



SurfStitch Group Limited (SGL) & SurfStitch Holdings Pty Limited (SHPL) (Both Administrators Appointed)

2nd Supplementary Report to Creditors – Pursuant to Section 439A of the Corporations Act (Cth) 2001



3 April 2018

SurfStitch

About this report: a guide for creditors

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Purpose of this Supplementary Report

■ This report follows:

1. the Administrators' Report to Creditors pursuant to s439A of the Corporations Act 2001 dated 16 March 2018 (**Report to Creditors**); and
2. the Administrators Supplementary Report to Creditors pursuant to s439A of the Corporations Act 2001 dated 29 March 2018 (**Supplementary Report**)

providing details and commentary with respect to, a revised Deed of Company Arrangement Proposal received by the Cheadle Group on 29 March 2018 at 5.11pm AEST (**Second Cheadle Group Proposal**).

- The Administrators have been advised by the Cheadle Group and their legal counsel that the Second Cheadle Group Proposal replaces all previous proposals.
- Following receipt of the Second Cheadle Proposal, the Administrators' have issued this Supplementary Report to outline the detail of the Second Cheadle Proposal, their opinion about what would be in creditors' interest and the consequence of the Second Cheadle Proposal on the proxies received to date.

Background

- On 16 March 2018, the Administrators issued their Report to Creditors to provide Creditors with:
 - information about the Companies' business, property, affairs and financial circumstances; and
 - information as known to the Administrators that will enable creditors and Group Member Claimants to make an informed decision about the future of the Companies.
- The Report to Creditors included an outline and analysis of 2 DOCA proposals received from EziBuy and the Cheadle Group respectively. Creditors are referred to the Report to Creditors for details of the EziBuy Proposal, and the first Cheadle Group Proposal (now replaced with the Second Cheadle Group Proposal).
- Following analysis of the 2 DOCA proposals, the Administrators recommended that SGL and SHPL execute DOCA's as per the terms of the EziBuy Proposal.
- On 26 March 2018 at 8:15pm, the Administrators became aware that Ms Abigail Cheadle, one of the proponents of the Cheadle Group Proposal had sent a circular to a number of unidentified Group Member Claimants (**Cheadle Circular**). The Cheadle Circular contained additional terms described as an "Enhanced Cheadle Proposal". On 27 and 28 March 2018, the Administrators requested clarification of the Cheadle Circular and any revisions to the Cheadle Group Proposal. As a result of the Cheadle Circular, the Administrators prepared the Supplementary Report to help creditors and Group Member Claimants understand the contents of the Cheadle Circular and to enable creditors and Group Member Claimants to make an informed decision about the future of the Companies at the Second meetings.

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- The Administrators' recommendation in the Supplementary Report to Creditors was consistent with that in their Report to Creditors, that is, it would be in creditors' interests for both the Companies to execute DOCA's based on the EziBuy Proposal.
- On 29 March 2018, legal counsel for the Cheadle Group advised that they were working on a revised proposal and the Administrators' should not assume it would mirror the Cheadle Circular. The Administrators' requested any revised proposal be sent to the Administrators as soon as practicable so we could consider it and report to creditors.
- As discussed on the previous page, the Administrators received the Second Cheadle Proposal on 29 March 2018 at 5.11pm AEST, which replaced the original Cheadle Group Proposal.
- The Administrators have prepared this Second Supplementary Report to Creditors to help creditors and Group Member Claimants understand the contents of the Second Cheadle Proposal and to enable creditors and Group Member Claimants to make an informed decision about the future of the Companies at the Second meetings.
- The Second Supplementary Report to Creditors should be read in conjunction with the Previous Reports.

Second Meetings of Creditors (Second Meeting)

- Creditors and Group Member Claimants are reminded that a Second Meeting will be held on **Wednesday, 4 April 2018 at The Ionic Room, SMC Conference & Function Centre, 66 Goulburn Street, Sydney NSW 2000 at 1:00pm**, at which Creditors will determine the future of SGL and SHPL.
- Further details about the options available to Creditors and Group Member Claimants at the Second Meeting are provided in the Report to Creditors.
- Guidance to creditors and Group Member Claimants on any previous proxy forms submitted is provided at Section 3.

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Statement by Administrators

- This report has been prepared for the creditors of the Companies and Group Member Claimants to assist them in evaluating their position in deciding on the Companies' futures. None of the Administrators, FTI Consulting and its staff shall assume any responsibility to any third party to which this report is disclosed or otherwise made available.
- This report is based on information obtained from the Companies' records, the Directors and Management of the Companies and from our own enquiries. While we have no reason to doubt the veracity of information contained in this report, unless otherwise stated we have proceeded on the basis that the information provided and representations made to us are materially accurate, complete and reliable. We have not carried out anything in the nature of an audit, review or compilation.
- The report is based upon our investigations to date. Any additional material issues that are identified subsequent to the issue of this report may be subject to further written report(s) and/or tabled at the Second Meeting.
- The statements and opinions given in this report are given in good faith and on the belief that such statements and opinions are not false or misleading. We reserve the right to alter any conclusions reached based on any changed or additional information which may be provided between the date of this report and the date of the Second Meeting (except where otherwise stated).
- This report may contain prospective financial information, including estimated outcomes for creditors, trading multiples and other forward looking information. As events and circumstances frequently do not occur as expected, there may be material differences between estimated and actual results. We take no responsibility for the achievement of any projected outcomes or events.
- Creditors should seek their own advice if they are unsure how any matter in this report affects them.

Questions and Help

- Please contact Jack Teague on +61 2 8247 8000, if you are unsure about any matter raised in this report and the impact that any decision about the Companies' future may have on you.



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1. Executive Summary

1. Executive Summary

Administrators' Recommendation

- It remains the administrators' opinion, that it is in the creditor's best interest, that the Companies resolve to execute DOCAs based on the Ezibuy Proposal.
- Despite receipt of the Second Cheadle Group Proposal, the Ezibuy Proposal is superior and results in a better return to creditors.
- Further, the Second Cheadle Group Proposal is also unclear and silent on a number of key issues relevant to creditors returns, including:
 - Lack of clarity as to which company is issuing shares, that is, SGL or SSAU.
 - The circumstances which may result in Group Member Claimants receiving less than 60% of the issued shares (the Second Cheadle Group Proposal states *"Class Action Litigants will be issued shares ... representing issued up to a maximum of 60% of the issued shares in capital of SSAU"*).
 - Who holds the balance of 25% of the equity in either SGL or SSAU.
 - What happens in the event that SGL fails to relist on the ASX.
 - What is the mechanism for the issue of the shares in SGL or SSAU. Because of this, the Administrators cannot assess the degree of execution risk of the proposed share issue.
 - The quantum and timing of any working capital or other funding (if any) and the conditions relating to any debt or convertible note issue.
 - The proposed Directors of SGL, in addition to Ms Cheadle.
 - Whether Group Member Claimants will receive any cash distribution from the Trust Fund.
 - Who comprises "Class Action Litigants", that is, whether this is all Group Member Claimants or only funded Group Member Claimants.
 - The rationale for distinguishing between the Nakali Proceedings (and the group members in those proceedings) and the McConnell Proceedings. It is a condition to the Second Cheadle Group Proposal that the Nakali Proceedings are settled.

1. Executive Summary

Administrators' opinion

The Administrators' opinion remains unchanged.

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

Item	EziBuy Proposal	Second Cheadle Group Proposal
Recommended option	✓	✗
Reason	Best overall return to creditors including under a winding up.	Overall return to creditors is worse than under the EziBuy Proposal.
Proposed Transaction	Sale of SSAU and certain IP to EziBuy .	Delist SGL for the purpose of issuing shares to existing shareholders and Class Action Litigants. Thereafter the Company will make an application to relist on the ASX. Timing and mechanics for relisting are not specified.
Employee and Ordinary Creditors of SGL and SHPL	Paid in full between 6 – 8 weeks.	Paid in full but contingent on the estimate of priority and unsecured claims, and fees of Administrators', Deed Administrator and Trustee not exceeding estimates. That is, if they exceed current estimates, <i>"the return to unsecured creditors will be reduced by the quantum of that excess"</i> . The risk of unsecured creditors not being paid in full changes voting requirements at the meeting to approve this DOCA, and is also adverse to unsecured creditors' interests. Timing for distribution is not specified.
Group Member Claimants: Overview	Highest forecast return including under a winding up.	Forecast return lower than under the EziBuy Proposal. Further, proposal defines Class Action Litigants as a <i>"body of creditors who have commenced proceedings against the company in two separate class actions"</i> . It is not specified whether Class Action Litigants refers only to those shareholders who have signed funding agreements with the two litigation funders or whether it includes all potential Group Member Claimants. We have assumed for the purpose of our analysis it includes all Group Member Claimants. To the extent it refers to only those shareholders who have signed a funding agreement, the forecast return to Group Member Claimant is likely to be materially less than that set out in this report. The commercial rationale for treating Group Member Claimants differently based on whether they have signed funding agreements is also unclear.

1. Executive Summary

Administrators' opinion

The Administrators' opinion remains unchanged.

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

Item	EziBuy Proposal	Second Cheadle Group Proposal
Group Member Claimants: Cash Dividend	Cash dividend in an estimated aggregate amount of \$3.4m to \$4.3m.	On current drafting, a cash dividend will only be paid in the event estimates for amounts owing to priority and unsecured creditors, and Administrators', Deed Administrator and Trustee fees are lower than expected. The deed fund will be funded to the amount of \$7.085m to pay all priority and unsecured creditors 100 cents in the dollar and the Administrators', Deed Administrator and Trustees estimated fees. The deed fund will be applied to pay priority and unsecured creditors, the estimated fees and then "subordinated creditors". Subordinated creditors will not receive a cash distribution unless the estimated priority and unsecured creditor claims and estimated fees are lower than expected. There is a possibility of no cash dividend to Group Member Claimants. Surplus cash appears to be retained in SSAU.
Group Member Claimants: Share issue	Issued with a convertible note which will convert to shares in EziBuy which the Administrators estimate could have an aggregate value of \$6.0m-\$20.0m.	Up to a maximum of 60% of the shares in SSAU which the Administrators estimate could have an aggregate value of \$6.2m-\$10.3m. It is unclear the procedure which would be adopted to issue shares. Does not specify the circumstances which may result in Group Member Claimants receiving less than a 60% share entitlement. The shares will be issued within "60 days of creation of the Creditors Trust". The creditors' trust will not be created until the conditions in the proposal are satisfied (see DOCA Execution Risk below).
Current SGL shareholders	Issued with a convertible note which will convert to shares in EziBuy which the Administrators estimate could have an aggregate value of \$1.5m-\$5.0m.	15% of the issued shares in SSAU which the Administrators estimate could have an aggregate value of \$1.5m-\$2.6m.
DOCA Execution Risk	Low	Medium to High The DOCA will not effectuate immediately given Court approval is required to settle the Nakali Proceedings and agreement with the Plaintiffs as to the method for quantifying Class Action Litigants claims. Refer Para 6(b) and (c) of the Second Cheadle Group Proposal. Further compliance and transaction risks detailed at Page 7. Proposes to issue shares after effectuation of the DOCA. By this time, creditors will have released their claims against the Companies and will not have recourse to the Companies if the shares are not issued.

1. Executive Summary

Estimated Return to Creditors

- Estimated returns to Priority Employees, Ordinary Creditors and Group Member Claimants (SGL), as well as SGL shareholders (all in a cents in the dollar basis), under a liquidation scenario, the EziBuy and Second Cheadle Group Proposal are shown in the following tables.
- More detailed analysis is shown in **Appendix 4**.
- Creditors must note there is always a measure of imprecision associated with the forecasting of returns in an external administration.
- The estimates are prepared in good faith but must not be construed as an assurance as to the actual return to creditors and Group Member Claimants.
- Dividend timing remains as per Section 10 of the Report to Creditors.

SHPL Creditors

Cents in the \$	Type	Notes	Liquidation		EziBuy Proposal		Second Cheadle Group Proposal	
			Low	High	Low	High	Low	High
Priority Employee Creditors	Cash		100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$
Ordinary Creditors	Cash	1	3.6 c/\$	6.6 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$

Note 1: Includes Non-Priority Employee claims

SGL Creditors and Shareholders

Cents in the \$	Type	Notes	Liquidation		EziBuy DOCA		Second Cheadle Group Proposal	
			Low	High	Low	High	Low	High
Employee and Ordinary Creditors	Cash		100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$
Group Member Claimants	Cash	1	5.3 c/\$	8.9 c/\$	4.1 c/\$	5.1 c/\$	0.4 c/\$	0.8 c/\$
Group Member Claimants	Shares	1, 2	-	-	7.1 c/\$	23.5 c/\$	7.3 c/\$	12.2 c/\$
Group Member Claimants	Combined		5.3 c/\$	8.9 c/\$	11.2 c/\$	28.6 c/\$	7.7 c/\$	12.9 c/\$
Ordinary shareholders	Shares	3, 4	-	-	7.9 c/\$	26.3 c/\$	8.2 c/\$	13.7 c/\$

Note 1: Assumes admissible claims of \$85m.

Note 2: Assumes Group Member Claimants receive 60% of issued share capital of SSAU or SGL on a fully diluted basis.

Note 3: Calculated using amount in aggregate shares, the pre-restructuring share price and number of share to quantify the loss.

Note 4: Assumes current shareholders have 15% of the issued share capital of the same company as the Group Member Claimants and remaining 25% of the issued share capital is held by third parties.

1. Executive Summary

Overview of share issue to Group Member Claimants and Current Shareholders

Item	EziBuy Proposal	Second Cheadle Group Proposal
Shares details		
Company issuing shares	EziBuy parent company that owns both EziBuy and SSAU.	SSAU or a delisted SGL.
Share to be issued to Group Member Claimants	Between 4% to 8% of the issued share capital on a fully diluted basis. Administrators' estimated value: \$6.0m-\$20.0m.	A maximum of 60% of the issued share capital of SSAU on a fully diluted basis. Administrators' estimated value: \$6.1m-\$10.3m.
Shares to be issued to/retained by Current Shareholders of SGL	Between 1% to 2% of the issued share capital on a fully diluted basis. Administrators estimated value: \$1.5m-\$5.0m.	15% of the Issued share capital of SSAU on a fully diluted basis. Administrators' estimated value: \$1.5m-\$2.6m.
Timetable for issuing shares	Shares will be issued on the earlier of an IPO, trade sale, other liquidity event or 3 years from date of the DOCA. EziBuy advises that it is seeking to attain a "liquidity event" and issue the shares <i>"as soon as is reasonably practicable, subject to maximising returns to all shareholders and Convertible Note holders"</i> .	Within 60 days of the creation of the Creditors Trust. No information has been provided with respect to the timing of creation of Creditors Trust, noting that it would need to be created at the time the DOCA effectuates. The DOCA will not effectuate immediately given Court approval is required to settle the Nakali Proceedings and agreement needs to be reached with the Plaintiffs as to quantification of Class Action Litigants claims. Refer Para 6(b) and (c) of the Second Cheadle Group Proposal. The condition precedent in Para 6(b) only refers to the Nakali Proceedings and the condition precedent at Para 6(c) delegates power to the Plaintiffs of the Nakali Proceedings to negotiate the method of calculating the quantum of shares to be issued to "Class Action Litigants". We are unsure why the Plaintiffs of the McConnell proceedings are not dealt with in either condition. As stated previously we are unsure whether Class Action Litigants refers to all Group Member Claimants or just those shareholders who have signed funding agreements with the litigation funders. This would appear prejudicial to those Group Member Claimants who have not signed funding agreements and does not appear to have a commercial rationale.
Note: Shares cannot be issued or transferred to Subordinate Claimants before the final determination of their Claims – estimated to take between 6-12 months		

Note 5: The above comments on the EziBuy Proposal is per those in the Executive Summary to the Report to Creditors and are repeated to assist with comparing the two proposals

1. Executive Summary

Overview of share issue to Group Member Claimants and Current Shareholders (continued)

Item	EziBuy Proposal	Second Cheadle Group Proposal
Remedy if shares not issued	<p>If the EziBuy parent company enters external administration, the Deed Administrators will be eligible to lodge a claim in the amount of \$15m, being the face value of the convertible note. The dividend payable on that proof cannot be determined presently. If this occurs the dividend will be payable to SGL and distributed 80% to Group Member Claimants (on proof) and 20% to Shareholder of SGL.</p> <p>The Deed Administrators will have a contractual right to enforce the issue of the shares after the earlier of a liquidity event or 3 years.</p>	<p>No remedy specified if the shares are not issued.</p> <p>Proposes to issue shares after effectuation of the DOCA. By this time, creditors will have released their claims against the Companies and will not have recourse to the Companies if the shares are not issued. The Group Member Claimants may seek independent advice on their rights in this regard.</p>
ASX Listing	<p>No information provided on intentions to list beyond the statement set out above in the section entitled "Timetable for issuing shares".</p>	<p>Intention is to relist after the equity is issued in a delisted SGL or SSAU.</p> <p>No information has been provided with respect to the timing and mechanics of relisting.</p>
Returns prior to listing	<p>If there is a trade sale and the EziBuy business is sold before listing, Group Member Claimants will receive:</p> <ol style="list-style-type: none"> Share sale: pro-rata payment of the sale price; and Asset sale: pro-rata cash dividend. <p>Otherwise, no formal mechanism to dispose of shares prior to listing.</p> <p>Prior to issue of shares, claims are in respect of a Convertible Note only.</p>	<p>If SGL is not reinstated to quotation, Class Action Litigants and Ordinary Shareholders will hold equity in an unlisted SGL or SSAU.</p> <p>No information has been provided with respect to how and when these shareholdings will be monetised in the event SGL or SSAU does not relist.</p>

Note 6: The above comments on the EziBuy Proposal are per those in the Executive Summary to the Report to Creditors and are repeated to assist with comparing the two proposals

2. Second Cheadle Group Proposal

2. Second Cheadle Group Proposal

Introduction

- The below summary represents the Administrators current understanding of the Second Cheadle Group Proposal. The Administrators may supplement the summary prior to the creditor vote if further information is received.
- The Second Cheadle Group Proposal is included at **Appendix 2**.
- Creditors must note that the Cheadle Group Proposal includes the use of a Creditors' Trust in addition to a DOCA. The concept of a Creditors' Trust and the difference between a Creditors' Trust and DOCA is explained in **Appendix 13** in our initial Report to Creditors.

Condition precedent

- Sam Weiss, Harry Hodge and Mike Sonand must resign as directors before the DOCA is executed;
- Settlement of the class action dispute in proceedings *Nakali Pty Limited v SurfStitch Group Limited (Administrators Appointed)* Supreme Court of NSW No. 2017/347082 (the **Nakali Proceedings**) on terms which will see the Plaintiffs receive a distribution no more favourable than highlighted in the Second Cheadle Group Proposal; and
- The finalisation of an agreement with the Plaintiff in the Nakali Proceedings as to the method of calculating the quantum of shares to be issued to the Class Action Litigants.

Deed Administrators

- Ginette Muller will be appointed the Deed Administrator of the DOCA and Trustee of the Creditors' Trust.
- The Deed Administrators will have all the powers specified in clause 2 of Schedule 8A of the Corporations Regulations.

Trust Funds

- The Trust Fund would be established under the DOCA from the existing cash currently under the control of the Administrators and future proceeds received by the Administrators. The Trust Fund is forecast to comprise an amount of \$7.085m:

1. For SHPL Creditors

- An amount sufficient to pay Priority and Ordinary Unsecured Creditors (excluding related companies) a dividend of 100 cents in the dollar. However, if the Administrators', Deed Administrator or Trustee fees exceed the current estimate then the return to unsecured creditors will be reduced by the quantum of that excess.

2. For SGL Creditors

- An amount sufficient to pay Priority and Ordinary Unsecured Creditors (excluding related companies) an amount similar to that which they would receive in a winding up, being a forecast dividend of 100 cents in the dollar plus statutory interest at the rate of 8% accruing from the Appointment Date until the date on which the dividend is paid. However, if the Administrators', Deed Administrator or Trustee fees exceed the current estimate then the return to unsecured creditors will be reduced by the quantum of that excess.

3. For Group Member Claimants

- The balance of the Trust Fund (if any) after the payments detailed in 1 and 2 will be available to Subordinated creditors (not defined) on a pari passu basis.

For the Administrators

- An amount sufficient to pay the estimated remuneration and expenses of the Administrators in their capacity as Administrators of SGL and SHPL.

Moratorium on claims

- For the duration of the DOCA, in respect of claims, no proceedings or enforcement process can be begun or proceeded with against SGL or SHPL or in relation to any property of those companies.

2. Second Cheadle Group Proposal

Effectuation of DOCA and extinguishment of claims

- The DOCA would be effectuated when the creditors trust is created.
- The effectuation of the DOCA is conditional on the settlement of the Nakali Proceedings and agreement with the Plaintiffs of the Nakali Proceedings on the method of calculating the quantum of shares to be issued to Class Action Litigants.
- On the effectuation of the DOCA:
 - control of SGL and SHPL would revert to its director, in respect of SGL, this would be Ms Abigail Cheadle since the other current directors of SGL are required to resign as a condition precedent;
 - claims of the Priority and Ordinary Unsecured Creditors of SGL and SHPL would be extinguished. The creditors would become beneficiaries of the trust and be entitled to a dividend, in accordance with the terms of the trust deed; and
 - The Claims of the Group Member Claimants would also be extinguished. That is, creditors' claims against SGL/SHPL will be released before they receive the issued shares and if shares are not issued, creditors would not have claims against SGL/SHPL

Share issue to Group Member Claimants and Other Parties

- SGL would issue sufficient shares to the Class Action Litigants for them to collectively hold a maximum of 60% of the issued share capital of SSAU post restructure.
- For Class Action Litigants to be issued shares, they must have lodged a proof of debt and have had that proof admitted.
- Following the issue of the shares, SGL or SSAU would apply for relisting on the ASX.

Compliance and Transaction Risks

- The Second Cheadle Group Proposal does not clearly specify:
 - The company issuing the shares, that is, SGL or SSAU. Clause 7 states SGL will be delisted to facilitate the issue of shares to Class Action Litigants and existing shareholders and will thereafter relist on the ASX. This would suggest SGL is issuing the shares. However, this is contrary to Clause 13(a) and 14 which refers to SSAU.
 - The circumstances or events leading to Group Member Claimants receiving less than 60% of the issued equity. Group Member Claimants are to be issued "up to a maximum" of 60% of the issued capital of SSAU. This suggests that an amount of less than 60% may be issued to Group Member Claimants.
 - Who holds the balance of equity in either SGL or SSAU. Currently 60% of the shares are allocated to Class Action Litigants and 15% to existing shareholders, respectively. The proposal is silent on who holds the remaining 25% of equity and we have assumed it continues to be held by SHPL. In the first Cheadle Group Proposal, equity was being issued to the DOCA proponents and the incoming funder, Greenwich Capital.
 - What happens in the event that SGL fails to relist on the ASX.
 - What is the mechanism for the issue of the shares in SGL or SSAU. Because of this, the Administrators cannot assess the degree of execution risk of the proposed share issue.
 - The quantum and timing of any working capital or other funding (if any) and the conditions relating to any debt or convertible note issue. The first Cheadle Group Proposal referred to \$4m of funding to be provided by Greenwich Capital. No reference to this funding is made in the Second Cheadle Group Proposal. Having regard to the trading performance discussed at **Appendix 5** the Administrators' have concern over the ongoing viability of SSAU if it is not adequately capitalised.
 - The proposed Directors of SGL, in addition to Ms Cheadle.



2. Second Cheadle Group Proposal

- Whether Group Member Claimants will receive any cash distribution from the Trust Fund. A cash dividend will only be paid in the event estimates for amounts owing to priority and unsecured creditors, and Administrators', Deed Administrator and Trustee fees are lower than expected. The deed fund will be funded to the amount of \$7.085m to pay all priority and unsecured creditors 100 cents in the dollar and the Administrators', Deed Administrator and Trustees estimated fees. The deed fund will be applied to pay priority and unsecured creditors, the estimated fees and then "subordinated creditors". Subordinated creditors will not receive a cash distribution unless the estimated priority and unsecured creditor claims and estimated fees are lower than expected. On current drafting, there unlikely to be a cash dividend to Subordinated creditors.
- Who comprises of Class Action Litigants, Subordinated creditors and Group Member Claimants. Class Action Litigants is defined in the Second Cheadle Proposal as a "*body of creditors who have commenced proceedings against the company in two separate class actions*". It is not specified whether Class Action Litigants refers only to those shareholders who have signed funding agreements with the two litigation funders or whether it includes all potential Group Member Claimants. If Class Action Litigants excludes those Group Member Claimants who have not signed a funding agreement, this is prejudicial to those Group Member Claimant's position. As it is unclear whether both the definition of Class Action Litigants and Subordinated creditors includes all Group Member Claimants, it is therefore unclear as to whether all Group Member Claimants are entitled to a cash dividend (if paid) and shares.
- The rationale for distinguishing between the Nakali Proceedings (and the group members in those proceedings) and the McConnell Proceedings. It is a condition to the Second Cheadle Group Proposal that the Nakali Proceedings are settled.

Estimated timing of dividend under the Second Cheadle Group Proposal

- The Administrators cannot state when dividends will be paid under the Second Cheadle Group Proposal as they are not the proposed Deed Administrators or Trustee. The Second Cheadle Group proposal was silent on timing of dividend to all creditors.

3. Clarification of Ezibuy Proposal



3. Clarification of Ezibuy Proposal

Conditions of Acquisition

- In relation to clause 4. Conditions of Acquisition, Ezibuy have agreed to waive condition 4.1 (a) with respect to a DOCA of SGL. Accordingly, the Ezibuy proposal is only conditional on approval and execution of a DOCA in respect of SHPL.

Conversion Terms

- In relation to clause 9. Conversion Terms, with respect to sub-clause 9.3, Ezibuy advise that the Convertible Notes will convert into an Australian holding company, Alceon Retail Holdco Pty Ltd (ACN 625 287 738) which will own 100% of EziBuy Limited and, if the Ezibuy Proposal is approved, 100% of SSAU. Alceon Retail Holdco will have 229,008,922 shares on issue prior to conversion of the Convertible Notes (as does EziBuy Limited). The conversion formulae remains unchanged.

Distribution of Deed Fund and Assets

- Despite waiver of clause 4.1(a) as discussed above, for the avoidance of doubt, Ezibuy have not waived condition 18.2 of the Ezibuy proposal, that is the Convertible Notes are to be distributed 80% to admitted Group Member Claimants and 20% to the shareholders of SGL.

Expiry of Proposal

- Ezibuy have informed the Administrators that in the event their proposal is not approved by creditors at the Second Meeting to be held on Wednesday, 4 April 2018, their proposal will be withdrawn. Ezibuy have stated the administration process for SurfStitch has been ongoing for some months, causing considerable damage to the underlying operations of SSAU. They believe any further delay in the resolution of the administration would severely undermine their ability to restore the business to viability.
- The Ezibuy Proposal is again included at **Appendix 3**.

4. Second Meeting of Creditors

4. Second Meeting of Creditors

Voting at the Second Meeting of Creditors

Introduction

- A number of creditors and Group Member Claimants have previously provided a General or Special proxy, for voting at the Second Meeting, which were provided with our initial Report to Creditors.

Proxies Explained

- A General proxy appoints someone (your Proxy Holder) to attend the Second Meeting, and vote on your behalf, on the resolutions put to the meeting. A General proxy **does not** indicate to your Proxy Holder how you wish for them to vote on each resolution put to the meeting. Voting is therefore at your Proxy Holder's discretion.
- A Special proxy **does** direct your Proxy Holder on how they are to vote on each of the resolutions put to the meeting. That is, the specific direction you make is binding on your Proxy Holder.

Consequence of New Proposal

- As the first Cheadle Group Proposal has been replaced with the Second Cheadle Group Proposal, those **Special** proxies voting in favour of the first Cheadle Proposal are now **invalid**, as they vote on a proposal which no longer exists.
- Those creditors or Group Member Claimants who have submitted a General proxy appointing someone to represent them at the Second Meeting **are not** affected.

Guidance

- New proxy forms have been provided to creditors and Group Member Claimants. This has been done to give those creditors who may not attend the Second meeting the opportunity to consider this report and vote on the future of the Companies. The only change to the proxy form is the resolution with respect to the Second Cheadle Group Proposal.
- We note, the onus is on the creditor and/or Group Member Claimant to have up to date and correct contact details with the Company's or Link Market Services.
- Guidance on what a creditors and Group Member claimants with respect to proxies is shown in the table opposite.

Proof of Debt forms do not need to be resubmitted.

What have I done?	What do I want to do?	Action Required
I previously submitted a Special proxy in favour of the first Cheadle Group Proposal.	I want to vote in favour of the Second Cheadle Group Proposal.	Original proxy is invalid . New Special proxy in favour of the Second Cheadle Group Proposal to be completed.
I previously submitted a Special proxy in favour of the first Cheadle Group Proposal.	I want to vote in favour of the Ezibuy Proposal.	Original proxy is invalid . New Special proxy in favour of the Ezibuy Proposal to be completed.
I previously submitted a Special proxy in favour of the Ezibuy Proposal.	I want to vote in favour of the Second Cheadle Group Proposal.	New Special proxy in favour of the Second Cheadle Group Proposal to be completed.
I previously submitted a Special proxy in favour of the Ezibuy Proposal.	I want to vote in favour of the Ezibuy Proposal.	No action required.
I previously submitted a General Proxy.	I want to now submit a Special Proxy in favour of either the Ezibuy Proposal or Second Cheadle Group Proposal, respectively.	New Special proxy in favour of the either Ezibuy Proposal or Second Cheadle Group Proposal to be completed, respectively.
I have not done anything to date.	I want to vote in favour of the Ezibuy Proposal.	Complete Special Proxy voting in favour of the Ezibuy Proposal. The existing proxy sent with our Report to Creditors or the proxy sent with this Supplementary Report can be used.

4. Second Meeting of Creditors

What have I done?	What do I want to do?	Action Required
I have not done anything to date.	I want to vote in favour of the Second Cheadle Group Proposal.	Complete Special proxy voting in favour of the Second Cheadle Group Proposal accompanied with this Supplementary Report. The proxy sent with the initial Report to Creditors cannot be used.
I have not done anything to date.	I want to appoint a General Proxy.	Any proxy form can be submitted.

- New proxy forms should be submitted by **Wednesday, 4 April 2018 by 10am AEST.**

Considerations as to an Adjournment of Second Meeting

- Having regard to the timeframe creditors have to consider the contents of this Second Supplementary report consideration was given to an adjournment of the Second Meeting. The Administrators **do not** consider it appropriate to adjourn the Second Meeting for the following reasons:
 1. Nothing in the Second Cheadle Group Proposal changes the Administrators opinion that it remains the creditors best interests for both the Companies to execute a DOCA based on the EziBuy Proposal.
 2. Ezibuy have informed the Administrators that in the event their proposal is not approved by creditors by 4 April 2018, their proposal will be withdrawn. Ezibuy have stated the administration process for SurfStitch has been ongoing for some months, causing considerable damage to the underlying operations of SSAU. They believe any further delay in the resolution of the administration would severely undermine their ability to restore the business to viability.
 3. SSAU's trading performance has started to deteriorate from January 2018 as depicted in **Appendix 5**. It is the Administrators' opinion that if control of SurfStitch is transferred to a party who is sufficiently capitalised and capable of executing a turnaround plan for the business without delay, then liquidation of SSAU is a very realistic option. As shown at **Appendix 4** Liquidation will erode value to Group Member Claimants and result in nil return for existing shareholders.

5. Administrators' Recommendation

5. Administrators' Recommendation

Administrators' Recommendation

- It remains our opinion that it would be in creditors' interests for both the Companies to execute a DOCA based on the EziBuy Proposal. The EziBuy Proposal is superior to the Second Cheadle Group Proposal.
- It is not in creditors' interests to wind up the Companies or to bring the Administration to an end.
- As detailed in this report, the EziBuy Proposal is projected to result in an equal 100 cents in the dollar return for priority and ordinary unsecured Creditors, and a superior return for Group Member Claimants and Shareholders, than if the Company was wound up.

Dated 3 April 2018



Joseph Ronald Hansell
Joint and Several Administrator

Appendix 1 – Glossary and Terms of Reference

Appendix 1 - Glossary and Terms of Reference

Item	Definition
Administrators	John Park, Joseph Ronald Hansell and Quentin James Olde
Appointment date	24 August 2018
ASX	Australian Securities Exchange
AUD	Australian Dollars
Cheadle Circular	Circular dated 26 March 2018, Appendix 2 to the Supplementary Report
Cheadle Group	Abigail Cheadle, Justin Hillberg and Tony Nash
Cheadle Group Proposal	As per Appendix 10 of the Report to Creditors. Proposal put forward by the Cheadle Group
Class Actions	<i>TW McConnell Pty Ltd ACN 000 217 890 as trustee for the McConnell Superannuation Fund v SurfStitch Group Limited (Administrators Appointed) and Justin Peter Cameron</i> (Supreme Court of New South Wales proceedings number 2017/193375); and <i>Nakali Pty Limited ACN 062 473 830 v SurfStitch Group Limited ACN 602 288 004 (Administrators Appointed)</i> (Supreme Court of New South Wales proceedings number 2017/347082) (previously described as <i>Warwick Blain Cook and Leonee Rose Cook as trustees of Corifin P/L Super Fund A/C v SurfStitch Group Limited and commenced in the Supreme Court of Queensland</i>)
Companies	SurfStitch Group Limited and SurfStitch Holdings Pty Limited
DOCA	Deed of Company Arrangement
DoCG	Deed of Cross Guarantee
EziBuy	EziBuy Holdings Ltd
EziBuy Proposal	As per Appendix 9 of the Report to Creditors. Deed of Company Arrangement proposed by EziBuy
Group Member Claimant	Shareholders and former shareholders that held and retained shares in SurfStitch Group Limited (ASX: SRF) at periods and dates specified in Section 8 of the Report to Creditors

Item	Definition
IP	Intellectual Property
IPO	Initial Public Offering
Link POD & Link Proxy	Informal Proof of Debt and Appointment of Proxy Form for the SGL Second Meeting of Creditors from Link Insolvency Solutions
m	million
POD	Informal Proof of Debt
Proxy	Appointment of Proxy Form
Report to Creditors	Report to Creditors dated 16 March 2018
Second Cheadle Group Proposal	DOCA proposal received by the Administrators' on 29 March 2018 at 5.11pm AEST by the Cheadle Group
Second Meeting	Second Meeting of Creditors for SurfStitch Group Limited and SurfStitch Holdings Pty Limited, which will be held on Wednesday, 4 April 2018, at The Ionic Room, SMC Conference & Function Centre, 66 Goulburn Street, Sydney, NSW 2000, at 1:00 PM AEST
Second Supplementary Report	This Second Supplementary Report to Creditors dated 3 April 2018
SGL	SurfStitch Group Limited
SHPL	Surfstitch Holding Pty Limited
SSAU or SurfStitch Australia	Surfstitch Pty Ltd
Supplementary Report	Supplementary Report to Creditors dated 29 March 2018
the Act	Corporations Act 2001 (Cth)



Appendix 1 - Glossary and Terms of Reference

Terms of Reference

- This report has been prepared for the creditors of Companies to assist them in evaluating their position as creditors and in deciding on the Company's future. None of the Administrators, FTI Consulting and its staff shall assume any responsibility to any third party to which this report is disclosed or otherwise made available.
- This report is based on information obtained from the Companies' records, the directors and management of the Company and from our own enquiries. While we have no reason to doubt the veracity of information contained in this report, unless otherwise stated we have proceeded on the basis that the information provided and representations made to us are materially accurate, complete and reliable. We have not carried out anything in the nature of an audit, review or compilation.
- This report may contain prospective financial information, including estimated outcomes for creditors, and other forward looking information. As events and circumstances frequently do not occur as expected, there may be material differences between estimated and actual results. We take no responsibility for the achievement of any projected outcomes or events.
- We reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to us between the date of this report and the forthcoming meeting of creditors.
- Creditors should seek their own advice if they are unsure how any matter in this report affects them.

Appendix 2 – Second Cheadle Group Proposal

Appendix 2 – Second Cheadle Group Proposal

Proposal for a Deed of Company Arrangement

SurfStitch Group Limited (Administrators Appointed) ACN 602 288 004 (SGL)
SurfStitch Holdings Pty Ltd (Administrators Appointed) ACN 601 114 603 (SHPL),
together referred to as SurfStitch

1. The Deed Administrator of the Deed of Company Arrangement ("Deed") and the Trustee of the Creditors Trust will be Ginette Muller
2. The Deed Administrators will have all of the powers specified in clause 2 of Schedule 8A of the Corporations Regulations.
3. It is proposed that a Deed and Creditors Trust be created to bind all unsecured creditors as at the date that SurfStitch entered into administration.
4. The Trust Fund will comprise an amount sufficient to satisfy the Administrators current estimate of their fees and sufficient to pay priority and ordinary unsecured creditors 100 cents in the dollar. In the event that the Administrators' or Deed Administrators' or Trustee's fees exceed the current estimate then the return to unsecured creditors will be reduced by the quantum of that excess.
5. The balance of the Trust Fund if any after distribution referred in 4 above will be made available to Subordinated creditors on a pari passu basis.
6. Despite the Deed becoming a deed of company arrangement pursuant to section 444B(6), the operation of the Deed is subject to
 - (a) receipt by SurfStitch of the resignations of all directors except Abigail Cheadle;
 - (b) settlement of the class action dispute in proceedings *Nakali Pty :Ltd v Surfstitch Group Limited (Administrators Appointed)* Supreme Court of NSW No. 2017/347082 (the **Proceedings**) on terms which will see the plaintiffs receiving a distribution no more favourable than that set out in clause 15 of this proposal.
 - (c) the finalisation of an agreement with the plaintiff in the Proceedings as to the method of calculating the quantum of shares to be issued under clause 13 below.
7. The Proponents to the Deed will delist the company to facilitate the issue of shares to the Class Action Litigants and existing shareholders who were on the register of shareholders at the date of the appointment of the administrators as referred to in this proposal. Thereafter the company will make application to relist on the ASX.
8. Any debts payable by or claims against SurfStitch, the circumstances giving rise to which occurred after the execution of the Deed will not be liabilities of the deed administrators.
9. All other assets of SurfStitch not included in this proposal will remain with SSAU after the creation of the Creditors Trust
10. All unsecured liabilities of the Company will be transferred to the Creditors Trust upon the creation of the Trust at which time the obligations of the Company to those creditors will be extinguished.
11. The Creditors Trust Fund will be applied as follows:
 - (a) Administrators fees, costs, liabilities and disbursements as assessed but capped in the amount currently estimated by the Administrators
 - (b) Deed administrators and trustee's fees, costs, liabilities and disbursements.
 - (c) Priority creditors as provided for in section 556 of the Corporations Act
 - (d) Ordinary unsecured creditors
 - (e) Subordinated creditors.
12. Annexed to this proposal is the proponents best estimate of the funds available to each class of Creditors based on the information presently available from the administrators
13. A body of creditors have commenced proceedings against the company in two separate class actions. For the purposes of this proposal they are jointly described as the Class Action Litigants
 - (a) In addition to any distribution from the Creditors Trust Fund Class Action Litigants will be issued shares in the Company representing a maximum of 60% of the issued shares in SSAU within 60 days of the creation of the Creditors Trust.
 - (b) The Class Action Litigants will receive shares calculated by reference to the total number of shares to be issued times the quantum of the shareholders claim as a proportion of the total of all Class Action Litigant Claims.
 - (c) The company will assign for the benefit of the Class Action Litigants any and all legal claims against any third party arising from the facts matters and circumstances pleaded in the Class Action proceedings.
14. The company will issue a further 15% of the issued shares in SSAU within 60 days of the creation of the Creditors Trust to be shared between the shareholders on the company register as at the date of the appointment of the administrators. The issue will be rateably based on the number of shares held by each shareholder on the appointment date.
15. Each creditor is to accept the distribution (including the issue of shares set out in 14 above) by the Trustee in full and final satisfaction of their claims as creditors against the Company.
16. The Company will be released from all admissible debts and claims of creditors on termination of the Deed.
17. The Deed will automatically terminate when any one of the following events occur:
 - (a) The Creditors Trust contemplated by this proposal is created.
 - (b) The Court makes an order terminating the Deed; or
 - (c) The Company's creditors pass a resolution terminating the Deed.
18. Related party creditors are not to prove in the deed of company arrangement and will not receive any distribution from the Creditors Trust
19. The Deed Administrators are entitled to be reimbursed for the costs, charges and expenses incurred by the Deed Administrators in connection with or incidental to the Deed Administrators' administration of the deed and in carrying out their duties as Trustees of the Creditors Trust
20. The Deed Administrators are entitled to a lien over the available property and any other property of the company to secure payment of the remuneration and reimbursements of the Deed Administrators
21. Schedule 8A of the Corporations Regulations will be incorporated into the Deed and the Trust subject to any changes requested by the Deed Administrator including those

Appendix 2 – Second Cheadle Group Proposal

- provisions setting out the procedure for the admission and rejection of proofs of debt for voting purposes and formal proofs of debt.
22. Control of the Company will revert to the remaining director (after receipt of the resignations referred to in 5 above) upon termination of the Deed
 23. Once the obligations under the Creditors Trust are satisfied, the Trustees will wind up the Creditors Trust
 24. If the Proposers fail to execute the Trust Deed to the satisfaction of the Voluntary Administrators within 15 business days of the approval of the Deed and the Creditors Trust then the Company is to be wound up and the Deed administrator contemplated by this proposal will become the liquidator.
 25. If the Proposers fail to comply with any fundamental provisions of the Deed or the Creditors Trust, then the Trustees are entitled to:
 - (a) Convene a meeting of the Creditors for the purposes of considering a resolution to vary or terminate the trust; or
 - (b) Apply to the Court to vary or terminate the Trust

	\$
SHPL	
Pay into creditors trust unreserved priority creditors and secured creditors (represents 100% according to the list provided by the Administrators)	765,199.41
Pay into creditors trust unsecured creditors (represents same as what they would receive in a liquidation)	374,534.15
Preserve the related party debts to other companies within the group.	
SGL	
Pay into creditors trust unreserved unrelated creditors (including a calculated amount for statutory interest which equates to 100% according to the list provided by the Administrators).	1,082,855.64
Preserve the related party debts to other companies within the group.	
Administrators	
Pay into trust account (represents adopted fees and outlays)	4,862,500.00

Appendix 3 – Ezibuy Proposal

Appendix 3 – Ezibuy Proposal

8 March 2018

Binding Term Sheet - Acquisition and DOCA proposal

These terms are confidential and subject to the Non-Disclosure Agreement dated 17 January 2018 and are intended to be binding on the parties.

TERMS	
Background	
1. <i>Parties</i>	1.1 SurfStitch Group Limited (administrators appointed) ACN 602 288 004 (SGL) 1.2 SurfStitch Holdings Pty Limited (administrators appointed) ACN 601 114 603 (SHPL) 1.3 John Park, Quentin Olde and Joseph Hansell as administrators of SGL and SHPL (Administrators) 1.4 SurfStitch Pty Limited ACN 141 251 443 (SSAU) 1.5 EziBuy Holdings Ltd NZBN 9429033569444 (EziBuy)
2. <i>Purpose</i>	2.1 EziBuy wishes to acquire the entire share capital of SSAU and certain IP and assets related to the "SWELL" business held by SurfStitch USA Inc plus all IP and other assets used by SSAU that are owned by other members of the SurfStitch group, including but not limited to the following brand names and trademarks: <ul style="list-style-type: none"> • 'Depactus', 'No News', 'Trouble Loves Company' (Additional IP), on the terms set out in this term sheet (Acquisition). 2.2 The Acquisition will be implemented via deeds of company arrangement (DOCAs) in respect of SGL and SHPL proposed by EziBuy as set out in this term sheet.
Acquisition terms	
3. <i>Acquisition of shares and certain IP and assets</i>	3.1 EziBuy agrees to acquire the shares of SSAU (on a cash-free, debt-free basis, subject to agreed normalised working capital) and the IP and assets related to the "SWELL" business held by SurfStitch USA Inc plus the Additional IP in exchange for: <ol style="list-style-type: none"> issuing SHPL with convertible notes in EziBuy (Convertible Notes); and the value, in cash, of any Net Working Capital Surplus (excluding cash) held by SSAU as at the date of the Acquisition, calculated as the surplus of actual working capital at Acquisition completion (Completion Working Capital) over the agreed level of normalised target working capital (Target Working Capital). Completion Working Capital and Target Working Capital will be calculated in accordance with Schedule A. If the Completion Working Capital is less than the Target Working Capital (that is, a working capital deficit), there will be no cash paid by EziBuy and SSAU will retain sufficient

	cash at Completion to compensate for the working capital deficit. 3.2 For the avoidance of doubt, the proposed acquisition will be on a cash-free, debt-free basis other than any cash required to be retained by SSAU as a result of the Net Working Capital Surplus calculation in 3.1(b). Any additional cash retained by SSAU, including any cash required to be retained as security for any banking facilities (including merchant facilities and rental bonds) will be acquired at full value in addition to the acquisition consideration calculated in 3.1 above.
4. <i>Conditions of Acquisition</i>	4.1 The Acquisition will be conditional on: <ol style="list-style-type: none"> the approval and execution of the DOCAs on terms materially consistent with this proposal; and releases by SGL group entities and their officers of all and any claims they have against SSAU, including intercompany loans and trading balances. 4.2 SGL, SHPL and the Administrators must use all reasonable endeavours to assist EziBuy to obtain a consent from the Landlord to a change in control under the lease for the warehouse and distribution centre in Coomera, Queensland arising as a result of the Acquisition.
5. <i>Deposit</i>	5.1 EziBuy must pay a refundable deposit of A\$200,000 (Deposit) to the Administrators no later than one clear business day prior to the creditors meeting of SGL and SHPL. Subject to paragraphs 5.2 and 5.3, the Administrators must hold the Deposit on trust for EziBuy and separate from the assets of SGL and SHPL pending Completion of the Acquisition. 5.2 The Administrators must repay the Deposit to EziBuy and the Deposit will vest in EziBuy absolutely, if: <ol style="list-style-type: none"> the transaction as set out in this term sheet is not approved at a meeting of creditors of SGL and SHPL on or before 31 March 2018 <i>4 April</i>; the DOCAs are not executed by the Administrators on or prior to 31 March 2018 <i>10 business days following the meeting</i>; the transaction as set out in this term sheet is approved at a meeting of creditors of SGL and SHPL and each relevant party executes the DOCAs; or an event outside of the control of EziBuy occurs which results in EziBuy being unable to execute the DOCAs. 5.3 Subject to paragraph 5.2, the Deposit will vest in the Administrators absolutely if the transaction as set out in this term sheet is approved at a meeting of creditors of SGL and SHPL and EziBuy fails to execute the DOCAs within 10 business days of the meeting of creditors, other than where EziBuy is unable to execute the DOCAs due to factors outside its control.
6. <i>Other terms</i>	To be set out in a share sale and asset sale agreement.
Convertible Note terms	

Appendix 3 – Ezibuy Proposal

7. <i>Face value</i>	Each Convertible Note will have a face value of A\$1.00 and there will be A\$15,000,000 of Convertible Notes issued in aggregate
8. <i>Security and ranking</i>	Unsecured and rank for repayment of principal on liquidation equally with all other unsecured creditors of Ezibuy. The Convertible Notes are mandatorily convertible on the terms set out below and are not repayable other than on an insolvency of Ezibuy.
9. <i>Conversion terms</i>	<p>9.1 The Convertible Notes will be mandatorily converted into new ordinary shares of Ezibuy, based on a conversion formula, on the earlier of:</p> <p>(a) three years from the date of issue; and</p> <p>(b) the occurrence of a liquidity event of Ezibuy (including an IPO or trade sale).</p> <p>The shareholders of Ezibuy intend to proceed with a liquidity event of Ezibuy as soon as reasonably practical, subject to maximising returns to all shareholders and Convertible Note holders.</p> <p>9.2 The Convertible Notes will convert into at least 12,053,101 and up to 25,445,435 shares in Ezibuy, representing between 5.0% and 10.0% of Ezibuy's expanded share capital on a fully-diluted basis, based on the performance of the combined Ezibuy and SurfStitch business. The conversion formula is set out in Schedule B to this term sheet.</p> <p>9.3 The Convertible Notes may be converted on the same basis and with the same proportional shareholding into shares in a holding company of Ezibuy that owns 100% of Ezibuy shares, or a wholly-owned subsidiary of Ezibuy that owns 100% of the Ezibuy business, in which case the entity issuing equity as a result of conversion of the Convertible Notes will be the entity that will be the subject of the liquidity event described in clause 9.1 above.</p> <p>9.4 On or prior to conversion of the Convertible Notes, the constitution of Ezibuy will be revised or replaced so that it contains minority shareholder protection rights consistent with market practice, including tag-along and drag-along rights.</p> <p>9.5 On conversion, if the holder of a Note would hold less than 100 shares in Ezibuy, Ezibuy reserves the right to pay that person the cash value of the shares rather than issue that person with shares in Ezibuy. The value of the cash to be paid will be the market value of Ezibuy shares, being the implied value of the shares to be issued, as determined by the Board of Ezibuy, based either on the liquidity event that has given rise to the conversion of the Notes or as otherwise determined by the Board of Ezibuy.</p>
10. <i>Other terms</i>	The Deed Administrators (and any subsequent holder) can transfer the Convertible Notes with the consent of Ezibuy, such consent not to be unreasonably withheld. Other standard terms and conditions to be set out in a convertible note deed.
High level DOCA terms	
11. <i>Proponent</i>	Ezibuy
12. <i>Companies subject to DOCA</i>	SGL and SHPL

13. <i>Commencement Date</i>	The date of execution of the DOCA contemplated by this proposal.
14. <i>Proposed Deed Administrators and Trustees</i>	John Park, Quentin Oldé and Joseph Hansell of FTI Consulting.
15. <i>Implementation of Acquisition</i>	As soon as practicable following the Commencement Date, the Deed Administrators will implement the Acquisition described in this proposal.
16. <i>Deed funds and assets</i>	The deed funds will comprise: <ul style="list-style-type: none"> (a) the existing cash reserves of SGL and SHPL; (b) the net excess cash held by SSAU and paid over as part of the consideration for the Acquisition; (c) the Convertible Notes; and (d) any other assets available to creditors of SGL and SHPL, other than the claim proceeds (below).
17. <i>Claim proceeds</i>	The proceeds of any claims against SGL, SHPL or the former directors and officers of SGL and SHPL, including any insurance proceeds, are not included in the deed funds and will be paid exclusively to the admitted creditors comprising the class action claimants.
18. <i>Distribution of deed funds and assets</i>	<p>18.1 Deed funds shall be applied:</p> <ul style="list-style-type: none"> (a) first, in payment of any Administrators' remuneration, costs and expenses which remain unpaid as at the Commencement Date; (b) second, in payment of the Deed Administrators' and Trustees' remuneration, costs and expense associated with administering the DOCAs and the creditors trusts; (c) third, in payment of the admitted participating creditor claims of participating creditors that are priority creditors in accordance with the Corporations Act 2001 (Cth) (Act); (d) fourth, an amount up to a maximum of \$250,000 to be paid on a basis to be agreed to current employees of SSAU as a retention bonus (payment to be subject to certain conditions); (e) fifth, in payment of the admitted participating creditor claims of the remaining participating creditors pro rata in accordance with the Act; (f) sixth, the total remaining cash balance of the deed fund will be paid to the admitted creditors comprising the class action claimants. <p>18.2 Deed fund assets (being the Convertible Notes) shall be distributed on the following basis:</p> <ul style="list-style-type: none"> (a) 80% to the admitted creditors comprising the class action claimants; and (b) 20% to the shareholders of SGL. <p>Alternatively, the Deed Administrators can hold the Convertible Notes on behalf of the admitted creditors until conversion. On conversion, Ezibuy will issue shares directly to each of the admitted creditors comprising the participating class action claimants and the shareholders in the amounts as specified by the Deed Administrators. The Deed Administrators are to</p>

Appendix 3 – Ezibuy Proposal

	provide all reasonable assistance necessary to facilitate the issue of the shares.
19. Waiver and Release	19.1 In consideration for the distribution of the Convertible Notes and deed fund: (a) SGL and SHPL and any other group entities will release all or any claims such entity has or may have against SSAU; and (b) to the extent permissible by law, the participating creditors will release all or any claims each such creditor has or may have against SSAU.
20. Other terms	More detailed DOCA terms to be set out at full documentation stage.
21. Governing law	This proposal is governed by the laws of New South Wales.

Date: 8 March 2018

Signed for and on behalf of **EziBuy Holdings Ltd**
by its authorised representative:



.....
Signature of authorised representative

Richard Facioni, Director

.....
Print name

Signed for and on behalf of **John Park, Quentin Olde and Joseph Hansell** as joint and several administrators of SurfStitch Group Limited and SurfStitch Holdings Pty Ltd:



.....
Signature

QUENTIN OLDE

.....
Print name

Appendix 3 – Ezibuy Proposal

SCHEDULE A – Calculation of Target and Completion Working Capital

Completion Working Capital

Completion Working Capital shall be calculated as follows:

Completion Working Capital =
Trade and other receivable
+ Inventories
+ Current tax asset
+ Other assets
- Trade and other payables
- Intercompany AP & AR
- Employee benefits
- Income tax provision
- Provisions
- Deferred revenue

where:

- Each item referred to above is as defined in the document "01.03.01 SSAU FY18 Revised Forecast (DataBook).xlsx" contained in the data room;
- Inventories will only include stock purchased in the 6 months prior to Acquisition completion.

For the avoidance of doubt, cash balances will be excluded from the calculation of Completion Working Capital.

Completion Working Capital will be calculated as soon as reasonably possible following Acquisition completion and, in any event, within 20 business days of Acquisition completion.

Target Working Capital

Target Working Capital shall be calculated as follows:

- Working capital shall be calculated in the same manner as Completion Working Capital at the end of each month ("EOM Working Capital") for the 5 months prior to Acquisition completion;
- Target Working Capital will be calculated as the simple average of Completion Working Capital and EOM Working Capital for the 5 months prior to Acquisition completion.

Sample Calculation

A sample calculation assuming Acquisition completion occurs on 31 March 2018 is set out below, using data contained in document "01.03.01 SSAU FY18 Revised Forecast (DataBook).xlsx": The Sample Calculation calculates Target Working Capital, Completion Working Capital and Net Working Capital Surplus

SurfStitch financial statements

Project Irvine

AUD\$						
Start period	1-Oct-17	1-Nov-17	1-Dec-17	1-Jan-18	1-Feb-18	1-Mar-18
End period	31-Oct-17	30-Nov-17	31-Dec-17	31-Jan-18	28-Feb-18	31-Mar-18
Financial year	FY2018	FY2018	FY2018	FY2018	FY2018	FY2018
Historical / Forecast	Historical	Historical	Historical	Forecast	Forecast	Forecast
Month	Month 10	Month 11	Month 12	Month 1	Month 2	Month 3

Target Working Capital

Business units only; excludes eliminations

Cash and cash equivalents	-	-	-	-	-	-
Trade and other receivables	680,011	880,604	1,270,126	1,268,574	1,268,021	1,230,552
Inventories	12,962,065	13,661,517	11,306,535	10,223,977	10,881,729	10,550,946
Current tax asset	-	-	-	-	-	-
Other assets	1,800,880	1,839,895	843,531	746,931	847,871	333,701
Current assets	15,542,955	16,276,016	13,420,191	12,229,483	12,997,621	12,115,199
Trade and other payables	(8,812,527)	(10,264,983)	(7,410,665)	(5,025,698)	(6,839,407)	(5,817,447)
Intercompany AP & AR	(434,766)	(478,255)	(488,540)	(467,187)	(477,904)	(477,907)
Employee benefits	(390,148)	(395,515)	(409,656)	(409,656)	(409,656)	(409,656)
Income tax provision	-	-	-	-	-	-
Provisions	(102,527)	(236,314)	(281,328)	(367,809)	(294,349)	(267,735)
Deferred revenue	(52,814)	(74,997)	(140,540)	(120,000)	(120,000)	(120,000)
Current liabilities	(9,792,782)	(11,442,064)	(8,730,826)	(6,380,349)	(8,141,406)	(7,092,744)
Monthly Working Capital	5,750,173	4,833,952	4,689,365	5,849,134	4,456,216	5,022,454
6 Month Average to 31 March						5,100,249
31 March Balance						5,022,454
Net Working Capital Surplus						(77,795)

Appendix 3 – Ezibuy Proposal

SCHEDULE B – Convertible Note Conversion Formula

The Convertible Notes will, upon conversion, be issued with between 12,053,101 and 25,445,435 shares in Ezibuy, representing:

- between 5.263% and up to 11.111% of Ezibuy's current issued share capital; and
- between 5.000% and 10.000% of Ezibuy's expanded share capital on a fully-diluted basis,

based on Ezibuy's current share capital of 229,008,922 shares on issue.

The shares to be issued will be based on the relative Gross Profit contribution of Ezibuy and SSAU calculated below.

$$\text{Shares to be Issued} = SC \times DF$$

where:

$$\begin{aligned} SC &= \text{Ezibuy existing Share Capital} \\ &= 229,008,922 \text{ shares,} \end{aligned}$$

and

$$\begin{aligned} DF &= \text{Dilution Factor.} \\ &= [RE / (1 - RE)] \end{aligned}$$

where:

$$RE = \text{Resultant Equity Ownership.}$$

Resultant Equity Ownership shall be calculated as follows:

$$RE = 5.00\% + [(A - 30.0) / 100] + [(87.5 - B) / 250]$$

where:

$$A = \text{The greater of:} \\ A\$30.0m \text{ and SSAU Gross Profit for the 12 months preceding conversion (in \$A)}$$

and

$$B = \text{The lesser of:} \\ A\$87.5m \text{ and Ezibuy Gross Profit for the 12 months preceding conversion (in \$A),}$$

subject to Resultant Equity Ownership being deemed to be 5.00% if the above calculation yields an amount below 5.00% and Resultant Equity Ownership being deemed to be 10.00% if the above calculation yields an amount above 10.00%.

The following table summarises the calculated results for Resultant Equity using the above formula:

		SSAU Gross Profit = A					
		\$ 30.00	\$ 31.00	\$ 32.00	\$ 33.00	\$ 34.00	\$ 35.00
Ezibuy Gross Profit = B	\$ 87.50	5.0%	6.0%	7.0%	8.0%	9.0%	10.0%
	\$ 85.00	6.0%	7.0%	8.0%	9.0%	10.0%	10.0%
	\$ 82.50	7.0%	8.0%	9.0%	10.0%	10.0%	10.0%
	\$ 80.00	8.0%	9.0%	10.0%	10.0%	10.0%	10.0%
	\$ 77.50	9.0%	10.0%	10.0%	10.0%	10.0%	10.0%
	\$ 75.00	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

The following table summarises the calculated results for Shares to be Issued under each of the above scenarios (millions):

		SSAU Gross Profit = A					
		\$ 30.00	\$ 31.00	\$ 32.00	\$ 33.00	\$ 34.00	\$ 35.00
Ezibuy Gross Profit = B	\$ 87.50	12.053	14.618	17.237	19.914	22.649	25.445
	\$ 85.00	14.618	17.237	19.914	22.649	25.445	25.445
	\$ 82.50	17.237	19.914	22.649	25.445	25.445	25.445
	\$ 80.00	19.914	22.649	25.445	25.445	25.445	25.445
	\$ 77.50	22.649	25.445	25.445	25.445	25.445	25.445
	\$ 75.00	25.445	25.445	25.445	25.445	25.445	25.445

Appendix 4 – Estimated Return to Creditors

Appendix 4 - Estimated Return to Creditors

Introduction

- The Administrators provide on the following pages:
 - their estimated return to Creditors based on high/low scenarios for the Liquidation, the EziBuy and the Second Cheadle Group Proposals;
 - calculations explaining how the estimated returns have been derived; and
 - explanatory notes.

Assumption used for the Second Cheadle Group Proposal

- When calculating the estimated return to Creditors under the Second Cheadle Group Proposal, the Administrators have been required to make and assumption on how the deed funds are to be allocated between SHPL and SGL.
- This is because the proposal specifies a single amount for the costs and fees of the Administrators', Deed Administrator and Trustees of both Companies.
- For the purpose of our calculations, we assume that the funds will be allocated as follows:

AU\$

	SHPL	SGL	Total
Priority employee creditors	765,199	-	765,199
Ordinary creditors	374,534	1,082,856	1,457,390
External administrators fees and costs	2,684,650	2,177,850	4,862,500
	3,824,384	3,260,706	7,085,089

Appendix 4 - Estimated Return to Creditors

SHPL: Estimated Return to Creditors

AU\$	Notes	Liquidation		EziBuy Proposal		Second Cheadle Group Proposal	
		Low	High	Low	High	Low	High
Assets available to Administrators							
Cash at Bank	1	8,006,232	8,006,232	8,006,232	8,006,232	8,006,232	8,006,232
Distribution on winding up of MSW	PR	300,000	300,000	300,000	300,000	300,000	300,000
SSAU Cash at Bank	2			-	350,000		
Dividend from SSAU	PR	1,300,000	3,700,000				
Retained for Working Capital	3					(2,653,367)	(2,653,367)
Distribution to SGL for DOCA funding	4					(1,828,482)	(1,828,482)
		9,606,232	12,006,232	8,306,232	8,656,232	3,824,384	3,824,384
Administrators' Remuneration and Disbursements	PR	(2,088,000)	(2,038,000)	(2,139,000)	(2,089,000)	(2,139,000)	(2,089,000)
Administrators' Trading Expenses	5	(150,000)	(100,000)	(150,000)	(100,000)	(150,000)	(100,000)
Administrators' Legal and Other Costs	PR	(171,000)	(171,000)	(171,000)	(171,000)	(171,000)	(171,000)
Liquidators' remuneration and costs	PR	(175,000)	(200,000)	-	-	-	-
Deed Administrators'/Trustees' remuneration and costs	PR	-	-	(100,000)	(75,000)	(100,000)	(75,000)
Amount available for priority employee creditors		7,022,232	9,497,232	5,746,232	6,221,232	1,264,384	1,389,384
Priority employee creditors	PR	(898,292)	(898,292)	(898,292)	(701,462)	(755,199)	(755,199)
		6,123,940	8,598,940	4,847,940	5,519,771	509,184	634,184
Employee Retention Bonus	PR			(250,000)	(250,000)		
Amount available for ordinary creditors		6,123,940	8,598,940	4,597,940	5,269,771	509,184	634,184
SGL (pre-appointment intercompany balance)	PR	(6,108,009)	(8,570,110)	-	-	-	-
Ordinary creditors	PR	(15,932)	(28,830)	(438,417)	(438,417)	(438,417)	(438,417)
		(6,123,940)	(8,598,940)	(438,417)	(438,417)	(438,417)	(438,417)
<i>Cents in the dollar return for ordinary creditors</i>		3.6 c/\$	6.6 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$
Amount available to SGL as 100% shareholder of SHPL	6	-	-	4,159,524	4,831,354	70,768	195,768

Appendix 4 - Estimated Return to Creditors

Notes for SHPL Estimated Return to Creditors

Note PR

These line items have not materially changed since the issue of the Report to Creditors. Refer to Appendix 14 of the Report to Creditors dated 16 March 2018 for explanatory notes.

Note 1: Cash at Bank

Since the previous Report to Creditors dated 16 March 2018, the Cash at Bank has increased following receipt of the deferred consideration of GBE2million from the sale of SurfDome. Refer to Section 5 of the Report to Creditors dated 16 March 2018 for further details.

Note 2: SSAU Cash at Bank

Ezibuy are offering to acquire SSAU on a cash free/debt free basis less working capital adjustment. Amount of \$350k is the forecast cash payment to SHPL following those adjustments in a high case. Nil in a low case. This item is not applicable under the Second Cheadle Group Proposal or the Liquidation scenario.

Note 3: Retained for working capital

The Cheadle Group proposes to transfer \$2,653,367 to SSAU for working capital. This amount comprises the difference between:

- the assets available to the Administrators of SHPL and SGL (\$9,738,456); and
- the amount to be paid into the deed fund (\$7,085,089).

Note 4: Distribution to SGL for DOCA Funding

The difference between:

- the amount to be paid into the deed fund for SGL (\$3,260,706); and
- the assets available to the Administrator of SGL (\$1,432,224).

Note 5

Estimate of the Administrators' trading expenses up to the execution of the DOCA/commencement of winding up. It is noted these expenses have reduced since the Report to Creditors dated 16 March 2018 due to trading expenses being paid during the period 16 March 2018 and the date of this report.

Note 6

Surplus funds following payment of 100 cents in the dollar to all creditors. Under the EziBuy and, potentially, the Second Cheadle Group Proposal these funds will be distributed to SGL. We cannot be certain that any or all the funds will be distributed under the Second Cheadle Group Proposal as it is contingent on the actual quantum of the Administrators', Deed Administrator and Trustee fees.

Appendix 4 - Estimated Return to Creditors

SGL: Estimated Return to Creditors

AU\$	Notes	Liquidation		EziBuy Proposal		Second Cheadle Group Proposal	
		Low	High	Low	High	Low	High
Assets available to Administrators							
Cash at Bank	PR	1,432,224	1,432,224	1,432,224	1,432,224	1,432,224	1,432,224
Proceeds from Westpac blocked account	1	-	300,000	898,650	898,650		
Distribution from SHPL for DOCA funding	2					1,828,482	1,828,482
Shareholder distribution from SHPL	3	6,108,009	8,570,110	4,159,524	4,831,354	70,768	195,768
		7,540,232	10,302,334	6,490,398	7,162,228	3,331,474	3,456,474
Administrators' Remuneration and Disbursements	PR	(1,171,000)	(1,102,000)	(1,232,000)	(1,163,000)	(1,232,000)	(1,163,000)
Administrators' Trading Expenses	PR	(15,000)	(20,000)	(15,000)	(20,000)	(15,000)	(20,000)
Administrators' Legal and Other Costs	PR	(140,000)	(140,000)	(140,000)	(140,000)	(140,000)	(140,000)
Liquidators' Remuneration and costs	PR	(600,000)	(400,000)	-	-	-	-
Deed Administrators'/Trustees' remuneration and costs	PR	-	-	(500,000)	(400,000)	(500,000)	(400,000)
		(1,926,000)	(1,662,000)	(1,887,000)	(1,723,000)	(1,887,000)	(1,723,000)
Amount available for priority creditors		5,614,232	8,640,334	4,603,398	5,439,228	1,444,474	1,733,474
Priority employee creditors	PR	(4,651)	(4,651)	(4,651)	(4,651)	(4,651)	(4,651)
Amount available for ordinary creditors		5,609,581	8,635,683	4,598,747	5,434,577	1,439,823	1,728,823
Ordinary creditors	PR	(1,013,209)	(1,013,209)	(1,013,209)	(1,013,209)	(1,013,209)	(1,013,209)
<i>Cents in the dollar return for ordinary creditors</i>		100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$	100.0 c/\$
		4,596,372	7,622,474	3,585,538	4,421,368	426,614	715,614
Statutory interest - assume 3 months to pay dividend	PR	(69,382)	(69,382)	(69,382)	(69,382)	(69,382)	(69,382)
Amount Available to Group Member Claimants		4,526,990	7,553,092	3,516,156	4,351,986	357,232	646,232
Shares in EziBuy/SSAU or SGL	4			6,018,765	19,955,947	6,192,000	10,342,800
Net return to Group Member Claimants		4,526,990	7,553,092	9,534,921	24,307,933	6,549,232	10,989,032
Cents in the dollar return for Group Member Claimants							
Cash	5	5.3 c/\$	8.9 c/\$	4.1 c/\$	5.1 c/\$	0.4 c/\$	0.8 c/\$
Equity	5	0.0 c/\$	0.0 c/\$	7.1 c/\$	23.5 c/\$	7.3 c/\$	12.2 c/\$
Total		5.3 c/\$	8.9 c/\$	11.2 c/\$	28.6 c/\$	7.7 c/\$	12.9 c/\$

Note: There is material uncertainty on the percentage of shares that the Group Member Claimants will hold when the new shares in SSAU/SGL are issued. The Second Cheadle Proposal specifies that the percentage is "a maximum of 60%". No formula is provided to calculate the actual percentage to be issued. The above calculations assume that the Group Member Claimants will receive the maximum of 60%.

Appendix 4 - Estimated Return to Creditors

SGL Notes

Note PR

These line items have not materially changed since the issue of the Report to Creditors. Refer to **Appendix 14** of the Report to Creditors for explanatory notes.

Note 1: Proceeds from Westpac blocked account

Westpac holds \$898K in a blocked account as security for bank guarantees (\$454k) and the provision of merchant facilities. Under a liquidation scenario, the Administrators have assumed a call on the bank guarantees and the retention of remaining funds by Westpac under the merchant facilities for non-delivery and charge-backs. Under the EziBuy Proposal, EziBuy will account to the Administrators for the amount held in the blocked account. Under the Second Cheadle Group Proposal, it is understood that Westpac will continue to provide the bank guarantee and merchant facilities and the funds secured by the blocked account will not be released to the Deed fund.

Note 2: Distribution from SHPL for DOCA funding

Refer to SHPL note 4 for the Second Cheadle Group Proposal

Note 3: Shareholder distribution from SHPL

Refer to SHPL note 6 or the EziBuy Proposal and the Second Cheadle Group Proposal. The distribution to SGL under a Liquidation scenario is based on a return to unsecured creditors between 3.6 and 6.6 cents in the dollar.

Note 4: Shares in EziBuy/SSAU or SGL

Calculations of value of shares in EziBuy and SSAU/SGL are shown in the following table. Note from a valuation perspective - for the Second Cheadle Group proposal, the company that issues the shares is not material as both SSAU and SGL will, at the relevant time, be unlisted companies. Additional notes to the calculations are detailed on the following slide.

AU\$	Notes	EziBuy Proposal		Second Cheadle Group Proposal	
		Low	High	Low	High
Future maintainable EBITDA					
EziBuy	i	16,818,640	22,165,818	-	-
SGL	ii	1,990,000	2,290,000	1,990,000	2,290,000
Less annual ASX listed company costs	iii	-	-	(700,000)	(600,000)
		18,808,640	24,455,818	1,290,000	1,690,000
EBITDA Multiple	iv	10.0x	12.0x	10.0x	12.0x
Enterprise Value		188,086,401	293,469,813	12,900,000	20,280,000
Less debt	v	-	-	-	-
Equity value		188,086,401	293,469,813	12,900,000	20,280,000
Private company shareholder discount	vi	20.0%	15.0%	20.0%	15.0%
Shareholder value		150,469,121	249,449,341	10,320,000	17,238,000
% of shares to be issued to Subordinate Creditors		4.0%	8.0%	60.0%	60.0%
Amount available to Subordinate Creditors		6,018,765	19,955,947	6,192,000	10,342,800

Appendix 4 - Estimated Return to Creditors

SGL: Estimated Return to Creditors (continued)

Note 4: Shares in EziBuy/SSAU or SGL (continued)

Note i. EBITDA based on information provided by EziBuy.

Note ii. As per normalised management forecasts.

Note iii. EziBuy - Assumes similar costs already incurred in EziBuy business; Cheadle Group - As per Cheadle Group's assumption that costs would be "less than \$700k".

Note iv. As per Administrators' analysis including consideration of EBITDA multiples for comparable businesses - in terms of both business operations and revenue size. The valuation multiple on allotment of shares may differ to that forecast due to, amongst other matters, prevailing trading and economic conditions.

Note v. As per management accounts, not including any future debt.

Note vi. Discount reflects the risk of the shareholders owning shares in a private company that has an illiquid market for its shares in 3 years time (being the last date on which EziBuy can issue shares under the convertible note).

Note 6: Cents in the dollar return for Group Member Claimants

Assumes total admissible claims are \$85m.

SGL: Estimated Return to Shareholders

- As noted elsewhere in this report, the Second Cheadle DOCA Proposal is imprecise on the shares that current shareholders will own.
- The below table assumes that current shareholders will hold 15% of the shares in the same company in which the Group Member Claimants hold 60% of the shares on a fully diluted basis and that the remaining 25% shares are held by third parties.

AU\$	Notes	EziBuy Proposal		Second Cheadle Group Proposal	
		Low	High	Low	High
Shareholder value		150,469,121	249,449,341	10,320,000	17,238,000
% of shares to be issued to Shareholders		1.0%	2.0%	15.0%	15.0%
Amount available to Shareholders		1,504,691	4,988,987	1,548,000	2,585,700

Appendix 5 – SSAU Trading Performance

Appendix 5 – SSAU Trading Performance

Financial Performance

- Revenue from July 2017 to February 2018 is \$49m. Revenue down 14.8%, compared to same period last financial year.
- Monthly trading performance for FY18YTD provided in the next slide.

Cash flow constraints

- There has been a negative impact on cash flow as a result of the trading performance and also, pressure on supplier terms since the announcement of class actions.
- During the Administration period, SSAU has not been self-funded.
- SSAU has received circa \$5.8m of parent and external funding to manage its cash flow, of which \$2.8 million of parent funding is not repaid, nor is there an expectation that it will be repaid.
- The latest funding support of \$300k was provided in March 2018 for the purpose of a headcount restructure in SSAU.
- Details of funding provided to SSAU are provided in the table below:

Funding Source	Amount (\$)	Comments
Surfstitch Holding Pty Limited	\$ 2,800,000.00	Not anticipated to be repaid by SSAU
Inventory Financing Facility (Note 1)	\$ 3,000,000.00	Repaid
	\$ 5,800,000.00	

Note 1: Facility amount indicated not net of facility fee.

Administrator's view regarding ongoing viability

- Ability to provide funding support for working capital, while SSAU effects a successful turnaround, is critical to ongoing viability of the SSAU business.

Appendix 5 – SSAU Trading Performance

SSAU - Financial performance from July 2017 - February 2018

Amount in AUD	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Total
Revenue	4,972,417	4,397,030	4,757,895	5,138,147	9,448,288	10,695,969	5,616,544	3,981,356	49,007,646
Cost of sales	(2,903,734)	(2,409,477)	(2,679,683)	(2,813,511)	(5,314,513)	(6,178,251)	(3,401,948)	(2,701,222)	(28,402,339)
Gross profit	2,068,683	1,987,553	2,078,212	2,324,635	4,133,775	4,517,719	2,214,597	1,280,133	20,605,307
Gross Margin	41.6%	45.2%	43.7%	45.2%	43.8%	42.2%	39.4%	32.2%	42.0%
Other income	-	2,675	19,242	7,280	3,101	6,990	5,565	100,727	145,581
Operating costs	(2,019,185)	(1,965,013)	(2,008,481)	(2,752,308)	(3,261,884)	(4,023,137)	(2,572,335)	(2,076,336)	(20,678,678)
EBITDA	49,497	25,215	88,974	(420,392)	874,993	501,572	(352,173)	(695,475)	72,210
Add back : One off expenses									
Inventory financing related costs				243,385					
Intercompany receivable and payable written off (Sale of subsidiaries)	-	-	-	206,166	-	-	-	-	206,166
Other	-	-	-	-	-	78,066	-	-	78,066
Normalised EBITDA	49,497	25,215	88,974	29,159	874,993	579,637	(352,173)	(695,475)	599,827

Note: These financials of SSAU are based on Management Accounts and are not audited or verified.