

25 September 2020

CIRCULAR TO ELIGIBLE EMPLOYEE CREDITORS**ALL TRADES QUEENSLAND PTY LTD (ADMINISTRATORS APPOINTED) ACN 115 379 461****("THE COMPANY")**

I refer to the appointment of John Park and I, Joanne Dunn, as Joint and Several Administrators of the Company on 22 July 2020 and to the **enclosed** notice of the upcoming Reconvened Second Meeting of Creditors to be held on Friday, 9 October 2020 at 1:00PM (AEST).

The intention of this circular is to provide employees with information for the purposes of the meeting of only eligible employees of the Company, which is to be held on **Thursday, 8 October 2020 at 1:00PM (AEST)** (prior to the Reconvened Second Meeting of Creditors to be held on Friday, 9 October 2020 at 10:00AM). Such meeting of only the employees is a requirement under the *Corporations Act 2001 (Cth)* ("Act") where a Deed of Company Arrangement ("DOCA") is proposed which does not give to employees the same priority which they would receive in a liquidation.

This circular explains how the proposed DOCA impacts employees' entitlements and ongoing employment, and the alternate option of a liquidation and its impact on employees.

The full details of the future options available to the Company, the estimated return to creditors under the available options and the Administrators' recommendation, is provided in our supplementary report pursuant to Section 75-225 of the *Insolvency Practice Rules (Corporations) 2016* ("Supplementary Report").

The Supplementary Report will be available for download from our firm's website by **5:00PM on Friday, 25 September 2020** and can be accessed at the FTI Consulting Creditor Portal:

www.fticonsulting-asia.com/creditors/all-trades-queensland-pty-ltd

1. DEED OF COMPANY ARRANGEMENT (DOCA) PROPOSAL

What is a DOCA?

A DOCA is a formal agreement between a company, its creditors and the DOCA proponent.

The proponent is an interested party who wishes the creditors to consider their proposal – usually involving a compromise of creditors' claims as opposed to either winding up the company (liquidation) or returning the company to its director.

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Proposal for a DOCA

A DOCA has been proposed by RUI Management Pty Ltd (“the Proponent”), an entity related to the Company director Ian Johnson, and sponsored by Helmsman Funds Management Ltd as trustee for the Helmsman Capital Fund IIB (“HCFT”).

The DOCA Proposal does not include a Priority Provision. Instead, the DOCA Proposal provides for payment of all outstanding superannuation and for the payment of all entitlements of non-continuing employees and apprentices prior to execution of the DOCA.

Return under the proposed DOCA

The DOCA proposal provides for a return to priority creditors of 100 cents in the dollar as follows:

- **Continuing employees and apprentices:** The DOCA provides continuing employment for some, but not all of the existing ATQ staff and apprentices. Under the DOCA, employment contracts of continuing employees and apprentices will remain unchanged. The leave entitlements of continuing employees and apprentices will be preserved, and they will be able to take leave as and when they require it (subject to usual business requirements). Similarly, continuing employees and apprentices will not be able to make claims for redundancy or other termination entitlements in the DOCA as they will remain employed by ATQ.
- **Non-continuing employees and apprentices or apprentices:** The DOCA requires the Administrators to terminate non-continuing employees and apprentices prior to execution of the DOCA and to pay those non-continuing employees and apprentices their outstanding entitlements from funds held by the Deed Administrators. It is assumed sufficient cash at bank will be held to meet the payment of the employee entitlements of non-continuing employees and apprentices, including those who resigned prior to the execution of the DOCA. Non-continuing employees and apprentices will not have access to the Commonwealth Government’s Fair Entitlement Guarantee (“FEG”) Scheme safety net to claim for their employee entitlements as they would in a liquidation scenario.

Variation to priority entitlements

As a result of the above, the timing of the payment of employee and apprentice claims are necessarily separated into two categories:

1. Continuing employees and apprentices will receive payment of leave and other accrued entitlements as and when they take leave or accrue the entitlement; and
2. Non-continuing employees and apprentices will be paid their entitlements in one lump sum in the DOCA.

The deferment of the payment of entitlements of continuing employees and apprentices is a variation to the statutory priorities under Section 556 of the Act. We therefore **must** hold a separate meeting of eligible employee creditors to vote on this aspect of the proposed DOCA, in order for the DOCA Proposal to then be considered by all creditors, at the upcoming Reconvened Second Meeting of Creditors.

3. LIQUIDATION

In the alternate to a DOCA, creditors can resolve that the Company be wound up and placed into liquidation. Under a liquidation scenario, the Liquidators will immediately finalise sale transactions with two (2) interested parties, which will result in minimal disruption to the training contracts of the majority of apprentices and the transfer of employment for a small number of corporate staff.

Whilst it will be unfortunate, those staff not required under any sale transaction will have their employment terminated. It is evident from the information available, the ultimate outcome of the DOCA proposal is for the business to be wound down. Accordingly, the ongoing employment of staff by ATQ has a very limited lifespan, regardless of whether a DOCA is executed.

Should ATQ be wound up, employees will be able to lodge a claim under the FEG scheme (subject to certain FEG scheme eligibility criteria) for their entitlements.

4. APPRENTICE BACK PAY

Under both a DOCA or liquidation scenario, the Administrators, Deed Administrators (if appointed) or Liquidators (if appointed) will manage the payment of Back Pay from the Commonwealth's quarantined fund. Following the Reconvened Second Meeting of Creditors, an agreement with the Commonwealth will be reached setting out the process of how the quarantined fund will be managed and distributed to Back Pay creditors.

For avoidance of doubt, whether a DOCA or Liquidation scenario is in effect, there is no impact to payment of Back Pay owed to apprentices.

5. ADMINISTRATORS' RECOMMENDATION

The Administrators do not consider the DOCA Proposal is capable of execution for the following reasons:

- Uncertainty regarding the condition precedent of Westpac's approval;
- Unrealistic cashflow forecasts received supporting the DOCA Proposal;
- No evidence received to support a restructure of the business;
- It will result in a wind down of the business and ultimate termination of all staff;
- There is an insignificant return to unsecured creditors under a DOCA scenario.

For the above reasons, it is the Administrators' opinion that the non-inclusion of the Priority Provision would be unlikely to result in the same or a better outcome for eligible employee creditors as whole as compared to the result from an immediate winding up of the Company.

Further, it is not appropriate that the Voluntary Administration ends as the Company is insolvent.

It is the Administrators' view that a Liquidation scenario provides more certainty as to payment of outstanding entitlements for employees and apprentices (i.e. payment is subject to the timeframes of the FEG scheme).

In these circumstances, the Administrators consider that it is in the interests of the eligible employee creditors to vote against the non-inclusion of the Priority Provision in the DOCA and to vote to place the Company into Liquidation.

6. MEETING OF ELIGIBLE EMPLOYEE CREDITORS

Please find **attached** a notice of meeting of eligible employee creditors to be held on **Thursday, 8 October 2020 at 1:00PM (AEST)** using virtual meeting facilities. The purpose of the meeting is to:

- i. Discuss any queries regarding the various options for the future of the Company to be voted on at the reconvened second meeting of creditors; and
- ii. Obtain approval from eligible employee creditors to vary statutory priorities under Section 556 of the Act, as required by the DOCA proposal.

Due to government restrictions in place with COVID-19, this meeting will be held by electronic means only and there will be no physical meeting place available. I have **attached** detailed instructions on how to participate in the meeting.

Meeting forms will be available for download from the FTI Consulting Creditor Portal by **5:00PM (AEST) on Friday, 25 September 2020**:

- Meeting Registration Form;
- Proxy Form; and
- Proof of Debt Form.

SHOULD YOU WISH TO ATTEND THE MEETING OF ELIGIBLE EMPLOYEE CREDITORS, YOU MUST COMPLETE AND RETURN A MEETING REGISTRATION FORM TO MY OFFICE BY NO LATER THAN 1:00PM (AEST) WEDNESDAY, 7 OCTOBER 2020.

We encourage creditors to return all forms by email to ATQ@fticonsulting.com.

7. CONTACT DETAILS

The Administrators appreciate the ongoing support of employees during the Voluntary Administration. If you have any queries regarding this circular please do not hesitate to contact the Administrators' office via email at ATQ@fticonsulting.com or telephone on (07) 3225 4900.

Yours faithfully



Joanne Dunn
Administrator