

## DIVIDENDS - FREQUENTLY ASKED QUESTIONS / REQUESTS (“FAQ’s”)

1. The business rescue practitioners (“BRPs”) have received a number of queries and/or requests in regard to the interim Distribution recently paid by the BRPs.
2. This document has been prepared to deal with the aforesaid queries and/or requests. Capitalised terms have the same meaning ascribed to them in the adopted business rescue plan (“Plan”) available at [Business Rescue Plan - Edcon Limited \(matusonassociates.co.za\)](https://www.matusonassociates.co.za).
3. FAQ’s

### **Q1: Why has Edcon made this payment?**

A1: During the Business Rescue of Edcon, you completed a claim form in respect of monies that were owed to you by Edcon prior to the Commencement Date (i.e. 29 April 2020). This is defined as a “*Pre-Commencement Claim*” in terms of the Plan.

You received the payment because:

- your Pre-Commencement Claim was not subject to any dispute;
- your Pre-Commencement Claim had been proved and accepted in writing by the BRPs; and
- you completed the online bank form available at [www.matusonassociates.co.za/edcon1/](https://www.matusonassociates.co.za/edcon1/).

The payment was based on the accepted Pre-Commencement Claim amount, as communicated in writing to you by the BRPs, and not on the original amount entered by you on the claim form.

The payment was an interim Distribution, it was not a final payment in terms of your Pre-Commencement Claim. The BRPs will be making further interim Distributions as and when proceeds are available for Distribution in accordance with the allocation mechanism and payment waterfall set out in paragraphs 22 and 30 of the Plan.

It is important to note that:

- Edcon’s Business Rescue proceeded in terms of a better return to Creditors than an immediate liquidation. This was achieved through the Sales Process (i.e. a sale of all of Edcon’s assets).
- As the proceeds from the sale of Edcon’s assets would be insufficient to pay all Creditors’ Claims in full, the BRPs developed an allocation mechanism to achieve an equitable sharing of the costs incurred and the proceeds generated during the Business Rescue.
- The result of the aforesaid is that the General Concurrent Creditors will receive a dividend of several cents in the Rand in Edcon’s Business Rescue, as opposed to zero cents in the Rand had Edcon been placed in liquidation.
- The estimated dividend provided in paragraph 27 of the Plan was based on the Wind-Down Process as the outcome of the Accelerated Sales Process was unknown at that stage.
- The BRPs anticipate that the estimated dividend that will ultimately be paid to the General Concurrent Creditors will not be less than 4 cents / Rand, subject to the risks recorded in paragraph 33 of the Plan.

Consequently, if your accepted Pre-Commencement Claim amount is R100.00 and the dividend is 4 cents in the Rand, you will ultimately receive R4.00 in respect of your Pre-Commencement Claim of R100 (i.e.  $R100 \times 0.04 = R4$ ).

The dividend will be paid to General Concurrent Creditors by way of interim Distributions as and when proceeds are available (i.e. it will not be made in one payment).

**Q2: Is this the only payment that I will receive / Is this the full payment from Edcon?**

A2: The payment was an interim Distribution of 1.5 cents in the Rand, it was not a final payment in terms of your Pre-Commencement Claim. The BRPs will be making further interim Distributions as and when proceeds are available for Distribution in accordance with the allocation mechanism and payment waterfall set out in paragraphs 22 and 30 of the Plan.

The BRPs anticipate that the estimated dividend that will ultimately be paid to the General Concurrent Creditors will not be less than 4 cents in the Rand, subject to the risks recorded in paragraph 33 of the Plan.

Consequently, if your accepted Pre-Commencement Claim amount is R100.00 and the total dividend is 4 cents in the Rand, you will ultimately receive R4.00 in respect of your Pre-Commencement Claim of R100 (i.e.  $R100 \times 0.04 = R4$ ).

By way of further illustration, if the estimated final dividend is 4 cents in the Rand and 1.5 cents has already been paid by way of an interim Distribution, General Concurrent Creditors can expect a further 2.5 cents to be paid by way of further Distributions:

Estimated final dividend	4c in the Rand on accepted Pre-Commencement Claim
Less: Interim Distribution	1.5c in the Rand on accepted Pre-Commencement Claim
Distributions still come	2.5c in the Rand on accepted Pre-Commencement Claim

**Q3: Why has Edcon not made full payment of the accepted claim amount?**

A3: Edcon's Business Rescue proceeded in terms of a better return to Creditors than an immediate liquidation. This was achieved through the Sales Process (i.e. a sale of all of Edcon's assets).

As the proceeds from the sale of Edcon's assets would be insufficient to pay all Creditors' Claims in full, the BRPs developed an allocation mechanism to achieve an equitable sharing of the costs incurred and the proceeds generated during the Business Rescue.

The result of the aforesaid is that the General Concurrent Creditors will receive a dividend in Edcon's Business Rescue, as opposed to zero cents in the Rand had Edcon been placed in liquidation.

The estimated dividend provided in paragraph 27 of the Plan was based on the Wind-Down Process as the outcome of the Accelerated Sales Process was unknown at that stage.

The BRPs anticipate that the estimated dividend that will ultimately be paid to the General Concurrent Creditors will not be less than 4 cents / Rand, subject to the risks recorded in paragraph 33 of the Plan.

Consequently, if your accepted Pre-Commencement Claim amount is R100.00 and the dividend is 4 cents in the Rand, you will ultimately receive R4.00 in respect of your Pre-Commencement Claim of R100 (i.e.  $R100 \times 0.04 = R4$ ).

The dividend will be paid to General Concurrent Creditors by way of interim Distributions as and when proceeds are available (i.e. it will not be made in one payment).

**Q4: Please provide a remittance / reconciliation of the payment made by Edcon.**

A4: The payment made by Edcon, being an interim Distribution, was 1.5 cents in the Rand in respect of the accepted Pre-Commencement Claim amount, as communicated in writing to you by the BRPs (i.e. not on the original amount entered by you on the claim form).

Consequently, the payment calculation is as follows:

*Accepted Pre-Commencement Claim x 0.015 = interim Distribution / payment made by Edcon*

**Q5: When is the next payment and how much will it be?**

A5: The BRPs will be making further interim Distributions as and when proceeds are available for Distribution in accordance with the allocation mechanism and payment waterfall set out in paragraphs 22 and 30 of the Plan.

Creditors will be advised of further interim Distributions which the BRPs intend on making by way of the update reports and/or notices circulated to Affected Persons.

**Q6: Is this the only payment that will be received?**

A6: No. The payment was an interim Distribution of 1.5 cents in the Rand, it was not a final payment in terms of your Pre-Commencement Claim. The BRPs will be making further interim Distributions as and when proceeds are available for Distribution in accordance with the allocation mechanism and payment waterfall set out in paragraphs 22 and 30 of the Plan.

The BRPs anticipate that the estimated dividend that will ultimately be paid to the General Concurrent Creditors will not be less than 4 cents in the Rand, subject to the risks recorded in paragraph 33 of the Plan.

By way of illustration, if the estimated final dividend is 4 cents in the Rand and 1.5 cents has already been paid by way of an interim Distribution, General Concurrent Creditors can expect a further 2.5 cents to be paid by way of further Distributions:

Accepted Pre-Commencement Claim:	R100.00
Interim Distribution (R100.00 x 1.5 cents in the Rand):	R1.50
Further Distributions (R100.00 x 2.5 cents in the Rand):	R2.50
Total estimated dividend (R100.00 x 4 cents in the Rand):	R4.00

**Q7: We do not accept the dividend payment of 4c in the Rand.**

A7: The payment of the dividend is not an offer subject to acceptance. It is a payment in accordance with the provisions of the Plan.

Creditors are only entitled to payment in accordance with the provisions of the Plan. In this regard, the Plan details how the proceeds generated during the Business Rescue are allocated. The Plan is statutorily binding on Edcon, its Creditors and shareholder.

Edcon's Business Rescue proceeded in terms of a better return to Creditors than an immediate liquidation. This was achieved through the Sales Process (i.e. a sale of all of Edcon's assets).

As the proceeds from the sale of Edcon's assets would be insufficient to pay all Creditors' Claims in full, the BRPs developed an allocation mechanism to achieve an equitable sharing of the costs incurred and the proceeds generated during the Business Rescue.

The result of the aforesaid is that the General Concurrent Creditors will receive a dividend of several cents in the Rand in Edcon's Business Rescue, as opposed to zero cents in the Rand had Edcon been placed in liquidation.

The estimated dividend provided in paragraph 27 of the Plan was based on the Wind-Down Process as the outcome of the Accelerated Sales Process was unknown at that stage.

The BRPs anticipate that the estimated dividend that will ultimately be paid to the General Concurrent Creditors will not be less than 4 cents / Rand, subject to the risks recorded in paragraph 33 of the Plan.

In terms of the Plan, Creditors will retain their Claims against Edcon for any balance that may still be due to them by Edcon after the final Distribution. However, there will be no assets remaining in Edcon after Substantial Implementation.