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## Notice of Meeting

### Sound Diagnostics Pty Ltd (Administrators Appointed) ACN 116 377 201 (Sound Diagnostics or "the Company")

#### NOTICE PURSUANT TO SECTION 444DA(3) OF THE CORPORATIONS ACT 2001 (Cth) OF MEETING OF EMPLOYEE CREDITORS OF A COMPANY UNDER EXTERNAL ADMINISTRATION

- 1 Notice is now given that a meeting of the employees of Sound Diagnostics will be held virtually on **Monday, 17 August 2020 at 1.00 PM (ACST)**.
- 2 The meeting will be held virtually as a Zoom webinar and can be joined from a computer (preferred) or mobile device, given the recent government guidance regarding COVID-19 and social distancing measures. Questions can be typed or asked verbally within the webinar, or submitted via email or SMS. Voting will be conducted by taking a poll by an electronic survey accessible by computer or mobile device. Detailed instructions will be sent to registrants.
- 3 Should you wish to attend, please advise the Administrators at [zbradford@mcgrathnicol.com](mailto:zbradford@mcgrathnicol.com) and you will be provided with details prior to the meeting commencing.
- 4 This meeting is to occur before the second meeting of creditors convened under section 439A of the *Corporations Act 2001* (Cth) (**Act**), at which all creditors will be asked to consider a proposed Deed of Company Arrangement (**DOCA**).
- 5 The purpose of the meeting of employee creditors is to consider a resolution pursuant to section 444DA(2) of the Act that the DOCA **not** include a provision to the effect that, post completion of the DOCA, eligible employee creditors who continue to be employed by Sound Diagnostics will be entitled to a priority payment for leave entitlements from the DOCA in accordance with sections 556, 560 and 561 of the Act (**Priority Provision**).
- 6 The proposed DOCA sets out that eligible employees will continue their employment with Sound Diagnostics which will become subject to the DOCA. This means their employment is subject to the same terms and conditions outlined in their employment contract.
- 7 This means that it is proposed that claims for leave entitlements of eligible employee creditors of Sound Diagnostics will not be paid from the DOCA. Instead, such claims will be preserved and be paid by Sound Diagnostics in the ordinary course of its business. Similarly, eligible employee

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creditors who continue to be employed by Sound Diagnostics will not be able to make claims in the DOCA for redundancy or other termination entitlements.

- 8 All eligible employees, whether continuing in employment or otherwise, will have any outstanding superannuation paid through the DOCA in accordance with the standard Priority Provision.
- 9 It is the Administrators' opinion that the DOCA, without the Priority Provision, would be likely to result in a better outcome for eligible employee creditors as a whole than would result from an immediate winding up of Sound Diagnostics because of the following:
- a. The DOCA preserves the employment of almost all of the employees of Sound Diagnostics by maintaining the ongoing business.
  - b. It is anticipated that Sound Diagnostics would cease trading in a winding up scenario, which would result in the termination of all employees.
  - c. It is possible that there would be insufficient asset realisations in a winding up scenario to enable the payment of all employee entitlements in full.
  - d. Although the Fair Entitlements Guarantee (**FEG**) government assistance program might enable payment in a liquidation scenario of some or all of each employees' claim (subject to the program's usual eligibility requirements), we note the following:
    - i. the FEG program does not necessarily cover all entitlements;
    - ii. employees would no longer have ongoing employment in a liquidation scenario. However, under the proposed DOCA, employees will retain their employment; and
    - iii. if the DOCA proposal is voted for by a majority at the creditors' meeting convened under section 439A of the Act, is put in place, but later fails, Sound Diagnostics would then be placed into liquidation and employees would, at that time, have access to the FEG program (subject to the program's usual eligibility requirements).
- 10 The effect of *Insolvency Practice Rules (Corporations)* section 75-85 (entitlement to vote at meetings of creditors) is as follows:
- a. A person other than an employee creditor (or the employee creditor's proxy or attorney) is not entitled to vote at a meeting of employee creditors.
  - b. Subject to subsections (c) and (d), each employee creditor is entitled to vote and has one vote.
  - c. A person is not entitled to vote as an employee creditor at a meeting of employee creditors unless:
    - his or her debt or claim has been admitted wholly or in part by the external administrator; or
    - he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
      - (i) those particulars; or
      - (ii) if required—a formal proof of the debt or claim.
  - d. An employee creditor must not vote in respect of:



- an unliquidated debt; or
  - a contingent debt; or
  - an unliquidated or a contingent claim; or
  - a debt the value of which is not established;
- unless a just estimate of its value has been made.

- 11 Employees who have already lodged a proof of debt in the Administration are not required to lodge a new proof of debt.
- 12 If an employee is not available to attend the meeting of employees or second meeting of creditors they should appoint a person – a “proxy” – to vote on their behalf. The proxy form will allow employees to appoint a proxy for either one or both of the meetings. Proxies must be submitted by **5.00 PM (ACST) on Friday, 14 August 2020** by email to [zbradford@mcgrathnicol.com](mailto:zbradford@mcgrathnicol.com).

Dated: 7 August 2020

Rob Kirman  
*Administrator*