

MINUTES OF THE FIRST MEETING OF CREDITORS  
HOWARDS STORAGE WORLD PTY LTD ACN 094 719 490  
PLAZA HOME-IMPORTS PTY LTD ACN 069 891 201  
LEALDIR PTY LTD ACN 104 246 433  
HSW CORP PTY LTD ACN 104 435 181  
(ALL ADMINISTRATORS APPOINTED)  
(THE COMPANIES OR HSW GROUP)  
HELD CONCURRENTLY AT THE OFFICES OF DELOITTE FINANCIAL ADVISORY PTY LTD  
ON TUESDAY 20 DECEMBER 2016 AT 10:09 AM (AEDT)  
AT GROSVENOR PLACE, LEVEL 9, 225 GEORGE STREET, SYDNEY NSW 2000

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PRESENT

- |                     |  |
|---------------------|--|
| - David Lombe       | Joint and Several Administrator, Deloitte Financial Advisory Pty Ltd |
| - Kathryn Evans     | Deloitte Financial Advisory Pty Ltd                                  |
| - Matt Carter       | Deloitte Financial Advisory Pty Ltd                                  |
| - George Simos      | Deloitte Financial Advisory Pty Ltd                                  |
| - Daniel Jackson    | Deloitte Financial Advisory Pty Ltd                                  |
| - Kevin Thay        | Deloitte Financial Advisory Pty Ltd                                  |
| - Tania Seage       | Deloitte Financial Advisory Pty Ltd                                  |
| - Sarah-Jane Czapla | Deloitte Financial Advisory Pty Ltd                                  |
| - Bernard Hall      | Deloitte Financial Advisory Pty Ltd                                  |
| - Dany Abouchaya    | Deloitte Financial Advisory Pty Ltd                                  |

IN ATTENDANCE

Refer to attached register.

OPENING OF MEETING

David Lombe, a Joint and Several Administrator of the Companies declared the meeting open in respect of all of the Companies at 10:09am and that he would act as the Chairperson of the meeting in accordance with Regulation 5.6.17(1) of the Corporations Regulations.

The Chairperson noted the other Joint and Several Administrator, Vaughan Strawbridge was not present at the meeting and passed on his apologies.

The Chairperson noted the attendance at the meeting of Kathryn Evans and a number of the Administrators' staff who assist with the day to day management of the administrations and the meeting.

The Chairperson noted that everyone present in person had signed the attendance register and he would sign on behalf of those present on the telephone. There were no objections.

The Chairperson made a comment that it is important for creditors who wish to participate in the meetings or nominate to be on the committee of creditors, that they nominate on behalf of the company of which they are a creditor.

CONCURRENT MEETING

The Chairperson asked if there were any objections to the meetings of the four Companies being held concurrently. There were no objections.

PROXIES AND ATTENDANCE REGISTER

The Chairperson confirmed that all those present at the meeting had signed the attendance register and where appropriate, had provided proxy forms. The Chairperson requested any non-creditors to identify themselves. No other persons identified themselves at the meeting.

## NOTICE OF MEETING

The Chairperson advised the meeting had been called in accordance with the Notice of Meeting dated 12 December 2016, which was sent to all known creditors of the Companies. The Notice was advertised on the Australian Securities and Investments Commission Insolvency Notices website <https://insolvencynotices.asic.gov.au> on 12 December 2016.

## DECLARATION OF CONVENIENCE

The Chairperson advised that in accordance with Regulation 5.6.14, the meeting was being held at a date, time and place convenient to the majority of persons entitled to receive notice of the meeting.

## QUORUM

The Chairperson advised in accordance with Regulation 5.6.16(2) that a quorum is present for each of the four meetings, being two or more creditors in person or by proxy.

## TABLING OF DOCUMENTS

The Chairperson tabled the following documents:

1. Notice of Meeting of Creditors (Form 529A) dated 12 December 2016;
2. Advertisement on the ASIC Insolvency Notice website dated 12 December 2016;
3. Circular to Creditors dated 12 December 2016;
4. The Declaration of Independence, Relevant Relationships and Indemnities that was enclosed in the Notice to Creditors dated 12 December 2016 pursuant to s 436 DA(4) of the Corporations Act. There are no updates to the declaration; and
5. The Statement in Writing of Posting of Notice of Meeting (Form 530) dated 12 December 2016.

The Chairperson noted that if there were no objections, he would take the tabled documents as being read. There were no objections.

## VOTING

The Chairperson advised the meeting that pursuant to Regulation 5.6.19, any resolutions put to the meeting would be declared on the vote of the voices, unless a poll was demanded before or on the declaration of the results of the voices. The Chairperson also advised that creditors needed to take care they only voted in respect of the relevant company of which they are a creditor.

## PURPOSE AND PROCESS

The Chairperson advised the purpose and process of an administration is to maximise the chances of a business continuing in existence or, if that is not achievable, providing for a better return to creditors.

The Chairperson advised that a voluntary administrator can be appointed by:

- A company, specifically by its directors;
- A secured creditor;
- A Liquidator of the company; or
- A Provisional Liquidator of the company.

The Chairperson noted the Administrators were appointed by the Companies' directors, and the primary function of an Administrator is to investigate the affairs of a company as soon as practicable, and form an opinion on whether:

- The company enter into a Deed of Company Arrangement, should one be proposed;
- The administration end and control of the company be returned to the directors; or
- The administration end and the company be wound up.

The Chairperson outlined the four distinct phases of a voluntary administration:

1. Appointment and conducting the first meeting of creditors;
2. Investigation period – to investigate the causes of failure and financial position of the company with the purpose of reporting the findings to creditors;
3. Hold the second meeting of creditors; and
4. Implement what is agreed by creditors at that meeting.

The Chairperson advised, for the second meeting of creditors (known as the 439A Meeting, pursuant to Section 439A of the *Corporations Act 2001*), the Administrators will report to creditors on the findings of their investigations, which may still be ongoing and not complete. The Chairperson further noted the purpose of the report is for creditors to be able to make an informed decision on the future of the Companies. At that meeting, the Chairperson advised creditors will be asked to resolve or vote on one of the following potential outcomes:

1. The company enter into a Deed of Company Arrangement;
2. The administration end and control of the company be returned to the directors; or
3. The administration end and the company be wound up.

The Chairperson noted the second meeting had to be held no later than Wednesday 25 January 2017 unless there is an extension to the convening period. The Chairperson advised he would be seeking an extension, with further details to be given later in the meeting.

#### REASONS FOR BUSINESS FAILURE

The Chairperson outlined the following initial reasons for business failure:

- Financial and challenging market;
- Business model requiring reassessment;
- International strategy dragging down core business;
- Underperforming owned store network;
- Conversion of underperforming franchised stores into owned stores; and
- Supplier base requiring rationalisation.

#### STATEMENT BY DIRECTORS

The Chairperson gave the opportunity for Mr Dirk Spence, a director of the Companies, to give a short statement on behalf of the directors. The Chairperson advised that views and opinions expressed by Mr Spence were his own views, and not necessarily those of the Administrators.

Mr Dirk took the opportunity to apologise to creditors present at the meeting for the Companies entering into voluntary administration. Mr Dirk advised the Companies' operations in Singapore were initially very profitable, however began to decline in early 2015 due to declining state of the Singaporean economy. Mr Dirk briefly outlined some financials, primarily the dramatic drop in inventory sales which led to the administration.

#### BUSINESS OVERVIEW

The Chairperson gave an overview of the Companies' business and discussed:

- The corporate structure of the group of companies and their relevant functions, including the companies of the group that he was not appointed; and
- The store network of the Companies, namely the owned stores, the owned warehouse and franchised stores.

#### FINANCIALS

The Chairperson provided a brief overview of various aspects of the profit and loss statements and balance sheets for the Companies and outlined the estimated value of the various creditor claims.

## SALE OF BUSINESS

The Chairperson outlined the indicative timeline of the sale of business campaign. The Chairperson advised that a voluntary administration follows a very strict timeline, and the Administrators are required to act quickly.

The Chairperson advised the Administrators had commenced an immediate sale of business process, contacting interested parties and likely buyers. An information memorandum had been prepared and issued to interested parties after the execution of a non-disclosure agreement and that a data room was open to allow interested parties access to information.

The Chairperson expressed that although it was not ideal to do this over the Christmas period, members of the Administrators' team would still be available.

## QUESTIONS FROM ATTENDEES

The Chairperson asked whether there were any questions.

The following questions were raised by creditors of the Companies, with the following responses provided by the Chairperson and Ms Evans:

Q: How many creditors are in each company, by number?

Ms Evans: Approximately 200, according to the books and records of the Companies. However, the books and records are not always an accurate indication, as invoices also take time to be processed and entered in the system.

Q: What is the primary function of the Committee of Creditors?

Chairperson: Primarily to assist the voluntary administrators and act as a body representative for the creditors. Ideally there would be a member representing different stakeholders including employees, unsecured creditors and any other important stakeholders. The aim is to ensure creditors are involved in the process as much as possible. Any member of the committee certainly does not incur any liability.

Q: What is the best and worst outcome for unsecured creditors?

Chairperson: At this stage, it is too early to determine. This depends on the sale of business campaign and any potential restructure proposal. However the main objective is to ensure the best return for creditors.

Q: If the business is sold, is the Administrators' role to protect creditors?

Chairperson: The Administrators cannot protect creditors, they can only act in their best interests. At the end of the day, it is up to creditors to vote on the outcome of the Companies by way of the second meeting of creditors.

Q: I'm not sure of which company I am a creditor. We invoice one entity, however payment comes from a different entity?

Chairperson: You are a creditor of the company that you send the invoice to, not necessarily the company that is paying the invoice.

Q: Are directors allowed on the Committee?

Chairperson: Normally, yes. They may be able to assist the Committee with certain matters. If any potential conflict issues were to arise, then we will ask to have them excluded for that matter.

## RESOLUTION

The Chairperson advised, pursuant to regulations 5.6.19 and 5.6.20 all motions will be resolved on the voices, unless a poll is demanded.

The Chairperson advised that a poll could be demanded before or on the declaration of a result on the voices by:

- The Chairperson; or
- At least two persons present in person, by proxy or by attorney and entitled to vote at the meeting; or
- A person present in person, by proxy or by attorney and representing not less than 10% of the total voting rights of all creditors entitled to vote at the meeting.

A resolution on a poll is carried if:

- A majority of the creditors voting (whether in person, by attorney or by proxy) vote in favour of; and
- The value of the debts owed by the company to those voting in favour is more than half the total debts owed to all creditors voting.

#### COMMITTEE OF CREDITORS

The Chairperson advised that creditors need to consider if they want to form a committee of creditors for each of the Companies. The Chairperson advised this would consist of a small number, usually three to five to represent creditors.

Pursuant to section 436F of the Act, the Chairperson outlined the functions of the Committee of Creditors:

- To consult with the Administrators about matters relating to the Administration; and
- To receive and consider reports by the Administrators.

The Chairperson noted that a Committee of Creditors could not give instructions to an Administrator, and a committee member needs to be a creditor, or an officer or employee of a creditor.

The Chairperson asked if there were any creditors who would like to put their name forward.

The Chairperson moved the following resolutions:

*"That a Committee of Creditors of Howards Storage World Pty Ltd be formed in accordance with section 436E(1) of the Corporations Act 2001, comprising of the following members":*

|                     |   |
|---------------------|---|
| Pauline Donald      | Broken Glass Investments Pty Ltd                        |
| Daniel Jordan       | Howards Storage World Pty Ltd (Employee Representative) |
| Margaret Butler     | Anasazi Trading Pty Ltd / InterDesign Asia              |
| Jim Toby            | JTY Imports/Exports Pty Ltd                             |
| Joseph Costanzo     | East India Company                                      |
| Gillian Gialamatzis | Howards Storage World Pty Ltd (Employee Representative) |

The Chairperson asked that all in favour of the resolution say yes and all those against say no.

The Chairperson declared the resolution carried unanimously on the voices.

*"That a Committee of Creditors of Plaza Home Imports Pty Ltd be formed in accordance with section 436E(1) of the Corporations Act 2001, comprising of the following members":*

|                       |   |
|-----------------------|---|
| Ian Dix               | Plaza Home Imports Pty Ltd (Employee Representative)    |
| Christopher Bregenhoj | Carrington Logistics Pty Limited                        |
| Margaret Butler       | Anasazi Trading Pty Ltd / Asia                          |
| Andrew Lysowycz       | Howards Storage World Pty Ltd (Employee Representative) |
| Pauline Donald        | Broken Glass Investments Pty Ltd                        |

The Chairperson asked that all in favour of the resolution say yes and all those against say no.

The Chairperson declared the resolution carried unanimously on the voices.

*"That a Committee of Creditors of HSW Corp Pty Ltd be formed in accordance with section 436E(1) of the Corporations Act 2001, comprising of the following members":*

Allan Snyder  
Pauline Donald

Aljak Pty Ltd ATF the Allan L Snyder Investment Trust  
Broken Glass Investments Pty Ltd

The Chairperson asked that all in favour of the resolution say yes and all those against say no.

The Chairperson declared the resolution carried unanimously on the voices.

There were no nominations for a Committee of Creditors for Lealdir Pty Ltd.

#### OTHER RESOLUTIONS

The Chairperson advised pursuant to the instruments of appointment dated 12 December 2016, he and Mr Strawbridge were appointed Joint and Several Administrators of the Companies.

Pursuant to section 436E(4), creditors may, by resolution, remove the Joint and Several Administrators and appoint someone else as Administrator of the company.

The Chairperson noted there had been no other nominations for Administrator and therefore he and Mr Strawbridge would remain as Joint and Several Administrators of the Companies.

#### EXTENSION OF THE CONVENING PERIOD

The Chairperson advised that currently the second meeting of creditors was required to be held on or before 25 January 2017. The Chairperson noted that this would not provide enough time for the Administrators to complete a sale of the business and it was his intention to seek an extension of the time to hold the second meeting.

The Chairperson explained the extension the Administrators propose to seek is for a period of up to 90 days, which is expected to be sufficient time to enable the Administrators and their staff to complete a sale of the business while they continue to trade. If the Administrators are successful in selling the business before the end of this period, they would call the meeting as soon as possible.

The Chairperson outlined the benefits of the extension as follows:

- Better recovery / return for all creditors;
- Enable the business to continue in existence;
- Maximise the chances of continued employment; and
- Maximise the prospects of a sale.

The Chairperson asked if there were any objections from creditors for the Administrators to apply to Court for this extension. There were no objections.

#### CLOSURE OF MEETING

There being no further business, the Chairperson thanked those present for attending and declared the meeting closed at 11:04am.

Signed as a correct record

DATED this 22 day of December 2016

DAVID LOMBE  
CHAIRPERSON

