

28 March 2018

Our Ref: PYP_457365.0003

CIRCULAR TO CREDITORS
SURFSTITCH HOLDINGS PTY LIMITED (ADMINISTRATORS APPOINTED) ACN 601 114 603
SURFSTITCH GROUP LIMITED (ADMINISTRATORS APPOINTED) ACN 602 288 004
(“the Companies”)

John Park, Quentin Olde and Joseph Hansell were appointed Administrators of SurfStitch Group Limited (**SGL**) and SurfStitch Holdings Pty Limited (**SHPL**) on 24 August 2017 pursuant to Section 436A of the *Corporations Act 2001 (Cth)* (**the Act**).

CHEADLE CIRCULAR

On 26 March 2018 (at 8:15pm AEST), the Administrators became aware that Ms Abigail Cheadle, one of the proponents to the Cheadle Group Proposal, had sent a circular to a number of Group Member Claimants (**Cheadle Circular**).

The Cheadle Circular was issued without the Administrators’ knowledge or consent and was not authorised by the Administrators or the Companies.

The Cheadle Circular purports to summarise a DOCA proposal and gives the impression that proposal has been provided by the Cheadle Group to the Administrators for consideration.

The Administrators note that:

- they have received only one proposal from the Cheadle Group, being the Cheadle Group Proposal that was discussed in our Report to Creditors pursuant to Section 439A of the Corporations Act (Cth) 2001 dated 16 March 2018;
- the Cheadle Circular **does not** accurately summarise the terms of the Cheadle Group Proposal;
- the Cheadle Circular is unclear and potentially misleading;
- the Cheadle Circular does not specify the matters that a DOCA is required to specify and is not sufficiently clear. Accordingly, is not in a form that the Administrators could put to the second creditors’ meeting; and
- at the time of this correspondence, they **have not** received any other proposal from the Cheadle Group.

SUPPLEMENTARY REPORT

As a result of the Cheadle Circular, Creditors have expressed confusion as to the current DOCA proposals to be put forward to vote at the Second Meeting of Creditors. The Administrators have prepared a supplementary report to help Creditors understand the contents of the Cheadle Circular and to enable creditors to make an informed decision about the future of the Companies at the Second meetings.

The Supplementary Report to Creditors will be available to be downloaded from the FTI Consulting website after **10am (AEST), Thursday, 29 March 2018**, details as follows:

Website: <http://www.fticonsulting-asia.com/creditors/surfstitch-group-limited>
Password: 457365.SGL
Document Title: Supplementary Report to Creditors dated 28 March 2018

The Supplementary Report to Creditors should be read in conjunction with the previous Report to Creditors dated 16 March 2018. A copy of the previous Report can also be downloaded from the above website.

SECOND MEETING OF CREDITORS

As previously advised, the Second Meeting of Creditors for SGL and SHPL will be held at **1:00pm (AEST) on Wednesday, 4 April 2018** at The Ionic Room, SMC Conference & Function Centre, 66 Goulburn Street, Sydney NSW 2000. Registration for the meeting will commence at 12:30pm (AEST). To facilitate creditors based in QLD, a satellite venue has been arranged at the Surfstitch Head Office, 225 Burleigh Connection Road, Burleigh Heads QLD 4220. **Any creditors wishing to attend the satellite venue, must inform FTI Consulting (FTI) by no later than 2:00pm (AEST) Thursday, 29 March 2018.**

To be eligible to vote at the Second Meeting, creditors must lodge a:

1. Informal Proof of Debt, providing particulars and material evidencing your claim (if you have not already done so); and
2. Appointment of Proxy (if applicable),

with FTI Consulting by no later than **2:00pm (AEST), Thursday, 29 March 2018**. Lodgement can be made as follows:

Email: surfstitch_enquiries@fticonsulting.com
Address: C/- FTI Consulting, GPO Box 3127, BRISBANE QLD 4001
Fax: (07) 3225 4999

Subordinate Claimants, including Group Member Claimants, have been directed to lodge their claims with Link Market Services.

ADMINISTRATORS' OPINION

At this time, the Administrators' opinion on the future of the Companies remains unchanged.

The Administrators consider that it is still in Creditors' interests for the Companies to execute a Deed of Company Arrangement as per the terms of the EziBuy Proposal, as detailed in the Report to Creditors.

QUERIES

Please contact Paris Parasadi of this office on surfstitch_enquiries@fticonsulting.com or (07) 3225 4900 if you have any queries.

Yours faithfully

SurfStitch Group Limited (Administrators Appointed)
SurfStitch Holdings Pty Ltd (Administrators Appointed)



Joseph Ronald Hansell
Joint and Several Administrator