

SEVENTH COMMITTEE OF CREDITORS MEETING

Retail Adventures Pty Ltd (Administrators Appointed) ("The Company")

Held at the Offices of Deloitte Touche Tohmatsu
Level 9 Grosvenor Place, 225 George Street, Sydney NSW 2000
On Monday, 26th August 2013 at 3.00 pm (AEST)

Present: Vaughan Strawbridge Administrator, Deloitte Touche Tohmatsu
Dan Rose Deloitte Touche Tohmatsu
Teresa Chan Deloitte Touche Tohmatsu

In Attendance: The following Committee members were in attendance:

Representative	Creditor	Attending?	By Phone/ In person?
Tina McGregor	Signet	✓	By Phone
Chris Noel	TNW Australia Pty Ltd	✓	By Phone
Tina Shur	Mr. Fothergill's Seeds Pty Ltd	✓	By Phone
Damien Hodgkinson	DSG Holdings Australia Pty Limited	✗	N/A
Matt Toner	National Union of Workers	✗	N/A
Wayne Leslie	Basford Brands	✗	N/A
Chris Kinden	Webb Distribution	✓	By Phone
Todd Horrell	Stockland Trust	✗	N/A

Opening of Meeting:

At 3.00pm (AEST) on Monday 26th August 2013, Vaughan Strawbridge declared the meeting open.

Vaughan Strawbridge advised that this is the Seventh Committee of Creditors meeting of Retail Adventures Pty Limited (Administrators Appointed) and it will be referred to as RAPL or the Company for the period of the meeting.

He introduced himself as one of the Joint and Several Administrators of the Company. He stated that his Joint and Several Administrators David Lombe and John Greig are not present and he passed on their apologies.

He then introduced members of his staff present at the meeting, being Dan Rose and Teresa Chan of Deloitte, who assist with the day-to-day carriage of the matter.

He noted that all members in attendance were attending by teleconference and would be taken as having signed the attendance register.

Appointment of Chairperson: Mr Strawbridge advised that Pursuant to Regulation 5.6.17(1) of the Corporations Regulations, he is the Joint and Several Administrator and therefore will occupy the Chair.

The Chairperson asked if there were any objections to him occupying the Chair. There were no objections.

Purpose: The Chairperson advised that the meeting was convened for the following purposes:

1. Provide an update on the current status of the Voluntary Administration
2. To discuss the Report to Creditors dated 19 August 2013
3. To consider and if thought fit approve the Administrators' remuneration
4. Any other business.

Tabling of Documents: The Chairperson tabled the following documents:

- Notice of the Meeting of the Committee of Creditors dated 19 August 2013
- Remuneration Report dated 19 August 2013

There were no objections to the tabling of the documents and the Chairman noted the tabled documents as being read.

Time and Place of Meeting: The Chairperson asked if there were any objections that the time and place was not convenient to the Committee members. There were no objections. Therefore pursuant to Regulation 5.6.14 of the Corporations Act 2001, he declared that the meeting was held at a time and place most convenient for the majority of persons entitled to receive notice of the meeting.

Quorum: The Chairperson declared, in accordance with Regulation 5.6.16 of the Corporations Act 2001, that a quorum was present for this Committee of Creditors Meeting.

Voting on Resolutions: The Chairperson advised that all motions are to be resolved on the voices, unless a poll is demanded (Regulation 5.6.19 and 5.6.20).

He asked that when a motion is called, could those who are in favour of the motion call aye and those against nay.

He stated that there are options for creditors to demand a poll. If creditors require more information regarding a poll at the time of voting on resolutions, please ask.

Confidentiality:

- Information discussed and provided in this meeting is confidential and is not to be used for any other purpose
- A copy of the minutes of this meeting will be lodged with ASIC, placed on the Administrators website and provided to Committee members.

Update of the Administration

The Chairperson provided the Committee with an update on the Administration:

Employees

- The Administrators continue to employ all staff through RAPL at the store level. DSG has continued to provide funding for these payments.
- DSG have advised that they intend to issue a letter of offer to all employees, and if the employees accept the offer, they will become employees of DSG from the next payroll run after the second meeting of creditors.

Stock Levels

- Furthermore, a condition of the sale agreement was that DSG had to maintain a level of \$60 million worth of stock.
- The Chairperson confirmed that DSG have continued to do this, and the Administrators continue to monitor this on a weekly basis.

Report to Creditors pursuant to Section 439A of the Corporations Act 2001

Prior to discussing the report, the Chairperson asked the committee if anyone had any questions or concerns that were not clarified in the Report to Creditors pursuant to Section 439A of the *Corporations Act 2001*.

The following matters were raised by the committee and answered by the Chairperson:

- The dependency of the estimated return to creditors in a liquidation scenario on recovery of preference payments and the validity of the Bicheno security. The Chairperson confirmed that the estimated return to creditors would be dependent on actions that a liquidator may take to recover money for insolvent trading, preference payments and the validity of Bicheno's security
- When the options would be voted upon. The Chairperson confirmed that this would be at the second meeting of creditors on 2 September 2013
- The impact of the Company's liquidation on DSG and its ability to continue to utilise the Company's assets. The Chairperson confirmed that all stock, trademarks and plant and equipment have already been sold to DSG for \$58.9m

The Chairperson summarised the report, and discussed the following key issues:

- There was no change to the Administrators' recommendation. It is in the creditors best interest that the Company be wound up
- That the potential recoveries in a liquidation scenario are dependent on litigation. A conditional offer has been received from IMF to fund litigation
- Discussion around the level of potential preference payments
- Analysis of the potential insolvent trading claim. Consideration of the recoverability of any judgement debt from directors and other sources in the event that it is proved that the Company traded whilst insolvent
- Discussion around the operation of the DOCA. The Chairperson expressed his concerns, including:
 - Surety of the \$5.5m DOCA contribution
 - Potential loss of RAPL's security against DSG
- Potential offences and the reporting of these to ASIC

The Chairperson advised the committee that an application had been made to court for directions on various matters:

- Directions on how the Administrators of Retail Adventures Holdings Pty Limited ("RAHPL") should vote at the second meeting of creditors in respect of RAHPL's position as the largest creditor of RAPL
- Directions on RAHPL's voting entitlement in respect of \$68m of subordinate debt due from RAPL

- Direction regarding restrictions contained in clauses of certain RAPL landlord leases to which RAHPL is a guarantor, impacting RAHPL's ability to lodge a proof of debt or claim against RAPL.
- Directions in respect of the treatment for voting purposes at the second meeting of settlement deeds entered by DSG with supplier creditors of RAPL.

The Chairperson then advised that as the Chairman of the second meeting of creditors, he intends to call a poll, rather than vote on the voices for resolutions on the future of the company. He explained the operation of a poll and the reason behind it.

The Chairperson enquired as to the committee's view on the Administrators' recommendation. The merits and the drawbacks of the DOCA were discussed by the committee members and the Chairperson. The committee did not share a unanimous view in respect of this matter.

Administrators' remuneration

The Chairperson took the Committee through the consideration of fees for acting as Administrators of RAPL. The material was drawn heavily from the Remuneration Report contained as part of the circular to Committee members.

**Administrators' remuneration:
25 May 2013 –
30 June 2013**

The Chairperson stated:

- From 25 May 2013 to 30 June 2013, actual Administrators' remuneration incurred was \$281,101.50.
- The actual fees incurred were \$3,646.00 less than the estimate approved by the Committee by way of resolution proposed at the Sixth Meeting of Creditors held on 18 June 2013.
- Only the lesser amount was drawn.

**Resolution re:
remuneration for
1 July 2013 –
31 July 2013**

The Chairperson then proposed the following resolution for the Company:

"That the remuneration of the Administration from 1 July 2013 to 31 July 2013 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 19 August 2013 of \$248,666.50 plus GST and disbursements, and that the Administrators can draw the remuneration as incurred. Should a lesser amount be actually incurred, only the lesser amount will be drawn. Should the fees be a greater amount then that amount will be subject to a separate fee approval and will not be drawn until approved."

The Chairperson declared the motion carried unanimously on the voices.

**Resolution re:
remuneration for
1 August 2013 –
10 August 2013**

The Chairperson then proposed the following resolution for the Company:

"That the remuneration of the Administration from 1 August 2013 to 10 August 2013 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 19 August 2013 of \$79,263.00 plus GST and disbursements, and that the Administrators can draw the remuneration as incurred. Should a lesser amount be actually incurred, only the lesser amount will be drawn. Should the fees be a greater amount then that amount will be subject to a separate fee approval and will not be drawn until approved."

The Chairperson declared the motion carried unanimously on the voices.

**Resolution re:
remuneration for
11 August 2013 –
2 September 2013**

The Chairperson then proposed the following resolution for the Company:

“That the remuneration of the Administration from 11 August 2013 to 2 September 2013 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators’ partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 19 August 2013 of \$450,075.00 plus GST and disbursements, and that the Administrators can draw the remuneration as incurred. Should a lesser amount be actually incurred, only the lesser amount will be drawn. Should the fees be a greater amount then that amount will be subject to a separate fee approval and will not be drawn until approved.”

A committee member enquired as to why the forecast remuneration for this period was higher than in recent months. The Chairperson advised that this is due to the finalisation of the report, holding and preparing for the second meeting of creditors, as well as going to court to seek directions.

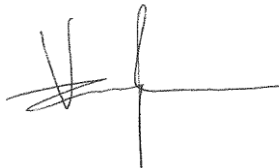
The Chairperson declared the motion carried unanimously on the voices.

Any other business

The Chairperson asked if there was any other business the Committee members wanted to discuss. There was nothing further.

Closure of meeting

The Chairperson declared the meeting closed at 4.00 pm and thanked the Committee members for their attendance.



.....
V N Strawbridge
Chairperson
Dated: 9 September 2013