

22 February 2017

To Creditors

Dear Sir/Madam

**Australian Careers Institute Pty Ltd
(Administrators Appointed)
ACN 129 234 920
Trading as Sage Institute of Aged Care
Trading as Sage Institute of Education
Trading as Sage Institute of Massage
Trading as Sage Institute of Child Care
Trading as Sage Institute of Fitness**

**24 Hours Fitness Pty Ltd
(Administrators Appointed)
ACN 080 352 334**

**Cyberlife Pty Ltd
(Administrators Appointed)
ACN 074 986 897**

**Nexus Institute Pty Ltd
(Administrators Appointed)
ACN 112 916 944
Trading as WYN Institute**

**Cyberfit Pty Ltd
(Administrators Appointed)
ACN 085 356 618**

**ACN 162 266 668 Pty Ltd
(Administrators Appointed)
ACN 162 266 668
(Formerly known as
Sage Institute of Education Pty Ltd)**

**Cyberscene Pty Ltd
(Administrators Appointed)
ACN 074 770 013**

**The Institute Pty Ltd
(Administrators Appointed)
ACN 123 227 872**

(Collectively referred to as the 'Group')

As you are now aware, John Lindholm and I were appointed joint and several Voluntary Administrators of the Group (save for The Institute Pty Ltd) on 8 February 2017 pursuant to Section 436A of the Corporations Act 2001 **(the Act)**.

Subsequently, on 10 February 2017 we were appointed as Voluntary Administrators of The Institute Pty Ltd pursuant to Section 436A of the Act.

The Administrators have been constantly reviewing the operations of the Group and have implemented various initiatives to ensure its continued operation, including exploring the option of a potential Deed of Company Arrangement **(DOCA)**.

As part of this review, the Administrators identified that the Group did not have sufficient cash resources available to continue to trade during the Administration period without the support of an outside funder. This was on the basis that Westpac Banking Corporation exercised its statutory right of set off to retain funds on hand as at the date of appointment to secure its position in relation to facilities held by the Group.

On the basis that the Administrators are personally liable for all debts incurred by the Group entities following their appointment, the only viable option to trade on the business was to obtain funding from a third party in order to support the costs incurred during the Voluntary Administration period.

In this regard, the Administrators were approached through one of the directors of the Group by LK Group Investments Pty Ltd (LKG) who expressed an interest in providing funding to the Administrators in order to preserve the business with a view of proposing a Deed of Company Arrangement.

Accordingly, a funding agreement was entered into with LKG on 20 February 2017.

The funding agreement will enable the Group to continue to trade in the short term while the LK Group considers the formulation of a DOCA. The Administrators believe that it is in the best interests of all stakeholders, including employees, students, and creditors, that the Group continues to trade until a DOCA is reached.

The Administrators are of the view that the funding agreement allows the Administrators the opportunity to maximise the return to creditors as compared to a liquidation scenario as it allows:

- Employees and debts incurred during the administration to be paid;
- The Group to be sold/transferred as a going concern in the future; and,
- Students to continue to undertake their courses without disruption.

To date, no formal DOCA proposal has been received. However, the DOCA proposal once received will be presented to creditors in our report pursuant to Section 439A of the Corporations Act which will be issued during the week of 6 March 2017.

In accordance with the Corporations Act, the Administrators cannot contract out of the rules which stipulate that they are personally liable for all loans and liabilities incurred by the Group during the period of Administration. Accordingly, the Administrators instructed their solicitors to make an urgent application to the Federal Court in order to ratify the loan provided by the LKG which was provided on a non-recourse basis, thus removing the personal liability of the Administrators.

SYDNEY
MELBOURNE
ADELAIDE
BRISBANE
PERTH
KUALA LUMPUR
SINGAPORE

Affiliated through:
Zolfo Cooper
CARIBBEAN
UNITED STATES
KLC Kennic Lui & Co.
CHINA
HONG KONG

In compliance with Court Order VID127/2017, creditors are advised that, on 20 February 2017, the Federal Court of Australia approved the Administrators' application to enter into a funding agreement with LK Group Investments Pty Ltd. The material terms of the funding agreement are that:

- The LK Group will make available a facility of \$350,000 to the Group;
- The LK Group is entitled to an interest rate of 8 per cent per annum in respect of this amount; and,
- The Group is liable to repay the facility in the event that net realisations of the Group's assets are sufficient to repay all costs of the administration including the fees of the Voluntary Administrator and any subsequent Liquidator.

In reference to the above, please see find enclosed the Court Order. Please refer to our website for a copy of the Funding Agreement and relevant email correspondence.

Should you have any further queries in relation to this agreement, please do not hesitate to contact Harrison Bailey of this office via email at harrison.bailey@fh.com.au or on (03) 9604 5102.

Yours faithfully



George Georges
Voluntary Administrator



Federal Court of Australia

District Registry: Victoria

Division: General

No: VID127/2017

IN THE MATTERS OF SECTIONS 443A AND 447A OF THE *CORPORATIONS ACT* 2001 (CTH)

AND

**IN THE MATTER OF AUSTRALIAN CAREERS INSTITUTE PTY LTD
(ADMINISTRATORS APPOINTED) (ACN 129 234 920)**

**GEORGE GEORGES AND JOHN LINDHOLM AS ADMINISTRATORS OF
AUSTRALIAN CAREERS INSTITUTE PTY LTD (ADMINISTRATORS
APPOINTED) (ACN 129 234 920))**

Plaintiffs

ORDER

JUDGE: JUSTICE O'CALLAGHAN

DATE OF ORDER: 20 February 2017

WHERE MADE: Melbourne

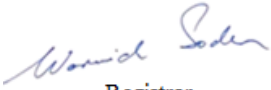
THE COURT ORDERS THAT:

1. Pursuant to s 447A of the *Corporations Act 2001* (Cth) (**Act**) Part 5.3A of the Act is to operate in relation to the companies referred to in the schedule to the originating process ('**Companies**') as if the personal liability of the Plaintiffs under s 443A of the Act for moneys borrowed under the funding agreement referred to in paragraph 39 of the affidavit of George Georges sworn 20 February 2017 as varied by the exchange of emails between David Newman of Maddocks and Ilya Fisher of Mayfair Legal sent on 20 February 2017 (**funding agreement**) was limited in the manner provided for in the funding agreement as varied.



2. By 4:30pm on 22 February 2017, the Plaintiffs:
 - (a) upload a copy of these orders, the funding agreement and the email variation exchange referred to in order 1 onto the Ferrier Hodgson website; and
 - (b) send a circular letter to creditors of the Companies (by email in respect of those Creditors who have informed the Plaintiffs that email is their preferred method of communication and by post in respect of all other known Creditors) informing them of the substance of these orders.
3. Liberty is reserved to any person including the Plaintiffs and any person affected by these orders to make application to modify or discharge them on not less than 48 hours' notice to the Plaintiffs.
4. The Plaintiffs' costs of the application are costs in the administration of the Companies.

Date that entry is stamped: 20 February 2017


Registrar