beneficiary has rights to a particular asset which pre-empt the rights of other beneficiaries is a more specific inquiry to identify whether that asset is free from the mixing which has tainted the other assets in the fund. Relevant inquiries include:
- (a) whether the asset was acquired from money forming part of a deficient mixed fund;
 - (b) whether the asset was traded as part of a deficient mixed fund; and
 - (c) whether the asset was otherwise tainted by a deficient mixed fund (for instance, through benefiting from another trust meeting the obligations of the trust holding the asset in question).

6.7 Segregation of assets

- 6.7.1 'Segregation', generally refers to the separation of one beneficiary's assets from other beneficiaries' assets in the context of providing custody of financial assets. In Australia, trusts are created for the purposes of facilitating the segregation and protection of client assets in this sense.

- 6.7.2 Under Australian law, a trust requires:

- (a) certainty of intention (i.e. there must be an intention to create a trust);
- (b) subject matter (i.e. the property of a trust must be defined and identifiable); and
- (c) object (i.e. the object of the trust must be in favour of definite beneficiaries, either ascertained or capable of ascertainment).

Notably, the mere separation of money into different bank accounts is not sufficient to ring-fence assets and protect them from being tainted by mixing with a deficient fund. A valid trust would need to be implemented and that trust would need to be free from any mixing which would justify the fund being pooled with another.

APPENDIX A: Guide to categories of beneficiaries and distribution methodology

A1 HOW DO I KNOW WHAT CATEGORY OF BENEFICIARY I AM FOR THE PROPOSED DISTRIBUTION?

Beneficiaries will fall into one or more of six separate categories of Beneficiary, as set out in the table below.

Some Beneficiaries will fall into two or more categories, for example, Model Portfolio Investor and Moventum Investor. To illustrate, in that example, that Beneficiary will be Model Portfolio Investor to the extent of their entitlement to Model Portfolio Assets and a Moventum Investor to the extent of their entitlement to the Excluded Moventum Assets.

Type of Beneficiary	General description	How do I know which type of Beneficiary I am?
Model Portfolio Investors	Beneficiaries whose Verified Entitlement includes cash and holdings that were designated as being Model Portfolio Assets.	The Receivers will write to you directly to confirm that you are a Model Portfolio Investor.
Mixed Bespoke Investors	Beneficiaries whose Verified Entitlement includes bespoke holdings held on the IB Platform.	The Receivers will write to you directly to confirm that you are a Mixed Bespoke Investor.
Moventum Investors	Beneficiaries whose Verified Entitlement includes structured notes held on the Moventum platform.	The Receivers will write to you directly to confirm that you are a Moventum Investor.
Late Investors	Beneficiaries whose Verified Entitlement includes cash deposited into Brite Advisors' bank account on or after 16 October 2023 and whose funds were not transferred to the Interactive Brokers' platform.	The Receivers will write to you directly to confirm that you are a Late Investor.
Minerva Notes Investors	Beneficiaries whose Verified Entitlements includes investments in Minerva Notes.	The Receivers will write to you directly to confirm that you are a Minerva Notes Investor.
Structured Notes Investors	Beneficiaries whose Verified Entitlements includes Structured Notes, however, the Structured Notes were sold down and proceeds paid onto the Interactive Brokers' Platform prior to the date of Receivership and not repurchased by Brite Advisors.	The Receivers will write to you directly to confirm that you are a Structured Notes Investor.

A2 HOW WILL THE PROPOSED DISTRIBUTION IMPACT ME?

Type of Beneficiary	How distribution will be calculated	Cross-reference to EM
Model Portfolio Investors	Pro-rata distribution from the Deficient Mixed Fund, less the Retained Funds.	For an explanation of the Deficient Mixed Fund, see section 2.1.2 to 2.1.6 and 2.2 of this Explanatory Memorandum (EM).
Mixed Bespoke Investors	<p>The distribution amount will be calculated by reference to the value of a Beneficiary's entitlement and in accordance with the formula in section 4.2.7. In short, any shortfall in assets will be shared by Beneficiaries equally and in proportion to the value of their entitlement. The amount of any withdrawals received after 13 December 2023 as well as any outstanding loan balances will be set-off against the distribution made using the formula in section 4.2.7.</p> <p>Model Portfolio and Mixed Bespoke Investors may also receive a further dividend from any future proceeds derived from potential recovery actions and any surplus Retained Funds.</p>	<p>For an explanation of the Retained Funds, see section 4.2.16 of this EM.</p> <p>For an explanation of the distribution amount formula, see section 4.2.7 of this EM.</p> <p>If you have received any Post-Appointment Pension Withdrawals, see sections 3.3.1 to 3.3.10 of this EM.</p> <p>The Receivers have contacted the limited number of Beneficiaries with Beneficiary Loans directly. For an explanation of how Beneficiary Loans will be treated, see section 3.3.11 to 3.3.14 of this EM.</p>
Late Investors	The cash that Late Investors deposited into Brite Advisors' bank account on or after 16 October 2023 plus any interest earned on that amount, less (i) a fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the asset, and (ii) any tax or other liability linked with the asset, as approved by the Court.	For an explanation of the Late Investors, see section 2.2.52, 2.3.11 and 2.3.12 of this EM.
Moventum Investors	<p>Excluded Moventum Assets that can be attributed to specific Moventum Investors and which have not matured as at the Valuation Date, will be transferred <i>in specie</i> to the relevant Moventum Investor, less (i) a fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the asset, and (ii) any tax or other liability linked with the asset, as approved by the Court.</p> <p>Where Excluded Moventum Assets that can be attributed to specific Moventum Investors have matured as at the Valuation Date, the relevant Moventum Investor will receive the amount paid at maturity (including coupons) plus any interest accrued on that amount, less (i) a fee representing a proportionate share of fees and expenses of the Receivers concerning their work in relation to the asset, and (ii) any tax or other liability linked with the asset, as approved by the Court.</p>	<p>For an explanation of the Excluded Moventum Assets, see section 2.1.7 and 2.3.1 to 2.3.10.</p> <p>If you have received any Post-Appointment Pension Withdrawals, see sections 3.3.1 to 3.3.10 of this EM.</p> <p>The Receivers have contacted the limited number of Beneficiaries with Beneficiary Loans directly. For an explanation of how Beneficiary Loans will be treated, see section 3.3.11 to 3.3.14 of this EM.</p>

Minerva Notes Investors	<p>Pro-rata distribution from the Deficient Mixed Fund, less the Retained Funds.</p> <p>The Receivers will value the Minerva Notes still held by the Beneficiaries at cost price.</p> <p>The distribution amount will be calculated by reference to the value of a Beneficiary's entitlement and in accordance with the formula in section 4.2.7. In short, any shortfall in assets will be shared by Beneficiaries equally and in proportion to the value of their entitlement. The amount of any withdrawals received after 13 December 2023 as well as any outstanding loan balances will be set off against the distribution made using the formula in section 4.2.7.</p> <p>Minerva Notes Investors may also receive a further dividend from any future proceeds derived from potential recovery actions and any surplus Retained Funds.</p>	<p>For an explanation of the Deficient Mixed Fund, see section 2.1.2 to 2.1.6 and 2.2 of this EM.</p> <p>For an explanation of the position with Minerva Notes, see section 2.2.39 to 2.2.45.</p> <p>For an explanation of the Retained Funds, see section 4.2.16 of this EM.</p> <p>For an explanation of the distribution amount formula, see section 4.2.7 of this EM.</p> <p>If you have received any Post-Appointment Pension Withdrawals, see sections 3.3.1 to 3.3.10 of this EM.</p> <p>The Receivers have contacted the limited number of Beneficiaries with Beneficiary Loans directly. For an explanation of how Beneficiary Loans will be treated, see section 3.3.11 to 3.3.14 of this EM.</p>
Structured Notes Investors	<p>Pro-rata distribution from the Deficient Mixed Fund, less the Retained Funds.</p> <p>The Receivers will value the Structured Notes which were sold down but which should still have been held by Brite Advisors for the Beneficiaries in the 13 December 2023 Data at their mark-to-market value (if available) or by the valuation determined by the valuation expert engaged by the Receivers.</p> <p>The distribution amount will be calculated by reference to the value of a Beneficiary's entitlement and in accordance with the formula in section 4.2.7. In short, any shortfall in assets will be shared by Beneficiaries equally and in proportion to the value of their entitlement. The amount of any withdrawals received after 13 December 2023 as well as any outstanding loan balances will be set off against the distribution made using the formula in section 4.2.7.</p> <p>Structured Notes Investors may also receive a further dividend from any future proceeds derived from potential recovery actions and any surplus Retained Fund.</p>	<p>For an explanation of the Deficient Mixed Fund, see section 2.1.2 to 2.1.6 and 2.2 of this EM.</p> <p>For an explanation of the position with Structured Notes, see section 2.2.46 to 2.2.49.</p> <p>For an explanation of the Retained Funds, see section 4.2.16 of this EM.</p> <p>For an explanation of the distribution amount formula, see section 4.2.7 of this EM.</p> <p>If you have received any Post-Appointment Pension Withdrawals, see sections 3.3.1 to 3.3.10 of this EM.</p> <p>The Receivers have contacted the limited number of Beneficiaries with Beneficiary Loans directly. For an explanation of how Beneficiary Loans will be treated, see section 3.3.11 to 3.3.14 of this EM.</p>

APPENDIX B: Receivers' CVs

Linda Smith

Partner in Perth

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Linda is a highly skilled restructuring and insolvency professional, with extensive experience in leading complex restructuring matters and conducting independent business reviews.

Linda's experience includes leading a number of high-profile formal insolvency appointments, managing business trade on scenarios and recovery actions.

She has also led significant forensic investigations, providing reports to regulators such as ASIC and the ATO. Linda provides practical advice to companies experiencing financial difficulties, conducting independent business reviews and implementing turnaround strategies.

Recent engagements include being appointed by the Federal Court as Receiver and Liquidator of Brite Advisors Pty Ltd, managing Client Assets under Management totaling over \$1bn. During her career, Linda has worked across a broad range of industries including financial services, mining, property and construction in Australia and the United Kingdom.

Engagement Experience —

- Receiver and Manager of Brite Advisors Pty Ltd, appointed in Federal Court proceedings to undertake significant investigations, manage and distribute over \$1bn of Client Assets under Management.
- Administrator of Catalano Seafood, successful restructure via DOCA for ASX listed food retailer.
- AMIP for Iris Terrace Claremont Pty Ltd, appointed AMIP in respect of substantial property development in WA.
- Chris Marco Scheme, managed the winding up of one of Australia's largest Ponzi Schemes.
- Continental Coal Limited, managed the winding up of ASX listed Continental Coal Limited.
- Conducts independent business reviews for lenders, assessing the financial position of borrowers and determining strategies for restructuring or reducing debt. Recent assignments include a review of ASX listed mining operations.
- Managed a range of Liquidator recovery actions for the benefit of creditors, with experience in director examinations, voidable transactions and transfer of assets to phoenix companies.
- Voluntary administration of gold producer GMK Exploration Pty Ltd, including the trade on and business sale.
- Voluntary administration of Midwest Vanadium, an ASX listed mine in remote WA.



Qualifications & Memberships —

- Registered Liquidator
- Member, CA ANZ
- Member, ARITA
- ARITA, WA Division Committee Member
- Member, Institute of Chartered Accountants Scotland
- Certified Proficiency in Insolvency (Insolvency Practitioners Association, UK)
- BA (Hons) in Finance and Marketing

Board Roles —

- Board Member, Cystic Fibrosis WA



McGrathNicol

Rob Kirman

Partner in Perth

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rkirman@mcgrathnicol.com



Rob has over 25 years' of restructuring experience and is the Partner in charge of the McGrathNicol Perth office. Prior to joining McGrathNicol in 2004, Rob worked for an international advisory and restructuring firm in the UK.

As a national firm with representation on the panel of each of Australia's big four banks, McGrathNicol is known for its commercial acumen exceptional leadership and our highly regarded specialists.

Rob has a proven reputation for providing his clients with strategic and innovative solutions to challenging situations and is highly skilled at considering issues from the perspective of different stakeholders.

He has led teams in financial assignments such as restructuring, insolvency, business improvement and transactions. He has also conducted numerous business reviews, assisted companies with business improvement, strategic planning, working capital management and capital reorganisation.

Rob has been an appointee in relation to a range of recent high-profile matters including The Chris Marco Scheme, the related entities of Alan Caratti, Tiger Resources Ltd, Alita Resources Ltd and MZI resources Ltd.

Rob's sector experience is broad and includes mining, property, construction, hospitality, transport and logistics, agribusiness and manufacturing.

Engagement Experience —

- Numerous business reviews and restructurings including performance improvement, strategic planning, working capital management and capital reorganisation.
- Due diligence and transaction services support.
- Voluntary Administrator of Tiger Resources Ltd, an ASX listed company with an investment in a copper mine in the Democratic Republic of Congo.
- Voluntary Administrator of Alita Resources Ltd, an SGX listed company with an investment in a lithium mine in WA.
- Voluntary Administrator of MZI Resources, an ASX listed company Mineral Sands producer.
- Liquidator and Receiver & Manager of the Chris Marco Scheme, an unregistered and alleged 'ponzi' scheme of more than 300 investors.
- Liquidator of the related entities of Alan Caratti, an appointment that has included the investigation of a number of significant contraventions of the Corporations Act.

Qualifications & Memberships —

- Registered Liquidator
- Member, ARITA
- Member, TMA
- Member, CA ANZ
- Bachelor of Science (Honours) in Special Mathematics

Board Roles —

- Board Member, McGrathNicol



McGrathNicol

APPENDIX C: Key staff and qualifications

Assisting staff		
Name	Position	Years' experience
Linda Smith	Partner, Receiver	19
Robert Kirman	Partner, Receiver	27
Mark Knight	Director	18
Lauren Burton	Director	11
James Clark	Director	10
Amber Kirkbright	Senior Manager	9
Annie Purbrick	Manager	6
Niall Kennedy	Manager	3