

21 December 2016

UPDATE CIRCULAR TO CREDITORS & EMPLOYEES

Gordon Smith Marketing Pty. Ltd. ACN 003 840 168
Rodney Clark Pty Ltd ACN 088 072 244
Rodney Clark Retail Pty Ltd ACN 138 806 256
(All Subject to Deed of Company Arrangement) ('the Companies')

Dear Creditor

Deed of Company Arrangement executed & Sale Settles

I write to advise that the Deed of Company Arrangement has been executed and the Sale of Business has settled.

Deed of Company Arrangement

On the 7 December 2016, the Deed of Company Arrangement was executed. The terms of the deed are as outlined to creditors in my Further 439A Report dated 21 November 2016.

Accordingly, the Companies are now subject to Deed of Company Arrangement. As creditors are aware payments under the deed are to be made over a period of up to 18 months depending on when the purchaser ultimately pays the proceeds under the Share Sale Agreement.

I have received the first deed payment from the director in the sum of \$75,000.

Sale of Business

The Asset Sale Agreement and Share Sale Agreement with Brands For Us Pty Ltd settled yesterday the 20th December 2016. As outlined in my Further 439A Report the purchaser has an option to pay proceeds over an 18-month period plus interest. The purchaser has indicated they are likely to take up this option and pay by instalment over time. The first payment under the arrangements in the sum of \$52,778.78 has been paid and initial deposit released.

The majority of the funds received at settlement have been paid to the secured creditor, the National Australia Bank to discharge amounts owed to them enabling the release of their security.

Further payments under the sale of business are due monthly and the next instalment under the deed is due in February 2017.

I would like to take this opportunity to wish you all a Merry Christmas and a Happy New Year.

Should you have any questions in relation to the above please contact me directly on 0408 317 984.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'Andrew Schwarz', with a long horizontal flourish extending to the right.

Andrew Schwarz
Deed Administrator