

STATEMENT TO CREDITORS BY THE COMMITTEE OF INSPECTION

The Committee of Inspection (COI) for Dixon Advisory and Superannuation Services (DASS) was appointed by creditors at their first meeting on 1 February 2022.

Members of the COI recognise that the magnitude of loss has had far reaching implications beyond the financial aspects for creditors, and we acknowledge and empathise with the anger, distress, and trauma that many creditors may have suffered due to their losses.

The COI wish to communicate the process of their deliberations and related rationale.

Objectives and challenges for the COI

The COI focused on two main objectives: maximising financial return for all creditors, and accountability of the directors of DASS, E&P Operations Pty Ltd (E&PO) and E&P Financial Group Ltd (EP1) for their conduct and actions.

The COI wish to emphasise to creditors the key issues that the COI wrestled with in assessing the Deed of Company Arrangement (Deed) versus liquidation option, and in whether to support or reject the Administrators' recommendation to accept the proposed Deed. Executing the Deed would expedite a financial return. Placing DASS into liquidation would provide an opportunity to further investigate and publicly examine the actions of its directors and key stakeholders.

Conduct and actions of the directors of DASS, E&PO and EP1 cause for concern

The conduct and actions of the directors of DASS and related entities were of particular concern to the COI as the following changes were made at a time when preliminary discussions were already taking place regarding voluntary administration:

- the change to DASS's Constitution on 22 December 2021, and
- the subsequent execution of the Deed of Acknowledgement of Debt (DOAD) on 24 December 2021

Pros and cons for accepting or rejecting the proposed Deed

The members of the COI know that this is not an easy decision for creditors to make as neither the option to vote in favour of the proposed Deed, nor to reject it is ideal. In terms of our deliberations and to provide transparency the COI has drafted two statements; the first outlining the reasons creditors may choose to vote for the proposed Deed, and the second for rejecting it.

Reasons for recommending creditors vote in favour of the proposed Deed

Based on the reasons outlined in the Administrators' report, the COI acknowledges that the proposed Deed provides a level of financial return for creditors that, although in no way proportionate to the losses sustained, would be achieved faster and at a greater quantum than liquidation.

The COI recognise that many creditors have suffered a significant financial loss and may prefer to receive a committed financial settlement quickly. Executing the Deed would ensure that the first tranche of \$17 million would be a guaranteed payment to creditors, bring the insurance policies into play, and provide an opportunity for the class action to recover more monies. At this stage the COI note that DASS can still be put into liquidation if the class action is not resolved by 30 June 2023, although there is a potential for this date being extended.

Reasons for recommending creditors vote against the proposed Deed

The proposed Deed does not satisfy the COI's criteria that included unconditional and full repayment of the Intercompany Loan, totalling \$19.5 million, from E&PO to DASS.

In the COI's opinion, the decision taken to change the DASS Constitution on 22 December 2021 to allow directors to act in the best interests of E&PO and EP1, rather than DASS, plus the execution of the DOAD on 24 December 2021, was not in the best interests of DASS and its clients.

More importantly, supporting the Administrators' recommendation of accepting the proposed Deed represents tolerance of this conduct by directors. The COI believes that conduct and actions by the directors should be further investigated and publicly examined, and liquidation provides that avenue.

While creditors may receive a higher financial return if the proposed Deed is executed, the proposal does not represent any financial compensation for the losses incurred. The return is in no way proportionate to the losses sustained, and it is not significantly more than may be achieved through liquidation and ongoing class actions. The COI note that liquidation will incur greater costs, and there is no guarantee the Intercompany Loan will be recovered.

The COI maintain the position on voting against the proposed Deed

After considering the Administrators' report to creditors, the COI revisited the pros and cons of the proposed Deed. Our position remains unchanged, and the COI recommend that the creditors vote to reject the proposed Deed.

We trust that we have provided you with our insights to assist you in making an informed decision. Finally, we would like to thank the Administrators for their professionalism, patience, and willingness to engage in robust discussions with the COI.