

FREQUENTLY ASKED QUESTIONS – INVESTORS OF HALIFAX INVESTMENT SERVICES PTY LTD (AUSTRALIAN ENTITY)

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What happened to Halifax and why?

Morgan Kelly, Phil Quinlan and Stewart McCallum were appointed Voluntary Administrators (the Administrators) of Halifax Investment Services Pty Ltd (Halifax) on 23 November 2018.

The Administrators have been appointed because Halifax is having difficulties in meeting its financial commitments.

What is the Administrator's role?

Voluntary Administration is a statutory regime that involves the appointment of an independent party to:

- Take control of Halifax, displacing the powers of Halifax's directors;
- Secure Halifax's assets and investigate the circumstances surrounding financial difficulty; and
- Report to creditors on the outcome of their investigations.

The Administrators are:

- Now in control of Halifax, its assets, operations and undertakings; and
- Conducting an urgent assessment of the financial position of Halifax, including a full reconciliation of client entitlements.

What progress has been made by the Administrators since the first meeting of creditors?

The Administrators are exploring two options for the future of Halifax, being the proposal of a Deed of Company Arrangement (**DOCA**) or placing Halifax into liquidation. Any options identified will be presented to investors and creditors to vote on the future of Halifax.

We have prepared an initial analysis of the funds flow process on the MT4, MT5 and IB platforms. Our initial view is that while the IB platform may be 'whole' in that it is fully funded, investor funds have been mingled in such a way that the taint affects investors on all three platforms. Accordingly, the process of tracing individual investor funds and entitlements would be an extremely time consuming and costly one.

Under a potential DOCA, it may be possible for the Administrators or another party to put a proposal forward whereby investors agree to share the deficiency proportionately to expediate the distribution process (i.e all investors receive the same cents in the dollar return, based on Halifax's available assets). A formal DOCA

proposal has not been provided to the Administrators at this stage however we are in discussions with a number of parties in this regard.

In circumstances where Halifax is placed into liquidation at the second meeting of creditors, a liquidator if appointed will be required to complete investigations into potential claims that may be recovered for the benefit of investors and creditors.

Investors and creditors will be issued with the Administrators Report which will contain information in relation to our investigations to date, together with a recommendation as to whether creditors and investors should resolve that Halifax be placed into liquidation *or* whether a DOCA should be executed. The deadline for the completion of this report is 29 March 2019, however we anticipate that we will be in a position to issue the report prior to this date.

What is the status of my trading position?

As a result of the appointment of the Administrators, all investor accounts have been frozen (although investors may close out open positions if they choose to) pending a full reconciliation of assets and client entitlements.

This will involve an investigation into what investors are owed and how much is available to repay investors. The Administrators have commenced this work and will continue to keep investors updated on the estimated timeframe for this process.

All investors' accounts have been switched to 'Close Only' mode – i.e. it is not possible to enter into new positions, nor is it possible to withdraw money from client accounts, however it is possible to close out current positions.

Will I get my money back?

At this stage it is not known whether investors will be repaid in full. The Administrators are undertaking an urgent review of the financial position of Halifax including a full reconciliation of assets and client entitlements. These may be different for investors across the various platforms and products offered by Halifax to clients. The Administrators will continue to keep investors updated on the estimated timeframe for this process.

The bank accounts were frozen upon our appointment except for receipts of counter party funds. They remain segregated for the purposes of subsequent adjudications on client entitlements and distributions pending any court directions.

I thought my funds were held in a segregated account. Is this the case?

We understand that in certain instances and in particular in relation to accounts held with Interactive Brokers, funds were held in segregated accounts. The Administrators are continuing to complete a reconciliation of these segregated accounts and will advise investors further once that reconciliation has been completed. For investors in MT4 and MT5, it appears as though funds were held in a pooled account and therefore may not have been held in segregated accounts. We are continuing our investigations in this regard.

However, our initial investigations show that investor funds have been mingled in such a way that the taint affects investors on all three platforms.

Are the shares I purchased using my Halifax account held in my own name?

At this stage, it is apparent that the shares acquired as a result of transactions entered into by the Company's investors are held by custodians, not in the investors' names. Therefore, we need to understand the legal implications of the ownership, as well as any implications of a cash deficiency and the impact that may have on investors' abilities to trace their initial deposits through to the ultimate share purchase.

We are working through the reconciliation process, which incorporates addressing the issues outlined above, and will be in regular contact with investors as we have further updates. In the meantime, all share transactions will continue to be suspended (other than the closing out of share transactions, however as all investor accounts have been frozen, any funds resulting from this transaction will be frozen).

How do I "close out" my position?

Should you wish to close out your position, then you can do so by logging into the platform and completing the process to close out your account as you have done in the past.

The platform is still operating. You don't have permission to enter into new trades but you will be able to close out your account.

Should I close out my positions? Will cash or shares be treated more favourably in terms of an allocation of funds to client accounts?

The Administrators are unable to provide investment advice or instructions as to whether it would be beneficial to sell your shares. At this stage it is not known whether cash or shares will be treated equally or not in the reconciliation process. It is likely that the Administrators will be required to seek directions from the Court to resolve this question and investors will be provided with a further update in due course.

How long will the process take?

Unfortunately, due to the complexity of the issues and the necessary investigations, we are not able to say with any certainty when we will be in a position to release funds to investors. However, given the legal complexities, this process is likely to take some months and may require directions and orders from the Court.

Are IB investors able to claim under the Securities Investor Protection Corporation (SIPC) policy?

We have recently received advice from our solicitors which indicates that IB investors are unfortunately unable to claim coverage under the SIPC policy.

By way of explanation, SIPC is not an insurance company. Rather, SIPC is a US federally mandated corporation which assists to protect and provide coverage to customers on their brokerage accounts, in circumstances where their brokerage firm (who is a SIPC member broker-dealer) becomes insolvent. That is, SIPC will assist where a "member broker-dealer" enters external administration.

Interactive Brokers LLC and Halifax America LLC are SIPC members. However, these entities are not subject to the Voluntary Administration.

Unfortunately, Halifax is not an SIPC member and as a result, investors of Halifax cannot claim under the SIPC policy.

Why can't I just sell my shares and investments?

Immediately on our appointment we notified all counterparties that Administrators had been appointed. We have requested counterparties to cease trading while we undertake our reconciliation of assets and client entitlements.

As a result of the appointment of the Administrators, all investor accounts have been frozen (although investors may close out open positions if they choose to) pending a full reconciliation of assets and client entitlements. You will be able to close out your account, however as all investor accounts have been frozen, any funds resulting from this transaction will be frozen. Please refer to the question "How do I close out my position" for further details on closing out your shares and investments.

All share transactions are suspended whilst we undertake our investigations to understand better how those shares were held, including who the legal owner and beneficial owner of the shares are and the relationship between the various parties.

How will dividends be treated?

Dividends will continue to accumulate in your accounts as normal, however investor accounts will remain frozen and funds are not able to be withdrawn at this time. It is not yet known how dividends will be treated in a distribution process and it is possible that the Administrators will be required to seek Orders from the Court in this regard.

What if I have invested through a Self-Managed Super Fund (SMSF)?

SMSF investors will participate in the Voluntary Administration in the same way as individual and corporate investors and will not be awarded priority of payment on the basis that they operate as a SMSF. SMSF's will be required to submit a POD and proxy form.

How do I access my account statements?

Investors should be able to log onto the relevant trading platform as normal to download account statements. If you are having issues with doing so please email your request to halifax@linkmarketservices.com.au. Link do not have access to individual investor accounts but will forward your request to a Halifax staff member who will be able to assist.

I am having issues logging into my MT5 account.

We have undertaken a recent upgrade to the MT5 server which resulted in the server name changing. When you log on through your computer you will automatically be redirected to the new server, but for those logging in through the mobile application this is not the case. Investors will be required to undertake the following steps:

1. Delete the app from your phone.
2. Re-install the app from the App Store for Apple or the Google Play store for Android.
3. When you go to log in the first thing it will ask for a company name, as you type "Halifax" the only option that will pop up will be halifaxcapital-live, select this.
4. Input your user number and password.

How long will the Voluntary Administrators operate the business?

At this stage, it is too early to give you a definitive timeframe but we will provide you with regular updates on the progress of the Administration when available.

What happened at the first meeting of creditors?

The first meeting of creditors was held in Sydney on 5 December 2018. The following resolutions were passed:

- Ratification of the appointment of the Administrators
- Appointment of a Committee of Inspection (COI) consisting of Jodie Ellis, Peter Wilson, Andrew Baxter, Bradley O'Hara and Rodney Morris

Detailed minutes of this meeting will be available on the Ferrier Hodgson website. A recording of the minutes has been uploaded to the FH website, link as follows: <https://www.ferrierhodgson.com/au/-/media/ferrier/files/documents/corp-recovery-matters/halifax-investment-services/webcast-recording--first-meeting-of-creditors.mp3>.

What is a COI?

A COI is a small group of creditors elected to represent the interests of creditors in the external administration. The COI advises and assists the external administrator and also has the power to approve and request certain things.

The functions of the COI are as follows:

- To advise and assist the Administrators;
- To give directions to the Administrators; and
- To monitor the conduct of the administration.

In respect of directions, the external administrator is only required to have regard to those directions.

What are the next steps in the Voluntary Administration process?

The Administrators and their staff are undertaking urgent investigations in relation to the failure of Halifax in order to reconcile client entitlements. As previously foreshadowed, this process is likely to take some time.

In ordinary circumstances, the Administrators would have 20 business days (the convening period) during which to investigate the company's financial position and present options to creditors for them to vote on the future of the company. Options include:

- The execution of a Deed of Company Arrangement which is essentially a compromise with creditors; or
- Passing a resolution to place the company into liquidation.

At the conclusion of the convening period, the Administrators would normally issue a detailed report outlining their investigations and providing creditors with a recommendation as to the future of the company.

In this case and given the complexities associated with Halifax, the Administrators have sought and obtained from the Court a 90 day extension of the convening period in order to undertake further investigations. On this basis, the Administrators Report will be issued on 29 March 2019 with the second meeting of creditors to take place on or before 5 April 2019.

We note that the report may be issued and meeting held prior to these dates in circumstances where our investigations are sufficiently progressed to allow them to do so.

At the second meeting of creditors, the Administrators will be in a position to provide an update to creditors in relation to the reconciliation of client entitlements. Investors will also be provided with another opportunity to ask questions of the Administrators.

Why is the convening period being extended?

The Administrators sought an extension of the convening period on the basis that we will not be in a position to provide a report to creditors containing our recommendations as to the future of Halifax by 21 December 2018. More time is required in which to obtain and analyse further information in relation to a number of issues, including but not limited to the following:

- The business affairs and transactions entered into by Halifax;
- Possible comingling of funds in bank accounts held by Halifax;
- Quantum and location of funds held in trust and funds not held in trust;
- The allocation of particular funds to client accounts;
- The relationship with Halifax NZ; and
- Consideration by the Administrators of offers or proposals to purchase the assets of Halifax or a DOCA proposal.

What communications should I expect to receive?

On 27 November 2018, Link Market Services issued proofs of debt (POD) and proxy forms relating to each individual account via email to Australian investors. If you hold more than one account, you will have received a separate POD for each account. These forms will contain your user ID number.

It is important that you complete a separate POD form for each account. POD's which have not been completed on this basis will not be accepted.

The Administrators will endeavour to keep creditors updated as frequently as possible. This FAQ document will be updated regularly on the Ferrier Hodgson website. The Administrators will issue their statutory report outlining investigations undertaken and their recommendation as to the future of Halifax by no later than 29 March 2019.

What if I have not received email communication regarding the Administration?

If you are an investor and have not received correspondence confirming the appointment of the Administrators and providing a POD form, please contact Link Market Services on the details below:

Email: halifax@linkmarketservices.com.au

Australian callers: 1300 910 051

Overseas callers: + 61 1300 910 051

What is the indebted amount for the purposes of the POD form?

For the purposes of the POD form, please estimate the value of the assets (shares, cash and other securities) held in your Halifax account as at 23 November 2018 in AUD. The POD amount represents an estimate only and will not necessarily constitute the final value of your claim.

The Administrators may be required to seek Orders from the Court regarding how final investor claims will be quantified (including the date on which the claim is to be calculated).

Am I considered a 'secured creditor' or a 'creditor' for the purposes of the POD form?

Investors are considered 'creditors' for the purposes of the POD form.

How do I know if I am a creditor of the Australian entity or a creditor of the New Zealand entity?

The Administrators are continuing to investigate the legal relationships between the various entities within Halifax and their investors. Once a determination of the status of creditors of each entity is made, we will communicate this to creditors accordingly.

For the purposes of the first meeting of creditors, all investors were admitted to vote for \$1 only according to the proxies which were received. **This was for voting purposes only and does not reflect a determination of the status of each creditor claim.**

Do I have to attend future creditors meetings?

As you may be a creditor of Halifax you are entitled to attend and vote at creditor meetings. However, you are not obliged to attend the meetings. If you wish to attend you may do so in person or nominate someone to attend on your behalf using a proxy form.

Your claim against Halifax is not prejudiced by your attendance or absence from future meetings of creditors.

If I have questions who should I call?

Please direct any queries to Link Market Services at halifax@linkmarketservices.com.au or 1300 910 051 (or +61 1300 910 051 outside of Australia).

What is ASIC doing?

The Administrators are working closely with ASIC to assist with their enquiries.

I have lost my user ID or account number. How do I obtain these details?

Your user ID or account number will be on the POD form provide by Link Market Services.

It is important that you complete a separate POD and proxy form for each account. Proxies and POD's which have not been completed on this basis will not be accepted.

Please contact Link Market Services (halifax@linkmarketservices.com.au or 1300 910 051 (Australia). + 61 1300 910 051 (overseas)) if you have not received these forms.