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5 September 2022

CIRCULAR TO ELIGIBLE EMPLOYEE CREDITORS
COLLECTION HOUSE LIMITED (ADMINISTRATORS APPOINTED)
ACN 010 230 716
(“THE COMPANY” or “CLH”)

I refer to the appointment of Kelly-Anne Trenfield, Ben Campbell and I, John Park, as Joint and Several Administrators of the Company on 29 June 2022 and to the notice of the upcoming second meeting of creditors to be held on **Tuesday, 13 September 2022 at 1:00PM (AEST)**.

The intention of this circular is to provide employees with information for the purposes of the meeting of eligible employee creditors of the Company, which is to be held on **Tuesday, 13 September 2022 at 10:00AM (AEST)** (prior to the second meeting of creditors to be held on **Tuesday, 13 September 2022 at 1:00PM (AEST)**).

The Administrators are required by law to convene a meeting of eligible employee creditors where a Deed of Company Arrangement (“DOCA”) is proposed, which does not include a provision whereby employee creditors are entitled to a priority at least equal to what they would have been entitled in accordance with certain sections of the *Corporations Act 2001 (Cth)* (“the Act”) (“the Priority Provisions”).

This circular explains how the proposed DOCA impacts employees’ entitlements and ongoing employment, and the alternate option of a liquidation and its impact on employees.

The full details of the future options available to the Company, the estimated return to creditors under the available options and the Administrators’ recommendation, is provided in our report which will be available for download by 5:00PM (AEST) on Monday, 5 September 2022 from the FTI Consulting Creditor Portal: www.fticonsulting.com/creditors/collection-house-limited

1. DOCA PROPOSAL

1.1 What is a DOCA?

A DOCA is a formal agreement between a company, its creditors and the proponents of the DOCA.

The proponent is an interested party who wishes the creditors to consider its proposal – usually involving a compromise of creditors’ claims as opposed to either winding up the company (liquidation) or returning the company to its directors.

A DOCA may involve:

- Maximising the chance of the company, or as much as possible of its business, continuing in existence; and/or
- Result in a better return for the company's creditors than an immediate winding up.

1.2 Proposal for a DOCA

A DOCA has been proposed by Credit Corp Group Limited ("the Proponent" or "Credit Corp").

The basic features of the DOCA are as follows:

- Restructure the Company's debts and privatise the Company, with Credit Corp acquiring 100% of the issued shares in CLH.
- The Company enters a DOCA whilst the required approvals, consents or waivers are obtained from ASIC, ASX and the Court.
- Following all conditions precedent being met, the DOCA will effectuate, ownership of all shares in Collection House Limited will transfer to Credit Corp (or its nominee) and a Creditors' Trust is established to satisfy the claims of creditors.

Section 7 of our report to creditors, contains further details on the DOCA proposal and a glossary of terms specific to the proposed DOCA which are used below.

The proposed DOCA **WILL NOT** include a provision to the effect that employees will receive a priority equal to what they would have been entitled under the Priority Provisions.

The DOCA proposes, following conditions precedent being met, upon effectuation, ownership of all shares in the Company will transfer to the Proponent (or its nominee) and a Creditors' Trust will be established to pay creditors' claims from the Creditors' Trust Fund in the following order:

- Pool A – repayment of the Administration Funding in the amount of \$1.5M and the Interim Funding of \$2.2M;
- Pool B – in accordance with the priorities set out in sections 556, 560 and 561 of the Act, as though those priorities were applied in the Creditors' Trust;
- Pool C – equally and rateably to Small Claim Creditors, with the total amount of the pool not to exceed the lesser of \$0.25M or 50 cents in the dollar;
- Pool D – equally and rateably up to a specified amount of \$0.5M to all Admitted Claims not included in the above pools (but specifically excludes subordinated claims in accordance with section 563A of the Act); and
- Pool E – in the event funds remain after distributions to the above pools, the remaining funds will be paid to Westpac (as security trustee) in respect of the claim in favour of Westpac and CBA and in its own right as secured creditor under the guarantee facility.

Leave entitlements of continuing employees will not be paid from the Creditors' Trust as continuing employees will retain their employment with the Company and leave will be paid in the ordinary course of business (as and when employees take leave, subject to usual business requirements). Continuing employees will not be able to make claims for redundancy or other termination entitlements as their employment will continue.

Entitlements owed to non-continuing employees, being those who have left the business, fall into Pool B above and will be paid from the Creditors' Trust after repayment of Pool A creditors, being Westpac Banking Corporation and the Proponent.

The non-inclusion of the Priority Provisions result in the payment in full of the following from the Creditors' Trust Fund:

1. Superannuation for the period 1 April 2022 to 29 June 2022 for continuing and non-continuing employees;
2. Outstanding leave entitlements for staff who resigned prior to, or during the Voluntary Administration (non-continuing employees); and
3. Payment in lieu of notice outstanding to those non-continuing employees who were not required to work their notice period.

1.3 Variation to priority entitlements

The deferred payment of entitlements to continuing employees is a variation to the Priority Provisions under section 556 of the Act. We therefore **must** hold a separate meeting of eligible employee creditors to vote on this aspect of the proposed DOCA, in order for it to then be considered by all creditors, at the upcoming second meeting of creditors.

2. LIQUIDATION

In the alternate to a DOCA, creditors can resolve that the Company be wound up and placed into liquidation. Under a liquidation scenario, employees would be terminated and the Company wound up.

Should the Company be wound up, eligible employees will be able to lodge a claim under the Federal Government's Fair Entitlements Guarantee ("FEG") Scheme for outstanding entitlements, subject to meeting eligibility criteria.

The FEG Scheme does not extend to superannuation entitlements.

3. ADMINISTRATORS' RECOMMENDATION

It is the Administrators' opinion the non-inclusion of the Priority Provisions in the proposed DOCA would likely result in the same or a better outcome for employee creditors as a whole than would result from an immediate winding up of the Company because of the following:

1. If the Administrators sought to include the Priority Provisions, the DOCA would not be workable and would likely be withdrawn. If the DOCA were withdrawn, the likely alternative would be to place the Company in liquidation.
2. It is anticipated the Company would cease trading in a winding up scenario, which would result in the termination of the employment of all staff.
3. It is estimated there would be insufficient asset realisations in a winding up scenario to enable the payment of employee entitlements.
4. Although the FEG Scheme might enable payment in a liquidation scenario of some, or all of each employees' claim (subject to the program's usual eligibility requirements), we note the following:
 - i. The FEG Scheme does not cover all entitlements;
 - ii. Employees would no longer have ongoing employment in a liquidation scenario whereas under the proposed DOCA, employees will retain their employment; and
 - iii. If at the second meeting of creditors the creditors vote for the proposed DOCA, but the DOCA later fails, the Company would then be placed into liquidation and employees would, at that time, have access to the FEG Scheme.

Further, it is not appropriate that the voluntary administration ends as the Company is insolvent.

In these circumstances, the Administrators consider it is in the interests of eligible employee creditors to vote for the non-inclusion of the Priority Provision in the proposed DOCA and to vote for the Company to execute a deed of company arrangement.

4. MEETING OF ELIGIBLE EMPLOYEE CREDITORS

As discussed above, as the proposed DOCA from the Proponent **DOES NOT** include a provision to the effect employees will receive a priority equal to what they would have been entitled under the Priority Provisions of the Act, a meeting of eligible employee creditors must be convened to obtain the approval of eligible employee creditors to vary the statutory priorities under section 556 of the Act.

The meeting of eligible employee creditors of the Company will be held on **Tuesday, 13 September 2022 at 10:00AM (AEST)** via electronic means.

The meeting of eligible employee creditors is being held virtually and all creditors wanting to attend the meeting are required to attend via Zoom.

You must register to attend and vote at the meeting. To register go to this link:

Meeting Registration Form

If you wish to attend the meeting of eligible employee creditors, you must complete the meeting registration form before **10:00AM on Monday, 12 September 2022**. Once you have registered to attend the meeting a link to the Zoom meeting will be sent to you via email.

The following documents will be available for viewing and download by 5:00PM on Monday, 5 September 2022 from the FTI Consulting Creditor Portal (www.fticonsulting.com/creditors/collection-house-limited):

1. Circular to eligible employee creditors, including frequently asked questions
2. Notice of meeting of eligible employee creditors
3. Formal proof of debt
4. Appointment of proxy form for meeting of eligible employee creditors
5. How to complete a proxy form

The Administrators have already lodged a proof of debt on behalf of all employees for the purpose of voting at the upcoming meetings. This proof of debt form is for employee entitlements owed as at 29 June 2022, reduced for any leave taken, and superannuation.

The Australian Taxation Office will lodge a proof of debt on your behalf for superannuation owed to you for the period 1 April 2022 to 30 June 2022 and so this cannot also be included in the proof of debt the Administrators have lodged on behalf of employees.

You may lodge your own proof of debt form if you disagree with the figures in the initial correspondence sent to you. If you do this, please consider what leave you have taken since 29 June 2022.

Should you wish to lodge your own proof of debt, a blank form is available at the above FTI Consulting Creditor Portal link.

In addition to completing the meeting registration via the above link, your proxy (if you want someone else to attend on your behalf) form should be returned by **10:00AM on Monday, 12 September 2022** via email to CollectionHouse@fticonsulting.com.

5. CONTACT DETAILS

Should you have any queries in relation to the upcoming meetings, the enclosed documents or the voluntary administration generally, please contact this office on (07) 3225 4900 or CollectionHouse@fticonsulting.com.

Yours faithfully

A handwritten signature in black ink, appearing to read 'John Park', written in a cursive style.

John Park

Administrator



Collection House Limited (Administrators Appointed) ACN 010 230 716 (“the Company”)

For employees

The below frequently asked questions are designed to assist employees with questions they may have regarding the DOCA proposal and what it means for them.

1. What happens to my employment if the DOCA is approved?

The Credit Corp DOCA proposal provides ongoing employment with the Company. Credit Corp is purchasing all shares in the Company under their DOCA proposal which means the Proponent will own the Company.

Further, all employees will remain employed by the Company until completion of the DOCA.

2. What happens to employee entitlements under the DOCA?

Entitlements owed to continuing employees (i.e. employees currently working for the Company) such as annual leave, long service leave and personal leave will be paid in the ordinary course, as and when leave is taken.

Under the terms of the DOCA, non-continuing employees will be paid for their entitlements owed as at the date of our appointment (29 June 2022) from funds held in a Creditors Trust via a dividend process.

In the event an employee resigns, or has resigned, the Administrators have not/will not immediately pay out entitlements which were owed at the date of their appointment (29 June 2022).

If you resign, you will not be entitled to a redundancy payment.

If you resign, you will not be considered a ‘continuing employee’ under the DOCA proposal.

3. What is the timeline for the sale process to be completed via the DOCA?

The following table summarises the key events (in sequence), expected to occur to seek creditor approval of the DOCA proposal and for the sale process to be completed via the DOCA, if approved.

Key event	Explanation	Expected date
Meeting of eligible employee creditors	A meeting of employees is required by law where a DOCA proposal does not give employees the same priority which they would have in a liquidation.	10:00 AM (AEST) 13 Sept 22
Second meeting of creditors	At this meeting, creditors/employees are given the opportunity to decide the Company’s future by choosing one of the following options:	1:00 PM (AEST) 13 Sept 22

Key event	Explanation	Expected date
	<ul style="list-style-type: none"> ■ approve a DOCA through which the company will pay all or part of its debts and then be free of those debts; or ■ put the Company into Liquidation; or ■ end the voluntary administration and return the company to the directors' control (if the Company is solvent). 	
DOCA execution	<p>The DOCA will be signed by the parties subject to the deed. This is expected to occur shortly after the forthcoming meeting of creditors.</p> <p>At law, all parties subject to the Deed have a maximum of 15 business days after the meeting to sign the DOCA. If the DOCA is not signed within this time, the Company would be placed into liquidation.</p>	ASAP after second creditors meeting
All conditions precedent are satisfied	<p>Once the DOCA is signed, there are a number of things which need to happen (conditions precedent)</p> <p>The Deed Administrators and Credit Corp will endeavour to satisfy all conditions precedent outlined in the DOCA as soon as possible.</p>	TBD
A Creditors' Trust is established with funds	Once all conditions precedent are satisfied, a Creditors' Trust will be established and a Creditors' Trust Fund will exist to pay creditors.	TBD
The DOCA is fully effectuated	<p>Once all conditions precedent are satisfied and the Creditors' Trust Fund is established the DOCA achieves its purpose (effectuates).</p> <p>At this point the Company will be owned by the Proponent.</p>	TBD
CLH exits Deed Administration	CLH continues to operate under the ownership of the Proponent.	TBD
Dividend to creditors	<p>Under the Creditors' Trust a dividend process will be undertaken. This will involve creditors submitting a proof of debt to substantiate their claim. These claims will then be adjudicated on and a dividend paid to creditors.</p> <p>Non-continuing employees will be paid their entitlements as part of this process.</p>	TBD
Sunset date	If the DOCA has not effectuated prior to the sunset date, currently 30 September 2022, or any such later date agreed to by the Deed Administrators, the Deed Administrators are required to convene a meeting of creditors to decide the future of the Company.	30 Sep 2022

Please refer to **Section 7** of the Voluntary Administrators' report to creditors for further details of the DOCA proposal and process. The Voluntary Administrators' report to creditors is available on the FTI Consulting Creditor Portal: www.fticonsulting.com/creditors/collection-house-limited

4. What would happen if creditors voted for the Company to go into Liquidation?

If the Company is placed into liquidation, and there is no successful sale or recapitalisation of the Company, employees would likely be terminated and will be able to claim their entitlements via the Government's Fair Entitlement Guarantee Scheme ("FEG") (subject to meeting eligibility requirements).

5. Can I still access the FEG scheme if a DOCA proposal is accepted?

No, neither current nor former employees will be able to access the FEG Scheme if the Company executes a DOCA as the FEG Scheme is only available if a company goes into liquidation.

6. What is the meeting of eligible employee creditors and why is it required?

A meeting of employees is required by law where a DOCA proposal does not give employees the same priority which they would have in a liquidation.

A meeting of eligible employee creditors is required because the Credit Corp DOCA proposal does not give employees the same priority as a liquidation because:

- continuing employees will not be paid leave entitlements, but instead these leave entitlements would be preserved and paid in the ordinary course (i.e. as and when they take leave); and
- continuing employees will not be able to make claims for redundancy or other termination entitlements because their employment will continue.

The main purpose of the meeting of eligible employee creditors is to:

1. Receive any questions regarding the various options available to employees of the Company to be voted on at the second meeting of creditors;
2. Obtain approval from eligible employee creditors to vary the statutory priorities under section 556 of the Corporations Act 2001, being a requirement under section 444DA(2)(a) of the Corporations Act 2001, in order for the DOCA to be approved by creditors; and
3. Discuss any other business.

If eligible employee creditors agree to vary the statutory priorities by voting for the resolution at the meeting of eligible employee creditors, this means they are in favour of the DOCA proposal proceeding on the terms outlined in our report to creditors.

7. Do I need to attend any of the meetings?

It is not compulsory to attend the meetings however, if you want to have your say on the future of the Company you should consider attending personally or by appointing a person to attend on your behalf.

To appoint someone to attend on your behalf you are required to complete and return a proxy form.

8. How can I attend the meeting of eligible employee creditors and second meeting of creditors?

Both meetings are being held virtually via Zoom on **Tuesday, 13 September 2022** at the following times:

10:00 AM (AEST)	Meeting of eligible employee creditors
1:00 PM (AEST)	Second meeting of creditors

The following documents are available to view and download from the FTI Consulting Creditor Portal: www.fticonsulting.com/creditors/collection-house-limited

1. Circular to eligible employee creditors, including frequently asked questions
2. Notice of meeting of eligible employee creditors
3. Formal proof of debt
4. Appointment of proxy form for meeting of eligible employee creditors
5. How to complete a proxy form

You must register to attend and vote at the meeting. To register, please complete the meeting registration form by **10:00 AM on 12 September 2022**.

Meeting registration form links:

Meeting of eligible employee creditors bit.ly/collectionhouseemployees

Second meeting of creditors bit.ly/collectionhousemeeting

A link to the Zoom meeting will be sent to you via email once your registration has been processed by our team.

In addition to completing the meeting registration form, your proxy form (if applicable) and proof of debt form (if applicable) should be returned by **10:00 PM on Monday, 12 September 2022** via email to CollectionHouse@fticonsulting.com.

9. Do I need to lodge a proof of debt?

The Administrators have already lodged a proof of debt on behalf of all employees for the purpose of voting at the upcoming meetings. This proof of debt is for employee entitlements owed at 29 June 2022, reduced for any leave taken and superannuation.

The Australian Taxation Office will lodge a proof of debt on your behalf for superannuation owed to you for the period 1 April 2022 to 30 June 2022 and so this cannot also be included in the proof of debt the Administrators have lodged on behalf of employees.

You may lodge your own proof of debt if you disagreed with the figures in the initial correspondence sent to you. If you do this, please consider what leave you have taken since 29 June 2022.

10. Do I need to lodge a proxy form?

You can complete and submit a proxy form if you wish to appoint another person to attend the meeting and vote on your behalf. If you are attending the meeting yourself, you do not need to complete a proxy form.

A guide on how to complete a proxy form for employees is **attached** to this FAQ.

11. What happens to my shares if the DOCA proposal is accepted?

One of the conditions precedent to effectuation of the DOCA is the transfer of all shares in the Company to the Proponent. There are no funds to be paid to the shareholders of the Company from the Creditors' Trust Fund. Accordingly, there will be no return to shareholders of the Company should the DOCA proposal be accepted.

12. Who do we contact if we have questions about the Voluntary Administration?

Please contact FTI Consulting with any queries relating to the Voluntary Administration.

FTI Consulting staff will endeavour to respond to your enquiry as soon as possible.

Phone number	(07) 3225 4900
Email	CHemployees@fticonsulting.com

How to complete a proxy form – Employee guide

EXAMPLE PROXY FORM

Employee name: Joe Bloggs

Proxy name: Jane Smith

Insolvency Practice Rules, 75-25

Corporations Act 2001

APPOINTMENT OF PROXY

COLLECTION HOUSE LIMITED (ADMINISTRATORS APPOINTED)

ACN 010 230 716 ("THE COMPANY")

I/We Joe Bloggs (name of signatory) ①
of Joe Bloggs (creditor name) ②
a creditor of the company, appoint Jane Smith (name of proxy) ③
of 1 Main Street, Brisbane (address of proxy) ④
or in his/her absence John Smith (details of alternate proxy) ⑤

as my/our general proxy or special proxy to vote at the meeting of creditors to be held on Friday, 1 September 2022 at 1:00PM (AEST) or at any adjournment of that meeting.

Option 1: If appointed as a general proxy, as he/she determines on my/our behalf.

AND/OR Option 2: If a special proxy, specify how you wish your proxy to vote for each resolution in the manner set out below (please tick)

Voting instructions - for special proxy only	For	Against	Abstain
Resolution	Tick only one (1) for each option		
1. Resolution 1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Resolution 2	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Dated: 01 / 01 / 2022

Joe Bloggs
Name and signature of authorised person

Name and signature of authorised person

CERTIFICATE OF WITNESS – only complete if the person given the proxy is blind or incapable of writing.

I, _____ of _____
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

Dated: _____
Description: _____

Signature of witness: _____
Place of residence: _____

1. Insert your name here.
2. Insert your name here.
3. Insert the name of the person you have asked to attend the meeting on your behalf. This person is your proxy for the meeting.
4. Insert the address of the person you have asked to attend the meeting on your behalf.
5. Insert the name of another person who has been asked to attend on your behalf, if the person you named in point 3 cannot attend.
6. Please tick **one** of the following:
 - General proxy - If you tick this option, it means the person attending on your behalf can vote as they see fit
 - Special proxy - If you tick this option, it means the person attending on your behalf must vote how you have asked them to. When selecting this option, you must complete the "Voting instructions" table.
7. You should only complete this section if you ticked 'special proxy' above
8. Insert the date you signed the form and your signature.
9. This section is only required if you are completing the form on behalf of someone who is blind or incapable of writing