

Australian General Practice Network

Transition due diligence
checklist for Divisions of
General Practice to
establish Medicare Locals

TRANSITION DUE DILIGENCE

Disclaimer

The term 'due diligence' is defined for the purposes of this checklist as taking every step possible to identify, assess and address pre-integration issues prior to transition to a Medicare Local.

The 'due diligence' is aimed to explore what is unknown about each Party involved in establishing a Medicare Local, to test what is considered 'known', and to identify and assess all relevant legal, commercial and other relevant risks and issues.

The term 'due diligence' for this checklist is not within the definition of assurance or other standards issued by the Australian Auditing and Assurance Board.

Contents

| | | |
|--------|--|----|
| 1 | About this document | 1 |
| 2 | Key elements of pre-integration due diligence | 3 |
| 2.1 | Knowing your equity partner organisation | 3 |
| 2.1.1 | Corporate structure, regulations and taxation arrangements | 4 |
| 2.1.2 | Financial Information | 8 |
| 2.1.3 | Employee Information, and human resource and payroll functions | 10 |
| 2.1.4 | Material contracts, agreements and legal matters | 12 |
| 2.1.5 | Funding arrangements | 14 |
| 2.1.6 | Licenses, registrations, certifications and accreditations | 15 |
| 2.1.7 | Property | 16 |
| 2.1.8 | Information Technology | 17 |
| 2.1.9 | Confidential Information | 18 |
| 2.1.10 | Environmental and Safety Matters | 19 |
| 2.1.11 | Service delivery functions | 20 |
| 2.2 | Setting up a new company | 21 |
| 2.2.1 | Choosing a company name | 22 |
| 2.2.2 | Constitution | 23 |
| 2.2.3 | Obtaining consent | 24 |
| 2.2.4 | Completing and lodging an application | 25 |
| 2.2.5 | Registering for Goods and Services Tax | 26 |
| 2.2.6 | Tax concessions | 27 |
| 2.3 | Changing the Constitution of your existing company | 28 |
| 2.3.1 | Obtaining consent or approval of third party | 29 |
| 2.3.2 | Special resolution to modify the company Constitution | 30 |
| 2.3.3 | New legal, regulatory or compliance obligations | 31 |
| 2.4 | Transfer of assets | 32 |
| 2.4.1 | Asset transfers – specific areas to consider | 33 |
| 2.4.2 | Asset transfers – legal matters | 34 |
| 2.4.3 | Asset transfers – taxation implications | 35 |
| 2.5 | Wind up | 36 |
| 2.5.1 | Wind up of existing company after asset transfer | 36 |

1 About this document

This document on Divisions of General Practice pre-integration due diligence is to assist Divisions or General Practice Networks (GPN) identify and address important areas relative to each party proposing to establish a Medicare Local.

The series of checklists included in this document are available to help parties obtain as much information as possible about your proposed new equity partner/s to better inform your decision of integration, and to assist you meet your regulatory requirements as you transition to a Medicare Local.

Importantly, the series of checklists will also assist you in identifying the risks, benefits and liabilities of each party you are proposing to establish your Medicare Local with.

For the purposes of this checklist, an equity partner organisation (referred to as “Party” throughout the series of checklists) represents individual Divisions, GPN’s or other organisations that will merge, integrate or join you to become a Medicare Local.

Due diligence is the process by which an entity or entities evaluates another entity or entities for acquisition or merger. In this context, the GPN or GPNs involved in the due diligence process will undertake a due diligence to evaluate the strategic and operational functions of each Party. This will help identify potential business risks, conflicts or integration constraints, and by using a targeted series of questions the key concerns are explored and answered within the context of a level of materiality. Such a process requires a balance between the assessments of historical past performance with the intended future direction of each Party

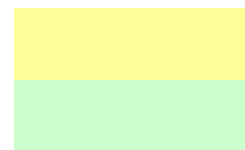
The series of checklists are colour-coded across the top of each page according to the transition model applicable, as follows:

| | Model | Checklist(s) colour-code |
|---|---|---------------------------------|
| 1 | An existing company limited by guarantee is ‘converted’ into the Medicare Local. This is likely to involve a change to the company’s name, constitution, membership structure and membership, and board structure and board composition. | |
| 2 | A new company limited by guarantee is incorporated to be the Medicare Local, and the GPN will (i) transfer the relevant things to the new company and then wind up , or (ii) become a wholly-owned subsidiary of the Medicare Local prior to being wound up . | |
| 3 | A new company limited by guarantee is incorporated to be the Medicare Local, and the GPN will (i) transfer the relevant things to the new company and remain in | |

| | | |
|--|---|--|
| | existence following the transition, or (ii) become a wholly-owned subsidiary of the Medicare Local and remain in existence following the transition. | |
|--|---|--|

Disclaimer

This document is intended as a guide only. As there are a number of different ways to carry out a pre-integration due diligence, AGPN does not seek to impose the checklists as a requirement. Each integration will be different and should be approached from its unique perspective, taking into account individual factors such as the particular circumstances of the participating Parties, the proposed governance structure and operating arrangements for the Medicare Local, and the intended transition structure and transition timetable. Tailored legal advice in due diligence matters is a necessary element of any merger and integration.



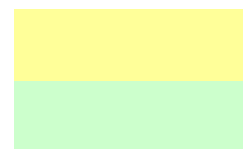
2 Key elements of pre-integration due diligence

2.1 Knowing your equity partner organisation

Understanding your equity partner organisation (now referred to as “Party”) through a due diligence process will assist in reducing legal, commercial and other relevant risks inherent in an integration, merger or acquisition.

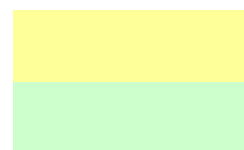
Areas included in component 2.1 of this checklist are:

- 2.1.1 Corporate structure, regulations and taxation arrangements
- 2.1.2 Financial information
- 2.1.3 Employee information, and human resource and payroll functions
- 2.1.4 Material contracts, agreements and legal matters
- 2.1.5 Funding arrangements
- 2.1.6 Licenses, registrations and certifications
- 2.1.7 Property
- 2.1.8 Information technology
- 2.1.9 Confidential information
- 2.1.10 Environmental and safety matters
- 2.1.11 Service delivery functions

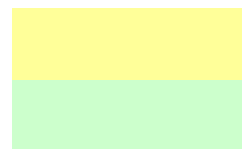


2.1.1 Corporate structure, regulations and taxation arrangements

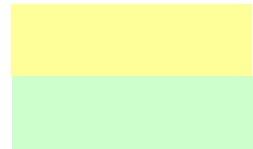
| Checklist | Yes * | No ** | Action Plan Needed |
|---|--|-------|--------------------|
| <p>* Information available and no issues identified. No Action Plan needed **Information available and issues identified, or information not available. Action Plan needed</p> | | | |
| <p><i>Understand the corporate structure and regulatory environment of the party to identify regulatory areas that need to be addressed during transition</i></p> | | | |
| 1 | Enquire as to the corporate structure of the Party e.g. company, partnership, trust and obtain corporate structure diagram. | | |
| 2 | Obtain: <ul style="list-style-type: none"> • If company <ul style="list-style-type: none"> – articles of incorporation, constitution and share register – company search from the Australian Securities and Investment Commission (ASIC) outlining share holdings, directorships, related parties, filings – corporate register outlining formation and operation details, filings with ASIC, charters, operating agreements, resolutions, meeting minutes and similar documents • If partnership, trust or other entity <ul style="list-style-type: none"> – partnership / trust bylaws, operating agreements, charters and similar documents | | |
| 3 | Obtain all agreements among members of the Party relating to management, ownership, or control of | | |



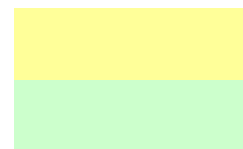
| Checklist | Yes * | No ** | Action Plan Needed | |
|---|--|-------|--------------------|--|
| * Information available and no issues identified. No Action Plan needed | | | | |
| **Information available and issues identified, or information not available. Action Plan needed | | | | |
| | the Party. | | | |
| 4 | Enquire as to corporate regulatory bodies to which the Party must comply. | | | |
| 5 | Enquire as to the completeness of record books and lodgement of all regulatory documents with applicable regulatory bodies. | | | |
| 6 | Obtain copies of all material governmental and health permits, accreditations, licenses, authorisations and related correspondence and reports with the governmental or accrediting agency. | | | |
| <i>Understand arrangements and agreements with parties to identify legal areas that need to be addressed during transition</i> | | | | |
| 7 | Enquire as to transactional agreements and arrangements with each Party, including: <ul style="list-style-type: none"> • profit share arrangements / dividends / distributions • loans / drawings, and outstanding loan balances and their repayment terms | | | |
| 8 | Enquire as to the Party's interests in subsidiaries, partnerships, trusts or other entities. | | | |
| 9 | Enquire as to transactions with related subsidiaries, partnerships, trusts or other entities such as loans, other contracts or commitments. | | | |
| 10 | Enquire as to arrangements and agreements relating to working capital (financing, borrowings) and consider: | | | |



| Checklist | Yes * | No ** | Action Plan Needed | |
|--|---|-------|--------------------|--|
| * Information available and no issues identified. No Action Plan needed **Information available and issues identified, or information not available. Action Plan needed | | | | |
| <ul style="list-style-type: none"> • whether secured or unsecured • bank facility arrangements • credit agreements • guarantees • letters of credit | | | | |
| <i>Understand taxation arrangements to identify taxation issues that need to be addressed during transition</i> | | | | |
| 11 | Enquire as to the Party's taxation arrangements with the Australian Taxation Office and other taxation authorities, including: <ul style="list-style-type: none"> • income tax • GST • PAYG • Withholding • Payroll tax • Fringe benefits tax | | | |
| 12 | Identify and obtain most recent tax returns and statements, and enquire as to lodgement in a timely manner. | | | |
| 13 | Enquire as to any outstanding taxation obligations and, if outstanding, whether an agreement exists with the ATO for repayment. | | | |
| 14 | Obtain copies of all recent correspondence, reports, and notices relating to any taxation arrangements, | | | |

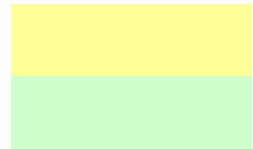


| Checklist | Yes * | No ** | Action Plan Needed | |
|--|--|-------|--------------------|--|
| * Information available and no issues identified. No Action Plan needed | | | | |
| **Information available and issues identified, or information not available. Action Plan needed | | | | |
| | disputes or assessments with the ATO and other taxation authorities. | | | |

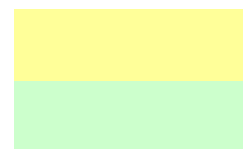


2.1.2 Financial Information

| Checklist | | Yes * | No ** | Action Plan Needed |
|--|---|-------|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed | | | | |
| **Information available and issues identified, or information not available. Action Plan needed | | | | |
| <i>Understand the party's financial performance, financial position and working capital arrangements to identify any financial areas of concern</i> | | | | |
| 1 | Obtain the Party's audited financial statements for the last 3 years (unaudited if audited financials are unavailable) | | | |
| 2 | Obtain the Party's current income statements, financial or operating budgets and projections: <ul style="list-style-type: none"> Analyse individual components of operating expenses (salaries, wages, benefits, property, insurance, general, administrative) and income (consulting fees) | | | |
| 3 | Obtain the Party's current trial balance: <ul style="list-style-type: none"> Obtain details of cash such as bank account details, bank statements and relevant banking information. Obtain accounts receivable ageing records, and enquire as to collection processes and follow-up of aged receivables identified. Obtain details of inventory (supplies) on hand Obtain accounts payable ageing records, and enquire as to payment terms. | | | |
| 4 | Obtain the Party's current cash flow projections. Enquire as to major cash | | | |

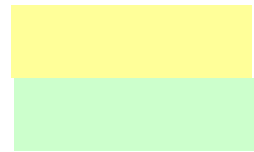


| Checklist | Yes * | No ** | Action Plan Needed |
|---|--|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed | | | |
| **Information available and issues identified, or information not available. Action Plan needed | | | |
| | inflows and outflows, and financing facilities available where cash deficits identified. | | |

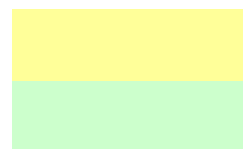


2.1.3 Employee Information, and human resource and payroll functions

| Checklist | | Yes * | No ** | Action Plan Needed |
|--|--|-------|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed | | | | |
| **Information available and issues identified, or information not available. Action Plan needed | | | | |
| <i>Understand the party's employee information, and human resource and payroll functions to identify employment conditions, compensation arrangements and employment related regulatory requirements that may need addressing prior to transition</i> | | | | |
| 1 | Obtain a list of all officers and employees (including their positions), details of their compensation (cash salary, cars, bonus), status (full-time, part-time), and employment contracts. | | | |
| 2 | Enquire as to details of any oral or other agreements existing with officers and employees. | | | |
| 3 | Enquire as to the existence of arrangements with any independent providers. If so, obtain contracts and determine how they are billed / compensated. | | | |
| 4 | Enquire as to the existence of employment conditions such as workplace agreements, occupational health & safety (OHS) requirements. | | | |
| 5 | Obtain details of other regulatory compensation requirements (local, state and national) such as Workers Compensation Insurance and Superannuation Guarantee. Enquire whether payments / premiums are up-to-date. | | | |
| 6 | Enquire as to the existence of any labour disputes, and obtain any correspondence, memoranda or notes | | | |

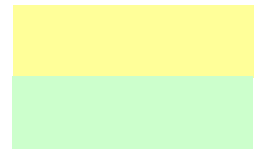


| Checklist | Yes * | No ** | Action Plan Needed |
|---|--|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed | | | |
| **Information available and issues identified, or information not available. Action Plan needed | | | |
| | relating to the dispute. | | |
| 7 | Understand the business support, processes and functions required for human resources and payroll. | | |

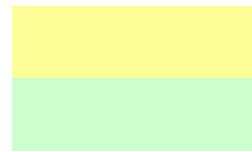


2.1.4 Material contracts, agreements and legal matters

| Checklist | Yes * | No ** | Action Plan Needed |
|--|--|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed **Information available and issues identified, or information not available. Action Plan needed | | | |
| <i>Understand material contracts and agreements to identify legal areas within the agreements that need to be addressed during transition</i> | | | |
| 1 | Obtain copies of all material contracts and agreements to which the Party is bound, such as: <ul style="list-style-type: none"> • Medical supplies and supply • Maintenance and service • Leases of property and equipment • Deeds and title policies relating to owned property • Loans, financing, guarantees, mortgages, deeds of trust, security agreements • Supplier and procurement • Real estate • Insurance | | |
| <i>Understand legal matters, contingencies and litigation to identify whether legal matters exist that need to be addressed during transition</i> | | | |
| 2 | Enquire as to the existence of pending or threatened claim to which the Party is aware. Obtain representation from the Party's legal advisor as to the status of the pending or threatened claim | | |
| 3 | Obtain a history of the Party's claims including: | | |

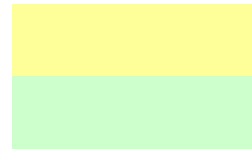


| Checklist | | Yes * | No ** | Action Plan Needed |
|---|---|-------|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed | | | | |
| **Information available and issues identified, or information not available. Action Plan needed | | | | |
| | <ul style="list-style-type: none"> Professional liability / medical malpractice Workers compensation Other | | | |
| 4 | Obtain any reports of investigations by any government agency or intermediary of the Party or Party's. | | | |
| 5 | Obtain correspondence between the Party and their legal advisors | | | |
| <i>Understand insurance and liability to identify particular policy issues that need to be addressed during transition</i> | | | | |
| 6 | Obtain a schedule or copies of all material insurance policies of the Party's medical indemnity, property, liabilities and operations. | | | |



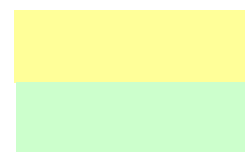
2.1.5 Funding arrangements

| Checklist | Yes * | No ** | Action Plan Needed |
|--|---|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed **Information available and issues identified, or information not available. Action Plan needed | | | |
| 1 | Obtain details of the terms of any existing or draft funding arrangements such as 'clawback provisions', disclosure and consent obligations, rights of termination. | | |



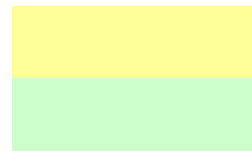
2.1.6 Licenses, registrations, certifications and accreditations

| Checklist | Yes * | No ** | Action Plan Needed |
|--|---|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed **Information available and issues identified, or information not available. Action Plan needed | | | |
| 1 | Enquire as to the status of all registrations, licences, certifications and accreditations including medical licences, party and medical staff memberships. | | |



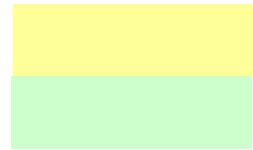
2.1.7 Property

| Checklist | | Yes * | No ** | Action Plan Needed |
|---|--|-------|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed | | | | |
| **Information available and issues identified, or information not available. Action Plan needed | | | | |
| <i>Understand the property, plant and equipment of the Party to identify whether any issues regarding it's condition or ownership exists</i> | | | | |
| 1 | Obtain the fixed asset register that details original purchase price, purchase date, depreciation method used and depreciation rate used. | | | |
| 2 | Conduct an asset stock take to identify the ownership and condition of fixed assets | | | |
| 3 | Obtain details of property, plant and equipment leased (including business premises), leasing terms and outstanding lease payments. | | | |
| 4 | Obtain insurance and title details for property, plant and equipment. | | | |
| 5 | Obtain details of all trademarks, service marks, trade names, copyrights and patents that relate to the party's operations, including documents relating to their registration such as registration certificates and applications. | | | |



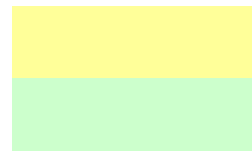
2.1.8 Information Technology

| Checklist | Yes * | No ** | Action Plan Needed | |
|--|--|-------|--------------------|--|
| * Information available and no issues identified. No Action Plan needed **Information available and issues identified, or information not available. Action Plan needed | | | | |
| 1 | Obtain a listing of the Party's information technology, system software and operating systems, and understand how each system supports the Party's operations. | | | |
| 2 | Obtain details of computer information systems and software licence and lease arrangements, including cost, terms and conditions. | | | |



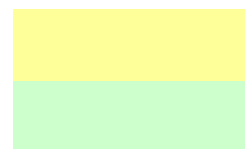
2.1.9 Confidential Information

| Checklist | Yes * | No ** | Action Plan Needed |
|--|--|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed **Information available and issues identified, or information not available. Action Plan needed | | | |
| 1 | Enquire as to the obligations of confidence and privacy to which the Party is subject. | | |



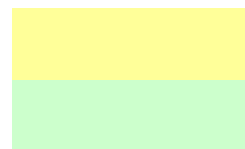
2.1.10 Environmental and Safety Matters

| Checklist | Yes * | No ** | Action Plan Needed |
|--|--|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed **Information available and issues identified, or information not available. Action Plan needed | | | |
| 1 | Enquire as to the Party's receipt of all required approvals of governmental authorities (including licences and permits) related to environmental, health and safety laws. | | |
| 2 | Enquire as to the Party's liability or potential liability for damage to property, or injury to any employee or patient under any environmental, health and safety law. | | |
| 3 | Obtain copies of records and documents regarding the Party's use of pharmaceuticals, and processes to manage their safe use. | | |



2.1.11 Service delivery functions

| Checklist | | Yes * | No ** | Action Plan Needed |
|--|---|-------|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed | | | | |
| **Information available and issues identified, or information not available. Action Plan needed | | | | |
| <i>Understand service delivery responsibilities to identify issues with operating arrangements that need to be addressed during transition</i> | | | | |
| 1 | Obtain information on any services delivered by the Party, for example after hours medical services, general practice business support, IT support | | | |
| 2 | Clarify whether services are provided by the Party, a subsidiary company or separate company | | | |
| <i>Understand joint ventures / alliances to identify particular joint venture / alliance agreement issues that need to be addressed during transition</i> | | | | |
| 3 | <p>Enquire as to joint venture / alliance relationships, agreements and arrangements, such as:</p> <ul style="list-style-type: none"> • Diagnostic companies eg pathology, imaging • Pharmaceutical companies • Health service providers eg allied health professionals, state/territory governments • Medical equipment suppliers, including ICT • Teaching and research eg universities, General Practice training organisations | | | |



2.2 Setting up a new company

At this stage of the transition process, you will have identified your equity partner/s and will be ready to establish the governing structure of your Medicare Local.

Each Medicare Local will be required to operate as a company limited by guarantee.

This means that the new company will be registered as a public company limited by guarantee. Limited by guarantee means that the liability of the company's members is limited to the amount the members undertake to contribute to the property of the company if it is wound up.

Each Medicare Local company will therefore be registered under the *Corporations Act 2001* (Corporations Act), which is Commonwealth legislation administered by the Australian Securities and Investments Commission (ASIC).

We recommend that you also obtain legal advice with respect to the areas included in this component of the checklist.

Areas included in component 2.2 of this checklist are:

2.2.1 Choosing a company name

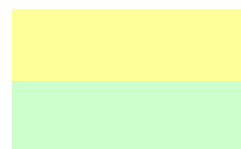
2.2.2 Constitution

2.2.3 Obtaining consent

2.2.4 Completing and lodging an application

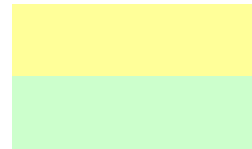
2.2.5 Registering for Goods and Services Tax

2.2.6 Tax concessions



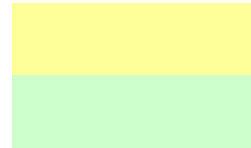
2.2.1 Choosing a company name

| Checklist | | Yes * | No ** | Action Plan Needed |
|---|---|-------|-------|--------------------|
| * No issues identified. No Action Plan needed | | | | |
| ** Issues identified. Action Plan needed | | | | |
| <i>Company name must indicate its legal status</i> | | | | |
| 1 | The company name must end with the word 'Limited' or the abbreviation 'Ltd' | | | |
| <i>Determining your company name</i> | | | | |
| 2 | Search the National Names Index on ASIC's website (www.asic.gov.au) to check that the proposed company name is not already registered to a company or business | | | |
| 3 | Search Schedule 6 of the Corporations Regulations on ASIC's website to check that the proposed company name does not include words that cannot be used without special approval | | | |
| 4 | Reserve a name by complementing and lodging with ASIC Form 410 Application for reservation of a name (optional) | | | |



2.2.2 Constitution

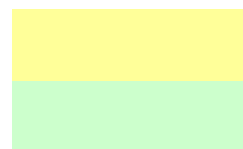
| Checklist | Yes * | No ** | Action Plan Needed |
|---|--|-------|--------------------|
| * No issues identified. No Action Plan needed ** Issues identified. Action Plan needed | | | |
| <i>The company's internal governance</i> | | | |
| 1 | Decide whether the company will be internally managed under (i) the replaceable rules in the Corporations Act, (ii) its own Constitution, or (iii) a combination of both | | |
| 2 | If your company adopts a Constitution or a combination of replaceable rules and Constitution, a copy must be lodged with ASIC when applying to register the company. | | |



2.2.3 Obtaining consent

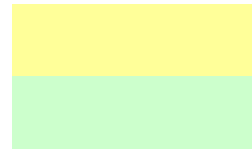
| Checklist | | Yes * | No ** | Action Plan Needed |
|---|--|-------|-------|--------------------|
| * No issues identified. No Action Plan needed | | | | |
| ** Issues identified. Action Plan needed | | | | |
| 1 | Prior to applying for registration, consent must be obtained in the form of written approval from: <ul style="list-style-type: none"> • Each director (must be over the age of 18) • Secretary (must be over the age of 18) • Each member (must have at least one member) | | | |

Note : A public company limited by guarantee (i) must have at least three directors and at least one secretary and (ii) members are liable as contributories on a winding up of the company and therefore must agree in writing to the amount of 'guarantee' they will pay.



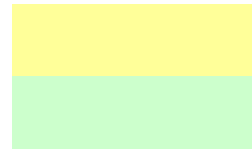
2.2.4 Completing and lodging an application

| Checklist | | Yes * | No ** | Action Plan Needed |
|---|---|-------|-------|--------------------|
| * No issues identified. No Action Plan needed | | | | |
| ** Issues identified. Action Plan needed | | | | |
| 1 | Obtain Form 201 Application for registration as a company from the ASIC website, complete and lodge with the Australian Securities and Investments Commission with the correct fee. | | | |
| 2 | In completing your application, you must decide on a registered office and principal place of business for the Medicare Local to operate from | | | |



2.2.5 Registering for Goods and Services Tax

| Checklist | Yes * | No ** | Action Plan Needed |
|---|--|-------|--------------------|
| * No issues identified. No Action Plan needed ** Issues identified. Action Plan needed | | | |
| 1 | Notify the Australian Taxation Office of the Medicare Local company's public officer and obtain an ABN and register for Goods and Services Tax | | |



2.2.6 Tax concessions

| Checklist | Yes * | No ** | Action Plan Needed | |
|---|--|-------|--------------------|--|
| * No issues identified. No Action Plan needed ** Issues identified. Action Plan needed | | | | |
| 1 | Check with tax advisors regarding tax concession eligibility for the following: <ul style="list-style-type: none"> • Income tax concessions • Fringe benefits tax concessions • Deductible gift recipient status • Various other concessions, including stamp duty and GST | | | |



2.3 Changing the Constitution of your existing company

This will only be applicable if your GPN already operates within a company limited by guarantee. You may need to change your company's Constitution to reflect the internal governance changes necessary to operate as a Medicare Local.

There may also be tax implications regarding a constitution change. We recommend that you also consult your taxation and legal advisors with respect to the areas included in this component of the checklist.

Once the Constitution is finalised

A modification or repeal of a company's Constitution requires a special resolution by which a meeting is held of the company's members.

Areas included in component 2.3 of this checklist are:

2.3.1 Obtaining consent or approval of third party

2.3.2 Special resolution to modify the company Constitution

2.3.3 New legal, regulatory or compliance obligations



2.3.1 Obtaining consent or approval of third party

| Checklist | | Yes * | No ** | Action Plan Needed |
|---|---|-------|-------|--------------------|
| * No issues identified. No Action Plan needed | | | | |
| ** Issues identified. Action Plan needed | | | | |
| 1 | Check whether contracts exist that require third party consent to change the company's name or amend its Constitution | | | |



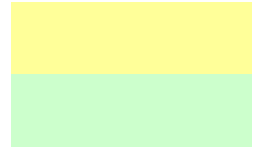
2.3.2 Special resolution to modify the company Constitution

| Checklist | | Yes * | No ** | Action Plan Needed |
|---|---|-------|-------|--------------------|
| * No issues identified. No Action Plan needed | | | | |
| ** Issues identified. Action Plan needed | | | | |
| Calling a special resolution meeting | | | | |
| 1 | Notice of meeting is sent to members 21 days before the meeting is to be held – materials to be distributed with the notice include copies of the new Constitution and an Explanatory Memorandum. | | | |
| General requirements for passing resolutions | | | | |
| 2 | The resolution is passed at a meeting which is properly convened and satisfies the quorum requirements. | | | |
| 3 | The resolution is entered in the corporate books of the company within one month after the meeting is held. | | | |
| 4 | The minutes of the meeting must be signed by the chair of the meeting at which the resolution was passed. | | | |
| Notifying ASIC | | | | |
| 5 | For a public company only, <i>Form 205 Notification of Resolution</i> has been completed and lodged. | | | |



2.3.3 New legal, regulatory or compliance obligations

| Checklist | | Yes * | No ** | Action Plan Needed |
|---|---|-------|-------|--------------------|
| * No issues identified. No Action Plan needed | | | | |
| ** Issues identified. Action Plan needed | | | | |
| 1 | Enquire with legal advisors as to the existence of any new legal, regulatory or compliance requirements arising as a result of the asset transfer | | | |



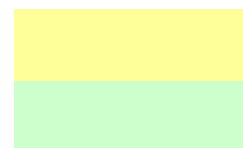
2.4 Transfer of assets

Areas included in component 2.4 of this checklist are:

2.4.1 Asset transfers – specific areas to consider

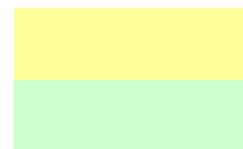
2.4.2 Asset transfers – legal matters

2.4.3 Asset transfers – taxation implications



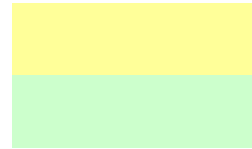
2.4.1 Asset transfers – specific areas to consider

| Checklist | | Yes * | No ** | Action Plan Needed |
|---|---|-------|-------|--------------------|
| * Information available and no issues identified. No Action Plan needed | | | | |
| **Information available and issues identified, or information not available. Action Plan needed | | | | |
| 1 | Obtain an asset register detailing all assets to be transferred. The register should detail the following information: <ul style="list-style-type: none"> • Original purchase price • Purchase date • Depreciation method and rate used • Effective life of the asset • Written down value | | | |
| 2 | Conduct an asset stock take of assets to be transferred to check ownership and condition | | | |
| 3 | Identify assets that are leased and: <ul style="list-style-type: none"> • Obtain lease agreements • Identify leasing terms, arrangements and whether the lease can be transferred / re-assigned | | | |
| 4 | Obtain details of insurance policies applicable to the assets being transferred, including: <ul style="list-style-type: none"> • Policy details • Premium payments outstanding • Whether the insurance policy can be transferred / re-assigned | | | |



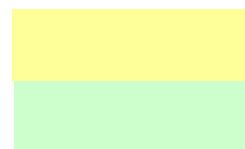
2.4.2 Asset transfers – legal matters

| Checklist | Yes * | No ** | Action Plan Needed | |
|---|---|-------|--------------------|--|
| * No issues identified. No Action Plan needed ** Issues identified. Action Plan needed | | | | |
| <i>Legal and contract documentation</i> | | | | |
| 1 | Draft legal documentation with your legal advisors to affect the sale / transfer of relevant assets which the Medicare Local needs, to the Medicare Local. This could include: <ul style="list-style-type: none"> • sale of business agreement that addresses business and assets to be bought / sold, purchase consideration, transitioning, employees, contracts, warranties, post-completion obligations; • conditions precedent / third party consents • an asset transfer agreement or deed; • deed to novate/assign material contracts to the Medicare Local; • employee resignations and employment contracts; and • real property transfers | | | |
| 2 | Obtain details of contracts and other arrangements existing with the Party to identify issues arising in light of the proposed asset transfer (ability to assign or novate the contract, rights of termination, 'change in control' clauses, consent requirements) | | | |



2.4.3 Asset transfers – taxation implications

| Checklist | | Yes * | No ** | Action Plan Needed |
|---|---|-------|-------|--------------------|
| * No issues identified. No Action Plan needed | | | | |
| ** Issues identified. Action Plan needed | | | | |
| 1 | <p>Check with tax advisors regarding taxation implications resulting from the transfer of assets from the Party to the Medicare Local, such as:</p> <ul style="list-style-type: none"> • Capital gains tax • Goods and services tax • Stamp duty | | | |



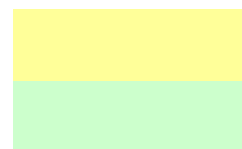
2.5 Wind up

Areas included in component 2.5 of this checklist are:

2.5.1 Wind up of existing company after asset transfer

2.5.1 Wind up of existing company after asset transfer

| Checklist | Yes * | No ** | Action Plan Needed |
|---|--|-------|--------------------|
| * No issues identified. No Action Plan needed | | | |
| ** Issues identified. Action Plan needed | | | |
| <i>A declaration required</i> | | | |
| 1 | You will need to complete ASIC Form 520 and make a written declaration to the effect that: | | |
| | <ul style="list-style-type: none"> • a majority of the directors of the existing company have made an inquiry into the affairs of the company • at a meeting of directors they have formed the opinion that the company will be able to pay its debts in full within 12 months after the commencement of the winding up. | | |
| 2 | You will need to lodge the declaration (ASIC Form 520) with ASIC attaching a statement of affairs showing: | | |
| | <ul style="list-style-type: none"> (a) the property of the existing company, and the total amount expected to be realised from that property; and (b) the liabilities of the company; and (c) the estimated expenses of winding up. | | |



| Checklist | Yes * | No ** | Action Plan Needed |
|---|---|-------|--------------------|
| * No issues identified. No Action Plan needed ** Issues identified. Action Plan needed | | | |
| Special resolution to wind up the existing company | | | |
| 3 | Send to the members the notice of meeting at which the special resolution to wind up the existing company is to be proposed Notice of meeting is sent to members 21 days before the meeting is to be held – materials to be distributed with the notice include an Explanatory Memorandum. | | |
| Appointment of a liquidator | | | |
| 4 | A liquidator needs to be appointed in a general meeting for the purpose of winding up the affairs of the existing company and distributing the property of the existing company. | | |
| Regulatory lodgement of documents | | | |
| 5 | Notice to be given to ASIC of the liquidator's appointment and office address by lodging ASIC Form 505 | | |
| 6 | Lodge a printed copy of the special resolution to wind up the existing company voluntarily with ASIC (ASIC Form 205). | | |
| 7 | Arrange for a printed copy of the special resolution to wind up the existing company to be published in the Commonwealth of Australia Gazette. | | |

2.6 Next Steps

After the relevant business concerns to be transitioned to the Medicare Local have been identified, it will be necessary to ensure that concerns and constraints for each of the transition models as detailed on page 1 is considered, and if necessary resolved.

2.6.1 Model 1

Under Model 1, an existing company limited by guarantee is converted into the Medicare Local. If this is based on one existing GPN the transitions is unlikely to raise any serious concerns or constraints. However, it would be beneficial to ensure that the due diligence process confirms the following:

- There is agreement to convert to a Medicare Local by all existing members of the GPN.
- The conversion does not require approval by any third party.

If the transition includes two or more existing GPNs then the following matters should be considered:

- Are staff from another GPN to be transferred and what employment law implications might this have, particularly in the context of multiple enterprise agreements?
- What new legal, regulatory or compliance obligations arise in light of the nature of what is being transitioned?

Other considerations may arise, depending on the nature of what is being transitioned and the manner in which the transition occurs.

2.6.1 Model 2

Under Model 2, a new company limited by guarantee is incorporated to be a Medicare Local. The GPN or GPNs will transfer the relevant business assets to the Medicare Local before winding up. If the GPN proposes to wind up at the end of this process, the due diligence process would need to identify the following;

- All relevant business assets (tangible and intangible).
- Constitutional constraints on the transfer, or disposal of assets upon winding up the business.
- Contractual agreements where the transfer must be approved by the third party.
- Warranties or guarantees with legal constraints preventing the transfer to another legal entity.

Other considerations may arise, depending on the nature of what is being transitioned and the manner in which the transition occurs.

2.6.1 Model 3

Model 3, has the same content and context as Model 2 except that the GPN or GPNs is intending to remain in existence indefinitely following the transition. If this is the pathway chosen then the due diligence process would need to identify the following;

- Legal constraints on the retention of business assets (tangible and intangible)
- Procurement considerations, with particular regard to cash transactions.
- Post-completion obligations that may be required by the Medicare Local from the GPN.
- Related party transactions and the rules governing such transactions with particular regard to 'financial benefit' transactions.

Other considerations may arise, depending on the nature of what is being transitioned and the manner in which the transition occurs.