



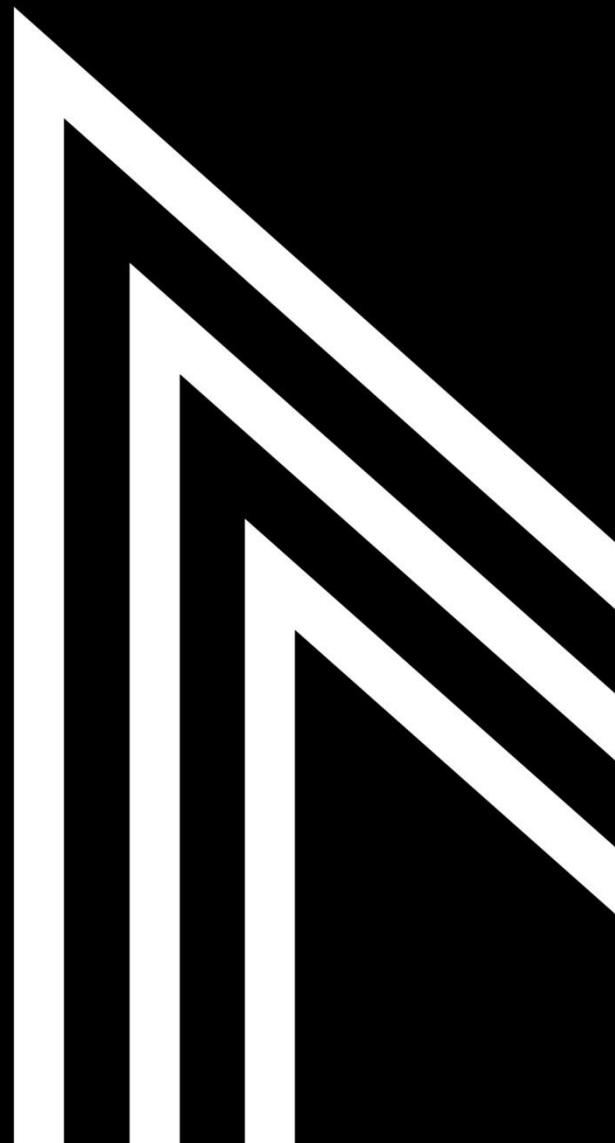
MGW Engineering Pty Limited (Administrators Appointed)
ACN 127 633 694 (Forefront Services)

Circular to creditors

5 August 2021



McGrathNicol



Contents

1	Introduction.....	3
2	Events since the Second Meeting of Creditors	3
2.1	Execution of the longform DOCA instrument.....	3
2.2	Control Conditions.....	3
2.2.1	Transfer of the Clout Holdings Pty Ltd shares	3
3	Voting.....	4
4	Resolution Outcomes	4
4.1	Retrospective Voluntary Administrators' remuneration	4
4.2	Prospective Voluntary Administrators' remuneration	4
4.3	Deed of Company Arrangement	4
4.4	Future work between meeting date and execution of DOCA remuneration	5
4.5	Prospective DOCA remuneration.....	5
4.6	Committee of Inspection	5
4.7	Next steps	6

1 Introduction

As you are aware, on 21 June 2021, the Forefront Services entered into Voluntary Administration and Barry Kogan and Jonathan Henry were appointed as Joint and Several Voluntary Administrators (**the Administrators**).

On 26 July 2021 at 3.00pm, Forefront Services held its Second Meeting of Creditors.

Under guidance from Australian Securities and Investments Commission (**ASIC**) and Australian Restructuring Insolvency and Turnaround Association (**ARITA**) all resolutions put forward at meetings convened electronically are required to be held as a poll rather than passed "on the voices".

The purpose of this document is to provide creditors with an update regarding:

- events since the Second Meeting of Creditors; and
- details regarding the outcome of the voting during the course of the meeting.

2 Events since the Second Meeting of Creditors

2.1 Execution of the longform DOCA instrument

At the Second Meeting of Creditors on 26 July 2021, creditors voted for Forefront Services to enter into a Deed of Company Arrangement (**DOCA**) and that Barry Kogan and Jonathan Henry be appointed as Joint and Several Deed Administrators (**Deed Administrators**).

In order for the Company to become subject to a DOCA, a DOCA instrument must be entered into within 15 days of the resolution by creditors, i.e. by 16 August 2021.

The DOCA instrument is well progressed and it is expected that it will be executed in the next few days..

Confirmation of this will be provided to creditors by email and on our website:

<https://www.mcgrathnicol.com/creditors/mgw-engineering-pty-ltd/> and a notice will be lodged with ASIC.

2.2 Control Conditions

Under the terms of the DOCA (as set out in our Report to Creditors dated 19 July 2021), the control of Forefront Services will remain with the Administrators until certain conditions have been satisfied (**Control Conditions**). Once the Control Conditions are met, the Director (Anthony Redfern) will take control of Forefront Services (excluding certain assets which would comprise the Deed Fund), during the remaining term of the DOCA.

By way of reminder, the conditions under which the Director will resume control of the Company, its business, operations, and assets (but excluding the Deed Fund) are as follows:

- the shares held by Clout Holdings Pty Ltd (**Clout Holdings**) being transferred to the Director or his nominee;
- an initial payment of \$1,235,000 in cleared funds being paid to the Deed Administrators by the Director;
- a further payment of \$248,982 being paid by the Director to the Deed Administrators on account of funds owing by him to the Company; and
- THN Capital Funding Pty Ltd, a secured creditor and proposed funder of the business moving forward, provides a release of their security over the assets comprising the Deed Fund.

The Control Conditions must be met within three weeks from the date of the second meeting of creditors (i.e. by 16 August 2021) or such later date as the Administrators and the Deed Proponent agree in writing.

2.2.1 Transfer of the Clout Holdings Pty Ltd shares

As discussed at the Second Meeting of Creditors, and in the Report to Creditors, the transfer of the shares held by Clout Holdings could either take place with the agreement of Michael Clout, the former director of Forefront Services on a voluntary basis or via a court application under s444GA of the Corporations Act 2001 (Cth).

Whilst we have had significant dialogue and communications with Mr Clout and his legal advisers in relation to the transfer, as at the time of this update, Mr Clout has not consented to same.

Accordingly, the Administrators have now instructed our solicitors to prepare an application to Court to be heard on an urgent basis in respect of this matter.

Until the Court hands down an order in respect of the transfer, the Administrators will continue to be in control of the business, which will regrettably (alongside the legal fees associated with the application), increase the cost of the administration process.

3 Voting

The Chairperson held a number of general proxies, and confirmed that he had abstained from exercising his vote in relation to resolutions in connection with the Administrators'/Deed Administrators' fees, however he voted consistently with his recommendation in the Report to Creditors dated 19 July 2021 regarding the future of the company i.e. the entry into a DOCA and the formation of a Committee of Inspection.

4 Resolution Outcomes

4.1 Retrospective Voluntary Administrators' remuneration

That the remuneration of the Administrators for the period 21 June 2021 to 9 July 2021, calculated at hourly rates as detailed in the Initial Remuneration Notice dated 24 June 2021, is determined in the sum of \$301,095.50, exclusive of GST.

Record of votes based on a poll:

Vote	Number of votes	Value of votes (\$)
In Favour	44	1,239,818
Against	1	499,112
Abstaining	41	10,365,376

The chairperson therefore declared the resolution carried.

4.2 Prospective Voluntary Administrators' remuneration

That the future remuneration of the Administrators from 10 July 2021 to the Second Meeting of Creditors is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 24 June 2021, up to an initial amount of \$125,000.00, exclusive of GST.

Record of votes based on a poll:

Vote	Number of votes	Value of votes (\$)
In Favour	42	992,891
Against	1	499,112
Abstaining	43	10,612,302

The chairperson therefore declared the resolution carried.

4.3 Deed of Company Arrangement

That the Company execute a Deed of Company Arrangement and Barry Kogan and Jonathan Henry be appointed Joint and Several Deed Administrators.

Record of votes based on a poll:

Vote	Number of votes	Value of votes (\$)
In Favour	71	10,570,245
Against	4	170,842
Abstaining	11	1,363,219

The chairperson therefore declared the resolution carried.

4.4 Future work between meeting date and execution of DOCA remuneration

That the future remuneration of the Administrators from the Second Meeting of Creditors to the execution of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 24 June 2021, up to an initial amount of \$200,000.00, exclusive of GST.

Record of votes based on a poll:

Vote	Number of votes	Value of votes (\$)
In Favour	63	4,945,710
Against	-	-
Abstaining	23	7,158,596

The chairperson therefore declared the resolution carried.

4.5 Prospective DOCA remuneration

That the future remuneration of the Deed Administrators of MGW Engineering Pty Ltd (subject to a Deed of Company Arrangement) for the period of the DOCA calculated at the hourly rates as detailed in the Remuneration Report dated 19 July 2021 be approved, up to an initial amount of \$300,000.00, exclusive of GST.

Record of votes based on a poll:

Vote	Number of votes	Value of votes (\$)
In Favour	61	4,432,217
Against	1	499,112
Abstaining	24	7,172,976

The chairperson therefore declared the resolution carried.

4.6 Committee of Inspection

"That

- 1. Arthur Zafiriou representing Akzo Nobel Pty Ltd*
- 2. Harry Collins representing Bright Dot Pty Ltd*
- 3. Mitchell Adkins representing One Track Workforce Pty Ltd (In Liquidation) (Receivers and Managers Appointed)*
- 4. Grant Morris representing Southern Steel Supplies Pty Ltd*
- 5. Brade Davidson (a former employee)*
- 6. Jenna Lawson (a current employee)*

be appointed to the Committee of Inspection."

Record of votes based on a poll:

Vote	Number of votes	Value of votes (\$)
In Favour	68	10,332,757
Against	-	-
Abstaining	18	1,759,798

The chairperson therefore declared the resolution carried unanimously.

Please note that the Committee of Inspection be constituted following the instrument being executed.

4.7 Next steps

The Administrators will continue to work with the Deed Proponent in order to finalise the DOCA instrument, and in the meantime we will continue to trade the Forefront Services business with the Director.

A further update will be provided to creditors once the DOCA instrument is executed.

Please refer to the McGrathNicol website at <https://www.mcgrathnicol.com/creditors/mgw-engineering-pty-ltd/> for further information regarding this engagement. Creditors may contact Chantelle Yost by email (Forefront-General@mcgrathnicol.com) or telephone (02 9248 9953) if they have any queries.

Dated 5 August 2021



Barry Kogan
Administrator