

# Notice of Circulating Resolutions and Explanatory Memorandum

Issued by **Aksesstoday Limited ACN 603 323 182**  
in relation to the proposed Circulating Resolutions of Bondholders

**Date: 4 December 2018**

This Notice and Explanatory Memorandum should be read in their entirety.  
If Bondholders are in doubt as to how they should vote, they should seek advice from their  
accountant, solicitor or other professional adviser prior to voting.

## Important Notice

---

### What is this document?

This Notice of Circulating Resolutions has been prepared and is issued by Axesstoday Limited ACN 603 323 183 (**Issuer**), as the issuer of the Bonds, to allow Bondholders to consider and vote on a number of Special Resolutions to be put to Bondholders.

Terms used in the Notice of Circulating Resolutions have the meaning given in the Glossary.

**THE EXPLANATORY MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ CAREFULLY**

### No investment advice

The information contained in this Notice of Circulating Resolutions does not constitute financial product advice, and has been prepared without reference to any Bondholder's particular investment objectives, financial situation, taxation position, and needs nor those of the Bondholders as a whole. None of the Issuer, the Trustee or any other person is providing any taxation, legal or other advice regarding the proposed amendment. It is important that you read the Notice of Circulating Resolutions in its entirety before making any decision on how to vote on the Special Resolutions. If you are in any doubt, you should consult your professional adviser and make (and shall be taken to have made) your own independent investigation as to the suitability of the proposed amendment in your own particular circumstances.

### Approval

Written resolution signed by Bondholders representing at least 75% of the aggregate Face Value of the Bonds at the date of this Notice of Circulating Resolutions shall, for all purposes, be as valid and effective as Special Resolutions passed at a meeting of Bondholders duly convened and held<sup>1</sup>.

By submitting a signed Voting Form, a Bondholder is irrevocably voting in favour of a Special Resolution. The Issuer will notify the Bondholders if and when a Special Resolution has been passed. A Special Resolution will take effect on and from the date on which the Issuer has received signed Voting Forms representing at least 75% of the aggregate Face Value of the Bonds at the date of this Notice of Circulating Resolutions.

If a Special Resolution in respect of the Bonds is passed, then each Bondholder will be bound by that Special Resolution, irrespective of whether such Bondholder voted in favour of, rejected or voted against or abstained from voting on that Special Resolution or otherwise took no action at all in respect of that Special Resolution.

### Date

This Notice of Circulating Resolutions is dated 4 December 2018.

---

<sup>1</sup> Paragraph 9(a)(ii) of the Meeting Provisions.

## Important dates

---

Date of this Notice of Circulating Resolutions ( <b>Relevant Date</b> )	4 December 2018
Record Date	5:00pm (Melbourne time) on 27 November 2018 <sup>2</sup>
Signed Circulating Resolutions must be received within one month from the Relevant Date	10:00am (Melbourne time) on 4 January 2019
Company notifies ASX and the Bondholders that the Special Resolutions have been passed	As soon as possible after the Special Resolutions have been passed, and in any event by 4 January 2019

\*Dates are indicative only and subject to change.

---

<sup>2</sup> Paragraph 1.2(d) of the Meeting Provisions.

## Part A – Glossary

Terms used by not otherwise defined in this Notice have the meaning given to them in the Terms and the Trust Deed.

<b>\$</b>	Australian dollars.
<b>ASX</b>	The Australian Securities Exchange operated by ASX Limited.
<b>ATO</b>	The Australian Tax Office.
<b>Base Prospectus</b>	The Base Prospectus issued by the Issuer in respect of the Bonds dated 26 June 2018.
<b>Base Terms</b>	The base terms and conditions of the Bonds set out in Schedule 2 of the Trust Deed.
<b>Board</b>	The board of directors of the Company.
<b>Bondholders</b>	The holders of all simple corporate bonds issued in the Company and <b>Bondholder</b> means any one of them.
<b>Bonds</b>	All of the simple corporate bonds on issue in the Company quoted on the ASX under ASX code "AXLHA" and <b>Bond</b> means any one of them.
<b>Circulating Resolutions</b>	The Circulating Resolutions set out in this Notice of Circulating Resolutions.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Commonwealth) for the time being in force together with the regulations of the Corporations Act.
<b>Directors</b>	The directors of the Company.
<b>Entitlement Offer</b>	The Issuer's accelerated non-renounceable entitlement offer.
<b>Explanatory Memorandum</b>	The explanatory memorandum accompanying the Notice of Circulating Resolutions and contained in Part D.
<b>Face Value</b>	\$100 per Bond.
<b>First Resolution</b>	The circular resolution of Bondholders dated 14 November 2018.
<b>Glossary</b>	The glossary contained in Part A to this booklet.
<b>Group</b>	The Issuer and its subsidiaries.
<b>Initial Guarantors</b>	Aksesstoday Operations Pty Ltd ACN 604 340 785, ACN 603 303 126 Pty Ltd ACN 603 303 126 and Aksesstoday Retail Pty Ltd ACN 161 130 696.
<b>Internal Review</b>	The internal review of the Issuer as announced to the ASX on 14 September 2018.
<b>Issuer</b>	Aksesstoday Limited ACN 603 323 182.
<b>Meeting Provisions</b>	The provisions for Meetings of the Bondholders set out in Schedule 7 of the Trust Deed.
<b>Melbourne time</b>	Australian Eastern Standard Time in Melbourne.
<b>New Entity</b>	503 888 65 BL Pty Ltd (ABN 12 627 469 603).
<b>Notice or Notice of Circulating Resolutions</b>	The notice contained in Part B.
<b>Noteholder Resolutions</b>	The circular resolutions in respect of the Series 2 and Subordinated Noteholders dated 3 December 2018.
<b>Offer Specific Terms</b>	The offer specific terms dated 4 July 2018 in respect of the Bonds.
<b>Part</b>	A part of this booklet.

<b>R&amp;D Loans</b>	The Issuer's receivables related to research and development funding.
<b>Record Date</b>	5:00pm (Melbourne time) on 27 November 2018.
<b>Restated Accounts</b>	The Issuer's restated financial statements for the financial year ending 30 June 2018 released to the market on 29 November 2018.
<b>Senior Facility Agreement</b>	The Facility Agreement dated 9 November 2016 between the Senior Lenders, Commonwealth Bank of Australia as agent, the Issuer and Initial Guarantors (as amended and restated from time to time).
<b>Senior Lenders</b>	Commonwealth Bank of Australia and Macquarie Bank Limited (and includes Commonwealth Bank of Australia as Agent for the Senior Lenders)
<b>Series 2 Notes</b>	Australian Dollar Subordinated Notes due 22 June 2021 (ISIN: AU3CB0244192).
<b>Special Resolution</b>	A resolution passed by Bondholders representing at least 75% of the aggregate Face Value of the Bonds at the date of this Notice of Circulating Resolutions.
<b>Subordinated Notes</b>	Australian Dollar Subordinated Notes due 9 October 2021 (ISIN: AU3FN0029096).
<b>SWF</b>	The securitisation warehouse facility settled with Macquarie Bank Limited on 30 April 2018.
<b>Terms</b>	The Base Terms and the Offer Specific Terms.
<b>Trust Deed</b>	The trust deed between the Issuer, the Trustee and the Initial Guarantors in respect of the Bonds dated on or about 25 June 2018.
<b>Trustee</b>	Sargon CT Pty Ltd ACN 106 424 088.

## Part B – Notice of Circulating Resolutions

---

4 December 2018

Dear Bondholder

### NOTICE OF CIRCULATING RESOLUTIONS OF BONDHOLDERS

We provide you with this Notice of Circulating Resolutions and Explanatory Memorandum in relation to a number of Circulating Resolutions proposed by the Issuer for consideration and approval by Bondholders of the Bonds issued by Axesstoday Limited ACN 603 323 182 on 20 July 2018.

Terms used but not otherwise defined in this Notice of Circulating Resolutions have the meaning given to them in the Terms and the Trust Deed.

The purpose of the Circulating Resolutions is to seek and, if passed, obtain the approval of the Bondholders by Special Resolution for:

- a number of amendments to the definitions of Covenant Interest Cover Ratio, Interest Expenses, EBIT, Eligible Receivables and Arrears in the Base Terms;
- the insertion of new definitions of Extraordinary Items and Relevant Period in the Base Terms;
- the deletion of clause 4.2 of the Base Terms in full;
- an amendment to clause 4.4 of the Base Terms; and
- the insertion of a new clause 4.5 of the Base Terms to clarify the periods for testing the covenants.

In addition, the Issuer is seeking a waiver of the Covenant Debt to Receivables Ratio for a specified period on the terms set out in the Explanatory Memorandum.

### **Your vote is important.**

This Notice of Circulating Resolutions constitutes notice (given under and in accordance with the notices provisions contained in clause 20 of the Trust Deed, clause 11 of the Base Terms and the Meeting Provisions).

**The timetable for the Entitlement Offer will be available on the ASX. Notwithstanding the last date in this Notice by which this vote should be received, we urge you to return your vote as soon as possible but in any event before the closing date stipulated in the timetable for the Entitlement Offer.**

## No investment advice

The information contained in the Notice of Circulating Resolutions and Explanatory Memorandum does not constitute financial product advice, and has been prepared without reference to Bondholders' particular investment objectives, financial situation, taxation position, and needs. The Issuer is not providing any taxation, legal or other advice regarding the proposed amendment. It is important that you read the Notice of Circulating Resolutions and Explanatory Memorandum in its entirety before making any decision on how to vote on the Circulating Resolutions. If you are in any doubt, you should consult your professional adviser and make (and shall be taken to have made) your own independent investigation as to the suitability of the proposed amendment in your own particular circumstances.

The Trustee does not express any opinion about the terms of the Special Resolutions or make any recommendation as to whether to vote in favour of or against or how to vote in respect of the Special Resolutions.

## Explanatory Memorandum

The Explanatory Memorandum which accompanies and forms part of this Notice of Circulating Resolutions describes the matters to be considered for the purposes of the Circulating Resolutions.

## Special Resolutions

---

To consider and, if thought fit, pass the following resolutions as Special Resolutions:

### 1. Amendments

"That pursuant to and for the purposes of clause 17.1(b) of the Trust Deed, clause 10.3(b) of the Base Terms and the Meeting Provisions, and for all other purposes, the Base Terms are varied as follows:

#### *(a) Amendment to the definition of Covenant Interest Cover Ratio*

By amending the definition of "Covenant Interest Cover Ratio" in clause 12.4 of the Base Terms as follows:

**Covenant Interest Cover Ratio** means EBIT (less one off debt establishment costs) divided by the ~~Finance Costs~~ Interest Expenses.

*(b) Amendment to the definition of Interest Expenses*

By amending the definition of "Interest Expenses" in clause 12.4 of the Base Terms as follows:

**Interest Expenses** means interest expense taking account of any related hedging arrangements recognised in the most recently published annual or half year financial statements of the Covenant Group prepared in accordance with applicable law and accounting principles and practices applying by law or otherwise generally accepted in Australia at that time, consistently applied, for the period to which the Company's most recent financial statements relate. For the avoidance of doubt, this excludes establishment costs, waiver fees and other fees not payable on a recurring basis.

**(c) Insert a new definition of Extraordinary Items**

By inserting a new defined term "Extraordinary Items" before the definition of "Face Value" in clause 12.4 of the Base Terms as follows:

**Extraordinary Items** means, for any Relevant Period:

(a) items which are unusual or infrequent; or

(b) items unrelated to the typical operating activities of the Covenant Group's business.

**(d) Insert a new definition of Relevant Period**

By inserting a new defined term "Relevant Period" before the definition of "Securitised" in clause 12.4 of the Base Terms as follows:

**Relevant Period** means, on any date falling in a calendar month, the period of twelve months prior to and ending on the last day of the calendar month in which the relevant date falls.

**(e) Amendment to the definition of EBIT**

By amending the definition of "EBIT" in clause 12.4 of the Base Terms as follows:

**EBIT** means earnings (including interest revenue) before Interest Expenses and taxes. For the avoidance of doubt, EBIT excludes any Extraordinary Items and costs incurred as a result of raising debt, or issuing equity capital.

**(f) Amendment to the definition of Eligible Receivables**

By amending the definition of "Eligible Receivables" in clause 12.4 of the Base Terms as follows:

**Eligible Receivables** means any right, title, benefit and interest (present or future) in, to and under or derived from a contract of the Covenant Group, excluding Securitised receivables. For the avoidance of doubt, this includes any prepaid commission of the Issuer.



**(g) Amendment to the definition of Arrears**

By amending the definition of "Arrears" in clause 12.4 of the Base Terms as follows:

**Arrears** means receivables that are more than 30 days past due, other than receivables relating to research and development funding which are not deemed by the Group to be impaired.

**(h) Deletion of clause 4.2 of the Base Terms**

By deleting clause 4.2 of the Base Terms in full as follows:

~~**4.2 Limitation on debt incurrence**~~

~~So long as any Axesstoday Bonds remain outstanding, the Issuer will not incur, and will ensure that no Guarantor incurs, any Financial Indebtedness on or after the Issue Date if the incurrence of such Financial Indebtedness would result in the Covenant Debt to Receivables Ratio being greater than the percentage specified in the Offer Specific Terms or the Covenant Interest Cover Ratio being lower than the percentage specified in the Offer Specific Terms.~~

**(i) Amendment to clause 4.4 of the Base Terms**

By amending clause 4.4 of the Base Terms as follows:

**4.4 Determination of ratios**

The amount of any:

- (a) Gearing Ratio Debt;
- (b) Gearing Ratio Assets;
- (c) Covenant Debt to Receivables Ratio Debt; ~~or~~
- (d) Covenant Debt to Receivables Ratio Assets; ~~or~~
- (e) EBIT; or
- (f) Interest Expenses.

(and ~~each of the elements and components~~ included in those calculations, and for the avoidance of doubt, in the calculation of the Covenant Debt to Receivables Ratio and the Covenant Interest Cover Ratio) required to be calculated for the purposes of the Terms shall be determined in accordance with Current Accounting Practice as at the date of the Base Prospectus unless the Issuer notifies the Holders and the Trustee that such amounts will instead be determined in accordance with Current Accounting Practice at the time of making the determination.

**(j) Insertion of clause 4.5 of the Base Terms**

By inserting a new clause 4.5 of the Base Terms as follows:

**4.5 Testing of covenants**

For the avoidance of doubt, the Covenant Debt to Receivables Ratio and the Covenant Interest Cover Ratio will only be tested by the Issuer against the half year and annual financial statements disclosures of the Covenant Group, with the first test to occur against the financial statements of the Covenant Group for the half year ended 31 December 2018.

## **2. Waiver**

"That pursuant to and for the purposes of clause 23.2 of the Trust Deed and the Meeting Provisions, and for all other purposes the Holders unconditionally and irrevocably waive their rights in relation to the Issuer's compliance with the Covenant Debt to Receivables Ratio as at 31 December 2018 on the terms set out in the Explanatory Memorandum."

The Directors recommend that you vote in favour of each of the Special Resolutions.

## Part C – How to vote

---

If you are entitled to vote on the Special Resolutions, you may vote by signing and returning the Voting Form to Link Market Services Limited, in accordance with the directions on the Voting Form.

Your signed Voting Forms must be received by the Issuer by **10:00am (Melbourne time) on 4 January 2019**.

**The timetable for the Entitlement Offer will be available on the ASX. Notwithstanding the last date in this Notice by which this vote should be received, we urge you to return your vote as soon as possible but in any event before the closing date stipulated in the timetable for the Entitlement Offer.**

### 1. How to lodge Voting Forms

---

Voting Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Voting Form).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your vote by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your securityholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Axesstoday Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138  
or  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

### 2. Eligibility to vote

---

The Directors have determined pursuant to paragraph 1.2(d) of the Meeting Provisions that the persons eligible to vote on the Special Resolutions are those that are registered Bondholders at 5:00pm (Melbourne time) on 27 November 2018. If you are not the registered holder of a relevant Bond at that time you will not be entitled to vote in respect of that Bond.

### **3. Enquiries**

---

If you have any questions about your holding of Bonds or the Circulating Resolutions, please consult your professional adviser. Alternatively, please contact the Company Secretary, Mr Joe Flanagan on (03) 9912 6923 (within Australia) and +61 3 9912 6923 (outside Australia) or by email at [joe.flanagan@axsesstoday.com.au](mailto:joe.flanagan@axsesstoday.com.au).

## Part D – Explanatory Memorandum

---

This Explanatory Memorandum forms part of the Notice of Circulating Resolutions and is to be read in conjunction with the Notice of Circulating Resolutions.

### Purpose

The information in this Explanatory Memorandum is a brief summary of the reasons for the proposed amendment being requested by the Issuer.

The Directors recommend Bondholders read the Notice of Circulating Resolutions and this Explanatory Memorandum in full before making any decisions relating to the Special Resolutions.

### Defined terms

Defined terms used in this Explanatory Memorandum have the meanings given to them in the Glossary accompanying this Explanatory Memorandum at Part A.

## 1. Background

---

As announced to the market, the Issuer has gone through a significant review process internally over the course of the last few months (**Internal Review**). It has reviewed in granular detail, all of its lending documents and liaised with external consultants and its auditors to ensure that all breaches are identified, all necessary waivers obtained and that covenants will be complied with in the future.

The Internal Review resulted in the Issuer needing to restate its 2018 financial statements due to prior breaches of its lending agreements being identified (**Restated Accounts**). The Issuer's auditors have changed their interpretation of the lending agreements' terms from prior years to adopt more conservative interpretations. This led to material changes in the calculation methodology and interpretation of terms.

As a result, the Issuer retested all of its covenants dating back to the establishment of the Securitisation Warehouse Facility (**SWF**) in April 2018. The Issuer implemented the updated methodologies to ensure potential historical breaches were identified, with calculations reviewed by the auditors, as disclosed in the Restated Accounts released to the market on 29 November 2018.

After accepting the more conservative interpretations, the Issuer is taking the opportunity to bring the definitions and covenants in each of its debt facilities into closer alignment through amendments to its various facility documents. The amendments (if approved) will remove ambiguities which are contrary to the commercial intent of the documents.

As a result of the change in interpretation of the terms adopted by the auditors, further breaches were determined to exist. The Issuer has sought waivers from the Syndicated Lenders and the Series 2 and Subordinated Noteholders for the additional breaches identified.

On 29 November 2018, the Issuer also announced the planned completion of a \$25m equity raise (before transaction costs) in December 2018. The equity raise underpins the first phase of the Issuer's capital management plan. The equity raise will be undertaken via an accelerated non-renounceable entitlement offer (**Entitlement Offer**), enabling existing shareholders to participate. Roadshows are planned to commence in early December with settlement of the institutional portion of the Entitlement Offer to occur in mid-December. The successful completion of the capital raise will provide further support to Bondholders, improve compliance for multiple covenants and will coincide with the amendments to the Issuer's other debt facilities.

**Bondholders should note that the equity raise cannot be completed until the Special Resolutions have been passed. It is therefore very important that Bondholders vote promptly so that the equity raise can be completed as soon as possible.**

A summary of the defaults and breaches and the Issuer's response to remedy those breaches is contained below. A more detailed explanation of the defaults and breaches and the Issuer's response in respect of them is contained within the circular resolutions in respect of the Series

2 and Subordinated Noteholders issued on or around 4 December 2018 (**Noteholder Resolutions**).

At the date of this Notice, none of the breaches under the Senior Facility Agreement, Subordinated Notes and the Series 2 Notes has resulted in a breach under the Trust Deed or the Terms.

The first circular resolution of Bondholders dated 14 November 2018 (**First Resolution**) is currently ongoing. The proposed amendments in these Resolutions do not override or replace the resolution passed by Bondholders in respect of the First Resolution.

## **2. Summary and explanation of defaults and breaches**

---

The First Resolution identified several breaches and defaults which occurred under the Senior Facility and the Series 2 and Subordinated Notes. The following section sets out the additional breaches which were identified during the Internal Review.

### **2.1 Senior Facility**

The Internal Review and restatement of 2018 financial statements undertaken with the Issuer's auditors identified several historic and current breaches of clauses in the Senior Facility Agreement. Several of these breaches have since been remedied. The Issuer has taken action by notifying the Senior Lenders of these breaches and seeking waivers where appropriate. The Issuer is also seeking amendment of some of the terms of the Senior Facility Agreement in response to the Issuer's auditors' amended interpretation of the terms and covenants. The requested amendments to the Senior Facility Agreement will mirror the amendments which the Issuer is requesting that Bondholders consent to in these Resolutions, in particular the changes to the definition of the Covenant Interest Cover Ratio.

### **2.2 Series 2 and Subordinated Notes**

During the Internal Review process there were breaches identified historically in the Series 2 and Subordinated Note Conditions. As with the breaches of the Senior Facility Agreement summarised above, some of the breaches have been remedied or waived in the months since occurrence. For the avoidance of doubt and to ensure that the Issuer is in full compliance with the Note Conditions following the capital raise, the Issuer has sought waivers and amendments pursuant to the Noteholder Resolutions. The requested amendments in the Noteholder Resolutions mirror those that the Issuer is requesting that Bondholders consent to in these Resolutions.

A copy of the Noteholder Resolutions is available on the ASX Company Announcements Platform (ASX:AXL). The outcome of the Noteholder Resolutions has not yet been finalised at the date of this Notice.

## **3. Actions taken by the Issuer**

---

Since the departure of the previous CEO, the business has continued to operate under the guidance of the management team consisting of Dermott McVeigh, Interim CEO, Michael Sack, Executive Director, Joe Flanagan, CFO, and Konrad Pels, interim COO.

Following the Board of Directors' completion of the Internal Review, the Issuer has refocused its strategy and implemented the following four key strategic initiatives:

1. Refocus on core competency of funding business critical equipment predominantly in the hospitality and transport sectors which remain sound opportunities for the Issuer;
2. Exit non-core businesses, including:
  - Canadian operations which have ceased originating new receivables and the loan portfolio placed into amortisation;
  - Business loan funding has been discontinued; and

- All new non-core product and sector initiatives have been discontinued indefinitely (albeit immaterial to FY18 revenue);
- 3. Implement revised capital management plan, including completion of a \$25m (before transaction costs) equity raise, to ensure ongoing compliance with all debt facilities and funding for future receivables growth;
- 4. Strengthen governance and control measures

Dermott McVeigh has been appointed as interim Chief Executive Officer, with an ongoing process to appoint new Board members and a permanent Chief Executive Officer.

The business has continued to operate throughout the period of suspension from the ASX with origination volumes reducing to align with the strategy of predominantly funding business critical equipment.

Moving forward the Issuer has refocused on funding business critical equipment and ensuring that strong risk adjusted returns are achieved from the portfolio. The key elements that will have target levels and be measured, tracked and enforced are:

- Net interest margin (Revenue yield less cost of funds)
- Cost to income ratio (Operating costs as a proportion of Portfolio Income)
- Annualised loan impairments (Actual bad debt write offs on an annualised basis)

These metrics will ensure that the Issuer is actively managing its pricing, reducing its cost of funds through time, creating operating leverage through efficiencies and technology, and achieving the expected loss rates for the risk assumed across the portfolio. Employing these disciplines across all departments in the business and enforcing them as the key drivers for business success will ensure that the returns on the portfolio are strong and underlying profitable growth is delivered.

The Issuer considers that the Entitlement Offer will provide additional capital to be deployed to fund originations for the rest of FY19 and reduce gearing. This will provide further support to Bondholders, improve covenant compliance and provide funding headroom while the business positions itself for future portfolio growth.

## **4. Details of particular Resolutions**

---

### **Resolution 1(a)**

As a result of the Internal Review and actions determined to be necessary in response to the Internal Review, the Issuer is incurring additional costs, a number of which are non-recurring and not reflective of normal operating expenses, but which will nevertheless impact Covenant Interest Cover Ratio levels. In anticipation of this, in the First Resolution, the Issuer sought the consent of the Bondholders to reduce the Covenant Interest Cover Ratio from 2.0x to 1.75x.

The Issuer is taking the necessary actions to ensure future compliance with the Terms by further revising the definition of Covenant Interest Cover Ratio to better align the covenant with its counterparts in the Senior Facility Agreement and the proposed amendments to the Series 2 Notes and Subordinated Notes.

The Issuer identified that the definition of the Covenant Interest Cover Ratio requires coverage of "Finance Costs" which includes one-off costs and fees paid in relation to the debt facilities. These expenses do not reflect the ability of the Issuer's cashflows to meet its ongoing interest obligations.

The amendment requested in this Resolution is to replace "Finance Costs" in the definition of "Covenant Interest Cover Ratio" with "Interest Expenses". This change will mean that the Covenant Interest Cover Ratio is concerned with covering ongoing costs in the nature of interest, and will not include establishment costs, waiver fees or any fees which are not recurring. The intent is that the Covenant Interest Cover Ratio specifically look to the ability

of the existing cashflows of the Issuer to meet interest and other ongoing finance-related expenses of a periodic nature.

#### **Resolution 1(b)**

As part of the process for restatement of the 2018 financial statements, it was identified that the current definition of Interest Expenses has some ambiguity as to what constitutes an Interest Expenses.

The proposed amendment seeks to clarify the definition of Interest Expenses to make it clear that fees that are not payable on a recurring basis, such as establishment costs or waiver fees, are not included in the definition of Interest Expenses. This better aligns with the intended purpose of this definition which is to look at those costs necessary to service the debt when the facility is operating as expected.

#### **Resolution 1(c)-(e)**

The restatement of 2018 financial statements highlighted uncertainty in the current definition as to what costs are excluded from EBIT. The current definition of EBIT is silent on whether extraordinary expenses, such as the one-off costs of the current restructure, including waiver fees, consent fees, legal costs and other third-party costs, may need to be added back to reflect underlying EBIT.

The proposed amendment seeks to revise the definition of EBIT by firstly adding in the defined term of "Extraordinary Items", which will clarify that EBIT does not include items that are unusual, infrequent or unrelated to the typical operating activities of the business. The intent being to ensure that the restructuring costs being incurred which do not relate to normal business operations are not included within the definition of EBIT.

Secondly, it is also proposed that the definition of EBIT is amended to expressly exclude costs incurred as a result of raising debt or equity capital. The basis for this is that such costs do not reflect the profitability of underlying business operations because such costs are generally payable upfront out of funds borrowed or raised.

#### **Resolution 1(f)**

The definition of Eligible Receivables adopted in discussion with the Issuer's auditors during the Internal Review excluded an amount of prepaid commissions capitalised by the Issuer. Prepaid commissions are a balance sheet item representing the capitalised commissions paid up-front on accounts originated within the Issuer's legacy loan management system. This position was adopted because a portion of the Issuer's Receivables portfolio was transferred to the SWF. The Issuer rejects the exclusion of any prepaid commissions because none of this balance was transferred to the SWF when Receivables were sold into the SWF. For the avoidance of doubt, the Issuer wishes to amend the definition of Eligible Receivables to clarify the inclusion of prepaid commissions.

The proposed amendment seeks to clarify the definition of Eligible Receivables to confirm that prepaid commissions of the Issuer are within the scope of the definition and so count towards the Eligible Receivables. This better aligns the definition with how similar clauses are applied in the Senior Facility Agreement, how the Issuer has historically calculated this amount and the amendment currently being voted on by Series 2 and Subordinated Noteholders in the Noteholder Resolutions.

#### **Resolution 1(g)**

The proposed amendment seeks to amend the definition of "Arrears" to exclude receivables related to research and development funding (**R&D Loans**). R&D Loans advance payment against the expected rebate from the Australian Tax Office (**ATO**) for a portion of that research and development expense. R&D Loans do not have a set payment schedule due to the uncertain timing of ATO rebates. This means they cannot be classified as being in arrears in the same way as typical equipment receivables which have weekly payments. R&D Loans considered impaired by the Issuer will still be included as Arrears.



### **Resolution 1(h)**

The Trust Deed places a restriction on the Issuer from incurring any Financial Indebtedness which would result in a breach of the Covenant Debt to Receivables Ratio limit. This was identified as a source of uncertainty during the Internal Review because the Covenant Debt to Receivables Ratio is tested every six months, based on the Issuer's consolidated financial statements as at 30 June and 31 December following the issue of the Bonds, while the limitation on incurrence operates at all times. The auditors identified that clause 4.2 of the Base Terms cannot practically be tested when debt is incurred on dates other than 30 June and 31 December, because statutory financial statements are not otherwise available. Following discussions with ASIC and the Trustee, the Issuer has confirmed that it is the commercial intent of the Terms that the covenants be tested only at 30 June and 31 December following the issue of the Bonds.

Clause 4.2 of the Base Terms creates uncertainty if a strict read of the Trust Deed is adopted because the clause requires that the ratios be tested at times other than what is commercially intended. The proposed amendment seeks to remove clause 4.2 of the Base Terms to remove the inconsistency with the covenants as specified in the Offer Specific Terms.

### **Resolution 1(i)**

Clause 4.4 of the Base Terms sets out the applicable accounting treatment for the calculation of financial covenants. The clause does not extend to all financial calculations used in measuring each of the covenants. The proposed resolution seeks to amend clause 4.4 of the Base Terms to clarify that all financial calculations for the purposes of covenant calculation shall be determined in accordance with the accounting standards as at the date of the Base Prospectus unless determined otherwise.

### **Resolution 1(j)**

To clarify any remaining uncertainty in relation to when the Covenant Debt to Receivables Ratio and Covenant Interest Cover Ratio can and will be tested by the Issuer, the Issuer is seeking the proposed amendment by inserting a new clause 4.5 in the Base Terms in the form set out in Resolution 1(j). This amendment seeks to clarify that these covenants can only be tested by the Issuer against the half year and annual financial statements disclosures of the Covenant Group.

### **Resolution 2**

As part of the implementation of the capital management plan, the Issuer plans to undertake an equity raise in December 2018. The Issuer proposes to raise gross proceeds of \$25m (before transaction costs). A delay in the completion of the Internal Review due to the expansion of its scope and the number of parties involved has meant that the window available for the completion of the equity raise before the end of the year has narrowed.

The Issuer wishes to address the risk of an unforeseen delay in completion of the equity raise until January or February 2019. If the equity raise is completed in early 2019 then the Covenant Debt to Receivables Ratio is expected to be compliant by the 30 June 2019 test date. To give the equity raise the best opportunity for success, the Issuer requests that the Bondholders consent to a waiver of the Covenant Debt to Receivables Ratio at the 31 December 2018 test date. This will ensure that the capital management plan can still be implemented to bring further support to Bondholders through raising new equity capital and bringing the covenants into compliance if any unforeseen delay occurs.

The Bondholders retain the protection of cross default provisions which trigger if the Syndicated Lenders or Series 2 or Subordinated Noteholders accelerate debt repayment should the equity raise be unsuccessful.

## **8. Directors' recommendations**

---

The Directors recommend that Bondholders vote in favour of the Special Resolutions.

The Directors recommend that Bondholders vote promptly, as the Special Resolutions must be passed before completion of the equity raise.

Each Director who is also a Bondholder and who is not otherwise restricted from voting intends to vote in favour of the Special Resolutions.

## **Annexure – Voting Form**