

FREQUENTLY ASKED QUESTIONS – INVESTORS OF HALIFAX NEW ZEALAND LIMITED

1. What happened to Halifax and why?
2. What is the Administrators' role?
3. What progress has been made by the Administrators since the first meeting of creditors? *
4. What is the status of my trading position?
5. Will I get my money back?
6. How long will the process take?
7. How do I "close out" my position?
8. Why are we no longer able to enter into new trades?
9. My investments were undertaken through integrated brokers into a segregated account. Is my money safe?
10. What will happen if I do not close out my position?
11. How will you deal with the fact that my position is moving daily based on market movements?
12. How are dividends treated? *
13. How do I access my account statements? *
14. I am having issues logging into my MT5 account? *
15. Why are investors also being called creditors?
16. I am a broker, will my commissions be paid?
17. Are the Administrators able to make a claim against the Directors professional indemnity insurance policy?
18. How do I know if am a creditor of the Australian entity or a creditor of the New Zealand entity?
19. What is the FMA doing?
20. Why do the Administrators believe that the convening period should be extended?
21. What happened at the first meeting of creditors?
22. What communications should I expect to receive?
23. What if I have not received email communication regarding the Administration?

** denotes this question has been added since the investor FAQ dated 13 December 2018*

1. What happened to Halifax and why?

Morgan Kelly, Phil Quinlan and Stewart McCallum were appointed Voluntary Administrators (**the Administrators**) of Halifax New Zealand Limited (**Halifax**) on 27 November 2018.

The Administrators have been appointed because the parent entity, Halifax Investment Services Pty Limited (Administrators Appointed) was placed in voluntary administration as it was having difficulties meeting its financial commitments.

2. What is the Administrators' 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 its 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.

3. 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 at the Watershed meeting.

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 all three platforms are affected. Accordingly, the process of tracing individual investor funds and entitlements will 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 regarding this.

In circumstances where Halifax is placed into liquidation at the Watershed meeting, an appointed liquidator 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 regarding our investigations to date
- 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.

4. What is the status of my trading position?

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.

As a result of the Administrators appointment, 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.

5. 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. The Administrators will continue to keep investors updated on the estimated timeframe for this process.

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

The Administrators have undertaken a preliminary review of the company's books and records to determine whether there is likely to be a deficiency in assets available to meet investor claims. Our initial review of this information has identified that there could be a deficiency of between \$15 - \$25 million. Please note that this is a preliminary analysis only and further work needs to be undertaken to determine the quantum of assets available to meet investor claims and the legal entitlements to those assets.

6. 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.

7. 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 however you don't have permission to enter into new trades. You will be able to close out your account, however as all investor accounts have been frozen, any funds resulting from closing out positions will not be able to be withdrawn from your account.

8. Why are we no longer able to enter into new trades?

As a result of the appointment of the Administrators, the Company has ceased to operate in the normal course and is unable to enter into new trades.

9. My investments were undertaken through integrated brokers into a segregated account. Is my money safe?

As part of the reconciliation of client funds, the Administrators are reviewing the legal relationships which exist between all parties including the various platforms, the company and investors. An element of this process will involve reviewing the implications of any funds which are held in segregated accounts through IB. At this stage, it is too early in the process to provide a definitive view on these legal relationships, however we will communicate with investors as soon as possible.

10. What will happen if I do not close out my position?

The Administrators are unable to provide investment advice. At this stage, all open positions continue to be subject to market movements until such time as they are closed. The Administrators have not taken any action to close positions at this stage and will continue to communicate with investors as and when anything changes in this regard.

11. How will you deal with the fact that my position is moving daily based on market movements?

The Administrators understand that in many cases, investor positions will be changing daily. The amounts you have entered on the POD claim forms for the purposes of this meeting are for voting purposes only and do not constitute your final claim in the administration. The Administrators will undertake a claim analysis as part of the reconciliation process and investors will be updated in due course.

If you have elected to leave your account open, any gains or losses made will be determined by the relevant Court in time.

12. 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.

13. 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 although are able to forward your request to a Halifax staff member who will assist.

14. How do I access 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.

15. Why are investors also being called creditors?

Some investors may be regarded as beneficiaries of a trust, the assets of which are the available pooled funds arising out of the segregated account. Any shortfall from the available pool where the beneficiaries rank *pari passu*, are likely to be unsecured claims against Halifax for any deficiency.

It may be the case that some investors are not creditors and are in fact debtors of Halifax.

16. I am a broker, will my commissions be paid?

All claims are subject to the moratorium imposed by the Companies Act. These commissions will be assessed when formal Proofs of Debts are called.

Unfortunately, advisors are ordinary unsecured creditors, they're not investors, so they will rank as ordinary unsecured creditors.

17. Are the Administrators able to make a claim against the Directors professional indemnity insurance policy?

As part of the Administration process, we will investigate any avenues available to recover funds on behalf of investors and creditors. This may include a review of any insurance policies in place. As this review has not yet been undertaken in its entirety, I am unable to advise of the likelihood of a claim being made under any policies.

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

As part of the reconciliation the Administrators are undertaking, we are reviewing the legal relationships between the Australian and New Zealand entities and their respective investors. Once we have determined the parties who appear to be creditors of each entity, we will communicate with those parties. However, should a creditor or investor believe they are a creditor of investor of either entity they should contact Ferrier Hodgson to submit an informal POD claim.

19. What is the FMA doing?

The Administrators are working closely with the FMA to assist with their enquiries.

20. Why do the Administrators believe that the convening period should be extended?

An extension of the convening period allows the Administrators to fully investigate Halifax NZ's circumstances to assess and report the options available to creditors at the Watershed meeting.

Given the complexity of the information available and the necessary processes to be undertaken, the Administrators believe that it is in creditors best interests to apply to extend the convening period because the Company:

- is inherently complex and will require the Administrators to undertake further investigations to fully understand the nature of its business.
- was party to transactions across different business lines involving a number of different trading platforms and accounts. It may be necessary for the Administrators to seek directions from the Court as to how to deal with and treat each category of clients.
- has related entities in other jurisdictions which the Administrators are investigating. This may also require direction from the Court.

21. What happened at the first meeting of creditors?

The first meeting of creditors was held in Auckland on 7 December 2018. The following resolutions were passed:

- Ratification of the appointment of the Administrators
- Appointment of a Committee of Inspection

22. What communications should I expect to receive?

On 29 November 2018, Link Market Services issued proofs of debt (POD) and proxy forms relating to each individual account via email to 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.

23. 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:	halifaxnz@linkmarketservices.com.au
New Zealand callers:	0800 729 276
Australian callers:	1300 910 051
Overseas callers:	+ 61 1300 910 05 1