

**Dixon Advisory & Superannuation Services Pty Ltd
(Administrators Appointed) (Company or DASS)
ACN 103 071 665**

**Minutes of the Fourth Committee of Inspection Meeting
held on Monday, 6 June 2022 at 4:00pm AEDT
by Virtual Meeting Technology (the Meeting)**

Opening

Stephen Longley introduced himself, Mr Crosbie and other PricewaterhouseCoopers staff present before calling the Meeting to order at 4:03pm AEST.

Mr Longley acted as Chairperson of the Meeting in accordance with Section 75-50 of the Insolvency Practice Rules (Corporations) 2016 (IPR).

Members Present

The Chairperson confirmed the following members of the Committee of Inspection (COI) were present:

- Ms Jan Saddler
- Ms Janice Smith
- Ms Cathy Monro

The Chairperson advised that a quorum was present, given committee members were in attendance via the Microsoft Teams video conference platform and, accordingly, the Meeting could proceed in accordance with IPR 80-5.

Minutes of Meetings

The Chairperson advised that minutes of the Meeting would be lodged with the Australian Securities and Investments Commission in accordance with IPR 75-145. The Chairperson noted that the Administrators reserve the right not to disclose in the minutes commercially sensitive information that may prejudice investigations and asset realisations.

Confidentiality

The Chairperson reminded members present that discussions in the Meeting were confidential and should not be disclosed to anyone other than COI members. Furthermore, the Chairperson confirmed that it was the Administrators' intention to retain legal privilege over all matters discussed during the Meeting.

Agenda

The Chairperson referred to the agenda outlined in the Notice of the Fourth Meeting of the Committee of Inspection dated 27 May 2022.

**Australian Financial
Services License
(AFSL) suspension
and proposed
cancellation**

- The Chairperson explained that the Administrators received notice from ASIC on 8 April 2022, suspending DASS' AFSL until 8 April 2023. The conditions of the Notice require DASS to cease providing financial services to existing clients from 10 May 2022.
- The Chairperson indicated that the conditions placed on the Administrators as part of the AFSL suspension were largely unexpected, including various requirements under the governing act, capital adequacy and additional insurance requirements.
- The notice of suspension also required the Administrators to retain dispute resolution arrangements with AFCA until 8 April 2023, as well as compensation arrangements that comply with section 91B of the Act.
- The Chairperson explained that due to deficiencies in available funds on hand, the Administrators do not have the resources to comply with all of the aforementioned requirements.
- Accordingly, on 25 May 2022, the Administrators requested ASIC cancel DASS' AFSL or, alternatively, waive the various cancellation obligations (including annual reporting) so that the Administrators can make this application on behalf of DASS.

**Australian Financial
Complaints
Authority (AFCA)
membership and
complaints**

- The Chairperson confirmed that Administrators have met with AFCA to discuss DASS' membership, including changes to its fee structure.
- Correspondence was also received from ASIC on 25 May 2022, advising that the Administrators should write to all clients of DASS and request they lodge a complaint with AFCA.
- Based on AFCA's new fee structure and potential number of creditors / claims in the administration of up to 6,000, this would risk triggering a referral fee of up to \$450k, plus variable cost of up to \$45m.
- The Chairperson explained that this would impose a significant financial burden on DASS, and ultimately its creditors. Accordingly, AFCA and ASIC were subsequently advised that the Administrators do not adopt the contract between DASS and AFCA. The Administrators suggested to ASIC a compromise on AFCA's fees needs to be agreed before determining the next steps in terms of lodging client complaints.
- The Chairperson advised the committee that depending on the outcome between ASIC and AFCA on this matter, any AFCA charges could be recognised as an unsecured claim against DASS. However, the details would need to be worked out between the parties.
- Queries were made by Ms Cathy Monro regarding the impact to creditors of deliberations between ASIC and AFCA. The Chairperson responded by informing the committee that AFCA's involvement is only likely to impact creditors under circumstances whereby the a 'Scheme of Last Resort' is implemented by the Federal Government, which may present an additional payment option to some creditors (i.e. in addition to any Deed of Company Arrangement (DOCA)). The Chairperson clarified that at this stage a 'Scheme of Last Resort' does not exist. The Administrators' view is to wait and preserve the option until there is confirmation of the Scheme will proceed.

**Administrators'
investigations**

- Mr Crosbie provided the Meeting with an update on investigations completed to date.
- *This section of the minutes has been redacted for legal and commercial-in-confidence reasons.*

**ASIC's investigation
and requests**

- The Chairperson confirmed it is expected that ASIC's investigation will cover many of the same areas of inquiry focused on by the Administrators' own investigations and, as such, it has been agreed that Administrators will assist ASIC's investigations by providing information and sharing the results of findings once they are finalised.
- *This section of the minutes has been redacted for legal and commercial-in-confidence reasons.*

EP1's DOCA proposal

- The Chairperson confirmed that E&P Financial Group Limited (EP1) intends to propose a DOCA for the consideration of creditors. While a formal DOCA proposal has not yet been submitted, it is understood that the key terms of its proposal will:
 - include a contribution of funds from EP1 in the order of \$8.2m, in addition to any insurance settlement proceeds that may be available; and
 - require a comprehensive settlement of the two representative proceedings (i.e. the class actions), together with all other claims against DASS, EP1 and the former officers joined in the class actions.
- The progress of EP1's DOCA proposal has been limited by confidentiality restrictions contained in the relevant insurance policy which prevent details of the policy being provided to any third party.
- *This section of the minutes has been redacted for legal and commercial-in-confidence reasons.*

Class actions

- The Chairperson handed to Ms Jan Saddler to provide an updated regarding DASS' class actions. Ms Jan Saddler explained that on 13 May 2022 the Federal Court of Australia heard a "carriage motion" to determine whether the two representative proceedings should be consolidated. The outcome of the hearing,

which was handed down on 19 May 2022, was that the Court stayed the Kosen-rufu proceeding and allowed the Watson & Co proceeding to continue against EP1 and DASS's former directors.

- Ms Jan Saddler confirmed that the Court is still in the process of agreeing the form of the orders between the various parties. The next case management hearing is likely to be held in the next four to six weeks.
- The Chairperson confirmed that the class actions are “parked” from the Administrator’s perspective until DOCA discussions are further progressed.
- The Chairperson explained that Administrators have been investigating ways to deal with creditor claims and communications since the initial appointment in January 2022. He confirmed that many of the market options which have been reviewed tend to be both expensive and restrictive.
- The Chairperson therefore confirmed that Administrators are looking to build their own platform which can specifically address the needs of DASS. He confirmed that such a platform would not be cheap but is likely to ultimately result in large administrative cost savings in the distribution stages of the Administration, while retaining the possibility for further use for the Safety Net Scheme claimants, assuming such a scheme eventuates.
- The Chairperson went on to ask committee members if there was anything further they would like to discuss.
- Ms Janice Smith made an enquiry regarding the proposed platform, asking if the system will look at holdings other than the URF. Mr Crosbie answered that both the Administrators’ investigations and any future platforms will consider all relevant investment products sold to the clients of DASS. Further discussions were had regarding these other products and the specific investigations of committee members.
- Ms Cathy Monro enquired about the cost of the administration to date. The Chairperson confirmed that Administrators are working through costs incurred and likely costs to get to DOCA / Liquidation at the moment. He indicated that Administrators would be happy to share costings vs cash received at next COI meeting.
- Ms Jan Saddler enquired as to whether the setup of a bespoke platform would require COI approval, noting the likely expense. The Chairperson advised that further information would be provided to COI members at the next meeting.
- Ms Cathy Monro enquired if there were any foreseeable avenues for creditors and COI members to view the details of DASS’s insurance policy. Discussion was then had between the Chairperson, Ms Jan Saddler and other committee members, ultimately concluding that while there is no ability for committee members to view the insurance at this point in time, the hope is that this will change in the future.
- Ms Monro noted that if the committee is making a recommendation to creditors regarding a DOCA proposal, the creditors need to be advised whether the committee did have the benefit of seeing the insurance details as part of their consideration of the proposed DOCA.


Any other business

Closure:

The Chairperson thanked committee members for their attendance and declared the meeting closed at 5:04pm AEDT.

Signed as a correct record

DATED this 24th day of June 2022



Stephen Longley
Chairperson

Meeting Attendance Register - Committee of Inspection

Dixon Advisory & Superannuation Services Pty Ltd (Administrators Appointed)

Committee of Inspection Meeting held by Virtual Meeting Technology on Monday, 6 June 2022 at 4:00pm AEDT

Chairperson: Stephen Longley

Committee of Inspection Member	Related Party?	Name of Proxy or Attorney	Type of Proxy (General / Specific)	Signature of Person Attending
Martin Del Gallego	No	N/A	N/A	Did not attend
Jan Saddler	No	N/A	N/A	Attended via virtual meeting technology
Jan Smith	No	N/A	N/A	Attended via virtual meeting technology
Kathryn Gorham	No	N/A	N/A	Did not attend
Peter Freund	No	N/A	N/A	Did not attend
Cathy Monro	No	N/A	N/A	Attended via virtual meeting technology