

12 May 2021

**Surfstitch Group Limited (Subject to Deed of Company Arrangement)
ACN 602 288 004 (Surfstitch)**

Circular to Subordinate (Class Action) Creditors and Shareholders

Dear Sir/Madam

I refer to the appointment of John Park and myself, Joseph Hansell as Deed Administrators of Surfstitch on 18 May 2018.

Update on Deed Administration

Set out below is an update on the Deed Administration of Surfstitch with respect to:

- the sale by Alceon Retail Holdings of its subsidiaries to a related party (**Trade Sale**);
- the effect of the Trade Sale on the conversion of the convertible notes; and
- the next steps in the Deed Administration.

Trade Sale by Alceon Retail Holdco Pty Ltd ACN 625 287 738 (Alceon)

On 9 April 2021, Alceon completed the Trade Sale, by selling the shares it held in its subsidiaries, including Surstitch Australia, to a related party.

Instead of issuing shares to the convertible noteholders (**Alceon Shares**), Alceon will (as it is entitled to do) pay the market value of the Alceon Shares (**Alceon Payment**) to us for distribution to:

- the Subordinate (Class Action) Creditors; and
- the Shareholders.

The market value of the Alceon Shares \$1,018,712; being 10% of the cash held by Alceon following completion of the sale of its subsidiaries.

Following the announcement, we investigated the circumstances giving rise to the Trade Sale and assessed the market value of the Alceon Shares. We consider, based on the information provided to us that:

- the amount paid to Alceon for its subsidiaries is fair and reasonable; and

- the market value of the Alceon Shares is appropriate.

We have no reason to believe any information relevant to our investigation and assessment has been withheld from us.

What does this mean for you?

As a consequence of the Trade Sale, you will no longer receive your pro-rata share of the Alceon Shares. Instead you will receive your pro-rata share of the Alceon Payment. In that regard:

- **Subordinate (Class Action) Creditors**

80% (\$814,970) will be paid pro-rata to Subordinate (Class Action) Creditors who have submitted or will submit a proof of debt in the Deed Administration of Surfstitch. Note the Alceon Payment is in addition to the amount payable out of the deed fund of Surfstitch which is estimated presently to be between \$2.35m and \$2.44m.

We estimate presently that Subordinate (Class Action) Creditors will receive between 1.81 and 1.86 cents/\$ in respect of their claims. Please note this is an estimate only as the precise amount cannot yet be accurately determined as it will be affected by a number of factors which cannot yet be known precisely, including the total value of all proofs of debt submitted and the final amount of the Deed Administrators' costs and expenses spent finalising the Deed Administration.

- **Shareholders**

20% (\$203,742) will be paid pro-rata to the shareholders of Surfstitch who are recorded on the share register of the Company as at 27 August 2017 (**Shareholders**). We estimate that shareholders will receive approximately 72 cents per 1,000 shares held on that date.

What do I do next?

Your next steps depend on whether:

- you have already submitted a proof of debt in your capacity as a Subordinate (Class Action) Creditor of Surfstitch; or
- you are:
 - a Subordinate (Class Action) Creditor who has not submitted a proof of debt; and/or
 - a Shareholder.

We will provide detailed instructions to you shortly to explain what you need to do next. However, by way of summary:

[If you have already submitted a proof of debt](#)

If you have already submitted a proof of debt, you do not need to do anything further. We will pay the amount owing to you in your capacity as a Subordinate (Class Action) Creditor and Shareholder (if applicable) into the bank account you nominated when submitting your proof of debt.

[If you are Subordinate \(Class Action\) Creditor who has not submitted a proof debt and not a Shareholder](#)

If you are Subordinate (Class Action) Creditor who has not submitted a proof of debt and you are also not a Shareholder, you will need to:

- submit a proof of debt; and
- provide your bank account details.

You **will not** receive any payment if you do not submit a proof of debt.

[If you are a Shareholder but not a Subordinate \(Class Action\) Creditor](#)

If you are a Shareholder but not a Subordinate (Class Action) Creditor, you must provide your bank account details. If you do not provide your bank account details, your pro-rata share of the Alceon Payment will be paid to the NSW Office of State Revenue as unclaimed monies.

[If you are both a Subordinate \(Class Action\) Creditor who has not submitted a proof debt and a Shareholder](#)

If you are both a Subordinate (Class Action) Creditor who has not submitted a proof of debt and a Shareholder, you need to:

- submit a proof of debt; and
- provide your bank account details.

If you do not submit a proof of debt, you **will not** receive any payment in your capacity as a Subordinate (Class Action) Creditor.

You will, however, still receive your pro-rata share of the Alceon Payment, in your capacity as a Shareholder. However, if you do not provide your bank account details, your pro-rata Shareholder payment will be paid to the NSW Office of State Revenue as unclaimed monies.

When will I be paid?

We estimate that you will be paid your entitlements by about late August 2021/ early September 2021 – although we will endeavour to make the payments earlier if possible. The delayed payment date is due to the statutory timetable that we must follow when calling for proofs of debt. It also allows Shareholders sufficient time to provide their bank account details to us.

Queries

If you have any queries please send an email to surfstitch@fticonsulting.com. If you would like to speak to one of our team, please provide your telephone number in the email and request a call back.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Joseph Hansell', enclosed in a light grey rectangular box.

Joseph Hansell
Deed Administrator