

1 March 2018

Our Ref: MDG_457365.0003r7

CIRCULAR TO CREDITORS, EMPLOYEES AND GROUP MEMBER CLAIMANTS

Dear Sir/Madam

**RE: SurfStitch Group Limited ACN 602 288 004 (SGL)
SurfStitch Holdings Pty Limited ACN 601 114 603 (SHPL)
(Both Administrators Appointed) (collectively the Companies)**

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

This Circular should be read in conjunction with the Circular dated 6 December 2017 (**December Circular**). We adopt the definitions used in the December Circular.

This Circular provides an update on the Administrators' application under section 600H of the Act and the progress of the administrations of the Companies to date.

1. Administrators' Court Application

On 11 December 2017, the Administrators applied to the Supreme Court of New South Wales, seeking among other things, orders:

- to extend the convening period for the second meeting of creditors under section 439A(1) of the Act to 31 March 2018; and
- under Section 600H of the Act to permit the Group Member Claimants to vote at the second meeting of creditors of SGL (**SGL Second Meeting**).

As set out in our Circular dated 21 December 2017, on 11 December 2017, Justice Black made orders extending the convening period to 31 March 2018.

On 19 February 2018, Justice Brereton heard the Administrators' application under Section 600H of the Act. On 22 February 2018, his Honour made orders:

- allowing Group Member Claimants and any person with a subordinate claim (as defined in section 563A(2) of the Act) to vote at meetings in the external administration of SGL, including the SGL Second Meeting if:
 - they are able to establish they have a claim; and
 - they lodge particulars or proofs of that claim by the time specified in the notice convening the SGL Second Meeting;
- setting out the manner in which the Administrators are to give notice of the SGL Second Meeting to Group Member Claimants;
- confirming that any person with a subordinate claim may request a copy of the notice convening the SGL Second Meeting or the Report to Creditors. The request is to be in writing and made of the Administrators; and
- confirming that creditors cannot resolve that SGL execute a deed of company arrangement (if one is proposed) that contemplates payment to Subordinate Claimants before payment is made to other creditors and employees unless first approved by those other creditors and employees. This is to ensure the priority creditors and employees enjoy over Subordinate Claimants is preserved unless they agree otherwise.

Creditors and Group Member Claimants should refer to the ***attached** Court Order for details of all orders handed down. We draw attention to a minor cross-referencing error in Order 2(f)(iv)(1). That Order cross-refers to order 5, it should instead refer to Order 2(e). We are seeking to have this corrected.

2. Next Steps

The Administrators continue to engage with interested parties in respect of a realisation or recapitalisation of the Companies' business, to clarify aspects of the parties' proposals and to negotiate their terms. Following this, the Administrators will convene the second meeting of the Companies' creditors, to determine the Companies' futures.

The Administrators propose to issue the notice convening the second meeting of the Companies' creditors under section 439A(1) of the Act and their Report to Creditors pursuant to section 439A(3) of the Act (**Report to Creditors**) in the coming weeks and prior to 31 March 2018. This will include informal proof of debt and proxy forms and information on how creditors, including Group Member Claimants, can lodge their claims for the purposes of voting at the SGL Second Meeting.

The Administrators will give notice:

- to creditors who are not potential Subordinate Claimants by email or post or fax and by notice on the *Insolvency Notices* website; and
- to Group Member Claimants in accordance with Justice Brereton's orders (as described in 1 above) by email or post or fax, on the ASX announcements platform, on the FTI creditors' portal and by advertisement in the AFR.

3. Contact Details

Should creditors or any potential Subordinate Claimants such as the Group Member Claimants have any concerns or feedback about the matters raised in this Circular, please direct your queries as follows:

- **Subordinated Claimants** (including Group Member Claimants):
Link Market Services on srf@linkmarketservices.com.au or 1300 853 809.
- **Creditors** (other than Subordinated Claimants):
Paris Parasadi on surfstitch_enquiries@fticonsulting.com or (07) 3225 4900.

Yours faithfully
FTI Consulting



Joseph Hansell
Administrator