



**Focus on Furniture Pty Ltd (Administrators Appointed)  
and associated entities  
(collectively, “the Focus Group” or “the Companies”)**

Second Meeting of Creditors

20 June 2019



McGrathNicol



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# Agenda

- **Introduction**
  - Meeting formalities and overview of voting process
  - Meetings to be held concurrently
  - Purpose of meeting
- **Administrators' Report**
  - The Voluntary Administration and reasons for failure
  - Administrators' actions to date
  - Administrators' sale process
  - Investigations
  - Proposed Deed of Company Arrangement
  - Expected return to creditors
- **Administrators' recommendation**
- **Questions**
- **Resolutions**

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## Meetings being held

1. Focus on Furniture Pty Ltd
2. Beds Online Australia Pty Limited
3. Best Furniture Group Pty Limited
4. D. Gallery Pty Limited
5. e-Commerce Ventures Pty Limited
6. Furniture Online Australia Pty Ltd
7. LoveADeal Pty Ltd
8. Oz Retail Pty Ltd
9. Pacific Global Furniture Pty Limited
10. Pillows Online Australia Pty Limited
11. Trusted Web Sites Pty Ltd
12. United Furniture Warehouse Pty Ltd

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# Meeting formalities

- Open meeting
- Administrator is Chairperson: IPR 75-50
- Introductions:
  - Barry Kogan (Administrator and Chairperson)
  - Kathy Sozou (Administrator, Sydney)
  - Rob Smith (McGrathNicol, Melbourne)
  - Noel McCoy (Norton Rose Fulbright, Sydney)
  - Jenna Scott (Norton Rose Fulbright, Melbourne)
- Attendance register
- Quorum: IPR 75-105
- Time and place convenient: IPR 75-30
- Administrators' report to creditors pursuant to IPR 75-225 (**the Administrators' Report**)
- Proofs of debt and proxies
- DIRRI
- Voting

## Meeting formalities (cont.)

- Quorum: Insolvency Practice Rules 75-105

### Deed of Cross Guarantee (**DXG**) Companies

- Focus on Furniture Pty Ltd
- Beds Online Australia Pty Limited
- D. Gallery Pty Limited
- e-Commerce Ventures Pty Limited

### Companies not party to the DXG

- Best Furniture Group Pty Limited
- Furniture Online Australia Pty Ltd
- LoveADeal Pty Ltd
- Oz Retail Pty Ltd
- Pacific Global Furniture Pty Limited
- Pillows Online Australia Pty Limited
- Trusted Web Sites Pty Ltd
- United Furniture Warehouse Pty Ltd

Creditors of entities that are party to the DXG are permitted to prove as contingent creditors in all other entities which are party to the DXG

# Voting

- Voting can be done “on the voices” (i.e. by show of hands) or by a poll
- Each creditor can only vote in the entity they are a creditor of, you will have received coloured slips at sign-in

Entity	Colour
Focus On Furniture Pty Ltd (Administrators Appointed)	White
Beds Online Australia Pty Limited (Administrators Appointed)	White
D. Gallery Pty Limited (Administrators Appointed)	White
E-Commerce Ventures Pty Limited (Administrators Appointed)	White
Best Furniture Group Pty Limited (Administrators Appointed)	Red
Furniture Online Australia Pty Ltd (Administrators Appointed)	Blue
Loveadeal Pty Ltd (Administrators Appointed)	Mint Green
Oz Retail Pty Ltd (Administrators Appointed)	Orange
Pacific Global Furniture Pty Limited (Administrators Appointed)	Pale Pink
Pillows Online Australia Pty Limited (Administrators Appointed)	Magenta
Trusted Web Sites Pty Ltd (Administrators Appointed)	Mustard
United Furniture Warehouse Pty Ltd (Administrators Appointed)	Dark Green



# Voting

## On the voices

## By poll

How to  
vote



Show of hands

On your voting slip, tick "In favour of" or "Against", add your name and (for proxy holders) the creditor you represent

Hand voting slip to Administrators' staff

Voting  
via  
proxy



Each creditor/proxy holder in the room gets one vote, regardless of how many proxies held

General proxies: fill in a voting slip for each general proxy you hold

Special proxies: we already have your creditor's vote (provided in advance or at sign-in)

How the  
resolution  
is passed



When more creditors/proxy holders vote for it than vote against it

When more creditors (either in the room or via proxy) vote for it than vote against it  
AND  
When those who vote for it are more than those who vote against it OR, IF EITHER OF THE ABOVE (BUT NOT BOTH),  
when the Chairman exercises a casting vote in accordance with IPR 75-115

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## Resolution – meetings to be held concurrently

*“That the meetings of creditors of each of the Focus Group companies, being:*

- *Focus on Furniture Pty Ltd*
  - *Beds Online Australia Pty Limited*
  - *D. Gallery Pty Limited*
  - *e-Commerce Ventures Pty Limited*
- } *(DXG Companies)*
- *Best Furniture Group Pty Limited*
  - *Furniture Online Australia Pty Ltd*
  - *LoveADeal Pty Ltd*
  - *Oz Retail Pty Ltd*
  - *Pacific Global Furniture Pty Limited*
  - *Pillows Online Australia Pty Limited*
  - *Trusted Web Sites Pty Ltd*
  - *United Furniture Warehouse Pty Ltd*

*(All Administrators Appointed)*

*be held concurrently.”*



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# Purpose of meeting

Creditors to resolve one of the following:

- 1 The Focus Group be returned to the Directors**
- 2 The Focus Group enter into a Deed of Company Arrangement**
- 3 The Focus Group enter liquidation**

**Creditors may also resolve that the meeting be adjourned for a period of up to 45 business days**

# Administrators' actions to date



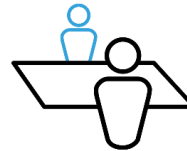
**Statutory obligations**



**Trade on and discontinuing of certain operations**



**Employees**



**Creditors**

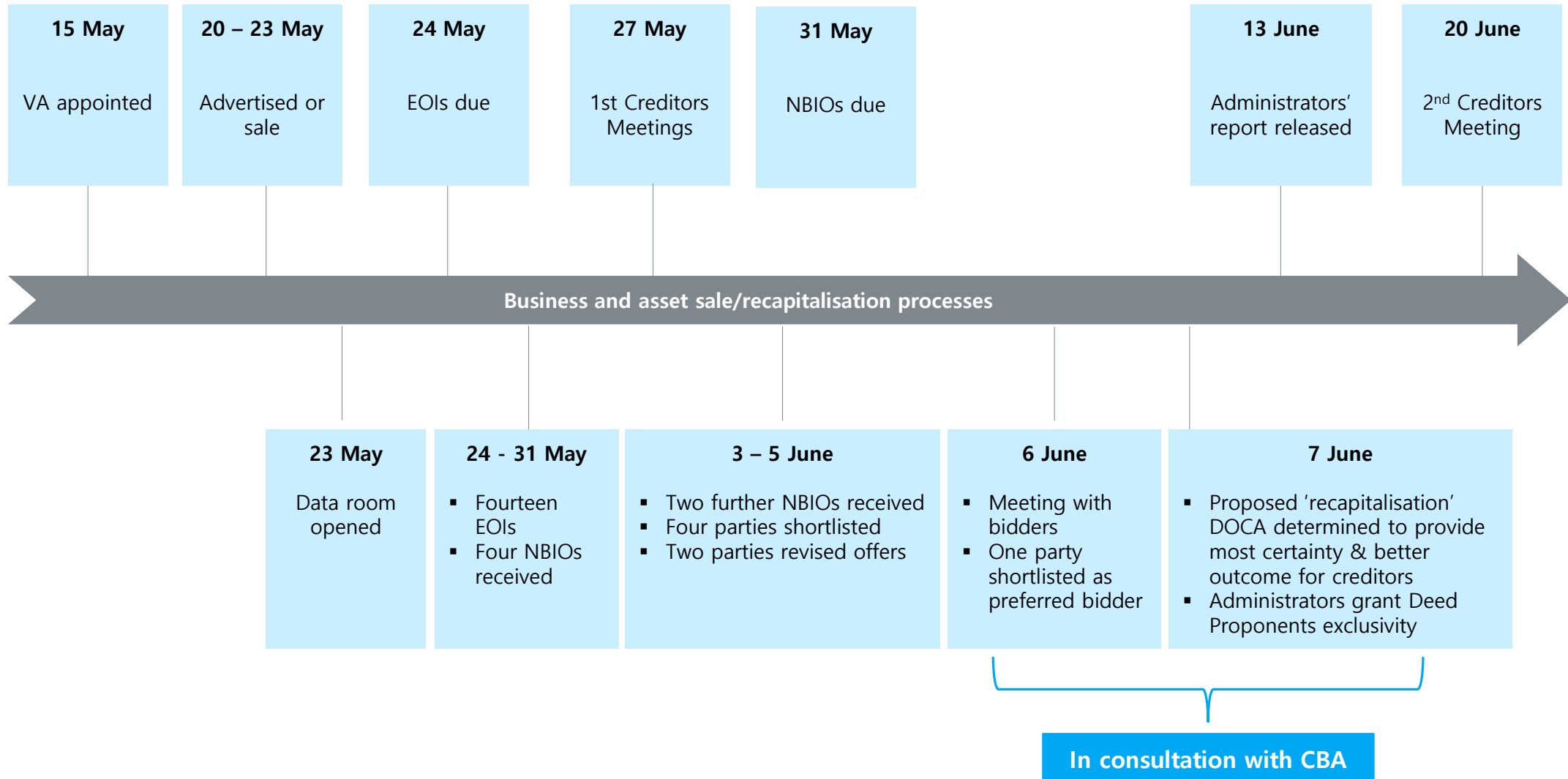


**Sale**



**Investigations & DOCA proposal**

# Administrators' sale process



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## Reasons for failure

- 1 Successive periods of loss in certain geographies
- 2 Store expansion growth strategy
- 3 Insufficient working capital
- 4 Macroeconomic factors
- 5 Inability to secure further equity funding to meet the Group's funding requirements

# Investigations

## Claims available in a liquidation

**Voidable transactions**



**Insolvent trading**



**Other**

- Unreasonable director related transactions
- Transfer of assets

**Director Defences**



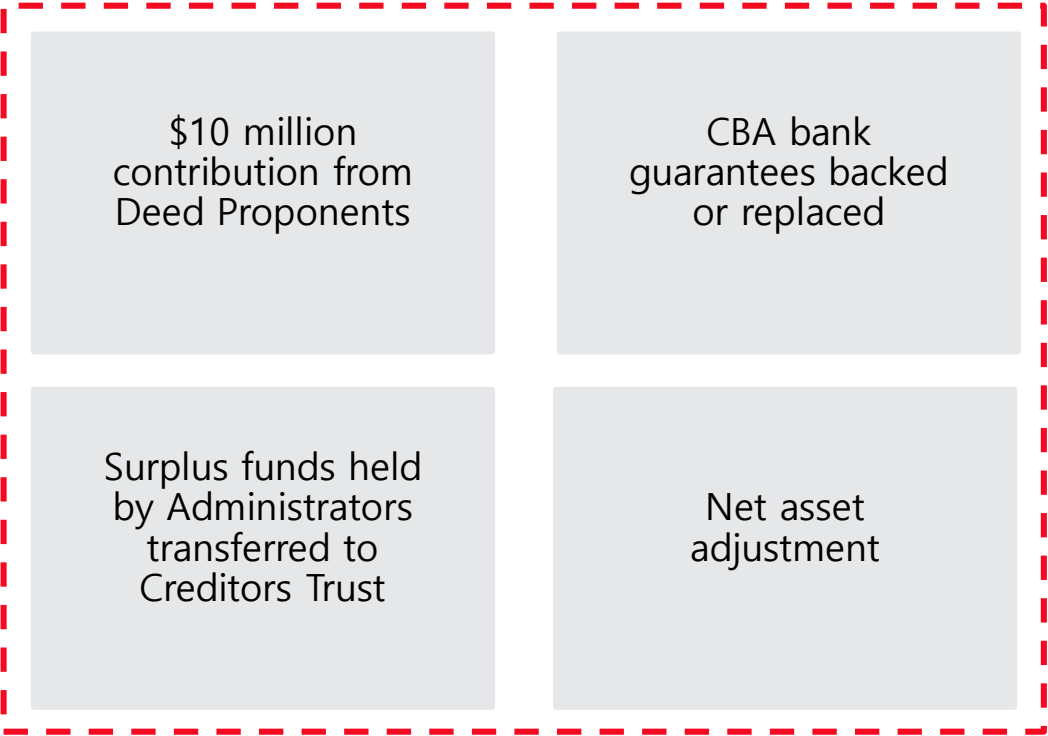
**Significant litigation and delay risk**



# Proposed Deed of Company Arrangement

## DOCA Proposal

**Deed Proponents**  
Monash Investment Nominees Pty Ltd  
Robert Santalucia (existing director)  
Entities/individuals associated with Robert Santalucia



Cash



Creditors



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# Proposed Deed of Company Arrangement

**All claims to be pooled in DOCA**



**Related party claims deferred**



**Customer deposits honoured**



**Preferential employee entitlements for terminated employees paid in full**

**Secured Creditor return of between 50 and 55 cents in the dollar**

**No dividend expected to be paid to ordinary unsecured creditors**



# Outcome

	DOCA	Liquidation
Employees >>	100 c/\$	100 c/\$ (longer to pay)
Ordinary unsecured creditors >>	\$8m creditors Nil return	\$17m creditors Nil return
Customer deposits (unsecured) >>	100 c/\$	Nil
Secured creditor (CBA) >>	50-55 c/\$	16-22 c/\$
Related parties >>	Nil	Up to \$3.6m
Other >>	Business continues, jobs/leases maintained	Business ceases to exist, all leases/jobs discontinued

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# Options available to creditors

## 1 The Focus Group be returned to the Directors

- Not a viable option
- Focus Group remains insolvent
- No access to funding

## 2 The Focus Group enters liquidation

- Distribution to unsecured creditors unlikely and subject to further investigations (funding required)
- Inferior return than the DOCA

## 3 The Focus Group enters into a DOCA

- Business continues
- Avoids crystallising of additional liabilities (leases/redundancies etc)
- Superior return than a Liquidation

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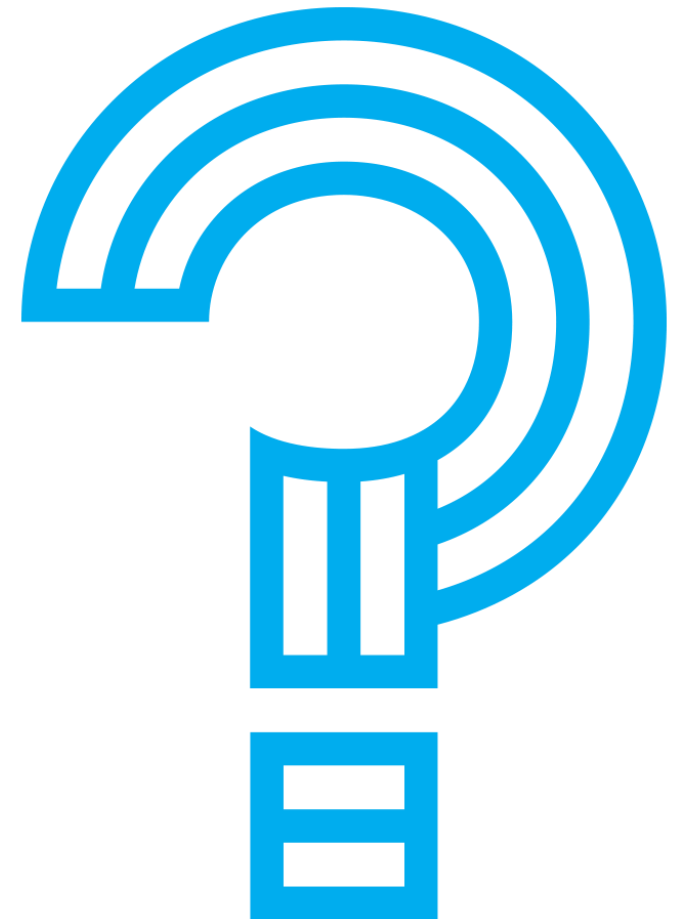
## Administrators' Recommendation



**Enter into a DOCA as it provides a more certain, timely and superior return to creditors than a liquidation**

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# Questions



# Voting

## On the voices

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How to  
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Show of hands

On your voting slip, tick "In favour of" or "Against", add your name and (for proxy holders) the creditor you represent

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Pacific Global Furniture Pty Limited (Administrators Appointed)	Pale Pink
Pillows Online Australia Pty Limited (Administrators Appointed)	Magenta
Trusted Web Sites Pty Ltd (Administrators Appointed)	Mustard
United Furniture Warehouse Pty Ltd (Administrators Appointed)	Dark Green

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## Resolution – Deed of Company Arrangement

***“That \_\_\_\_\_ (Administrators Appointed) executes a Deed of Company Arrangement and Barry Kogan, Kathy Sozou and Matthew Caddy be appointed the Joint and Several Deed Administrators.”***

- Focus on Furniture Pty Ltd;
- Beds Online Australia Pty Ltd;
- Best Furniture Group Pty Limited;
- D. Gallery Pty Limited;
- E-Commerce Ventures Pty Limited;
- Furniture Online Australia Pty Ltd;
- LoveADeal Pty Ltd;
- Oz Retail Pty Ltd;
- Pacific Global Furniture Pty Limited;
- Pillows Online Australia Pty Limited;
- Trusted Web Sites Pty Ltd; and
- United Furniture Warehouse Pty Ltd.

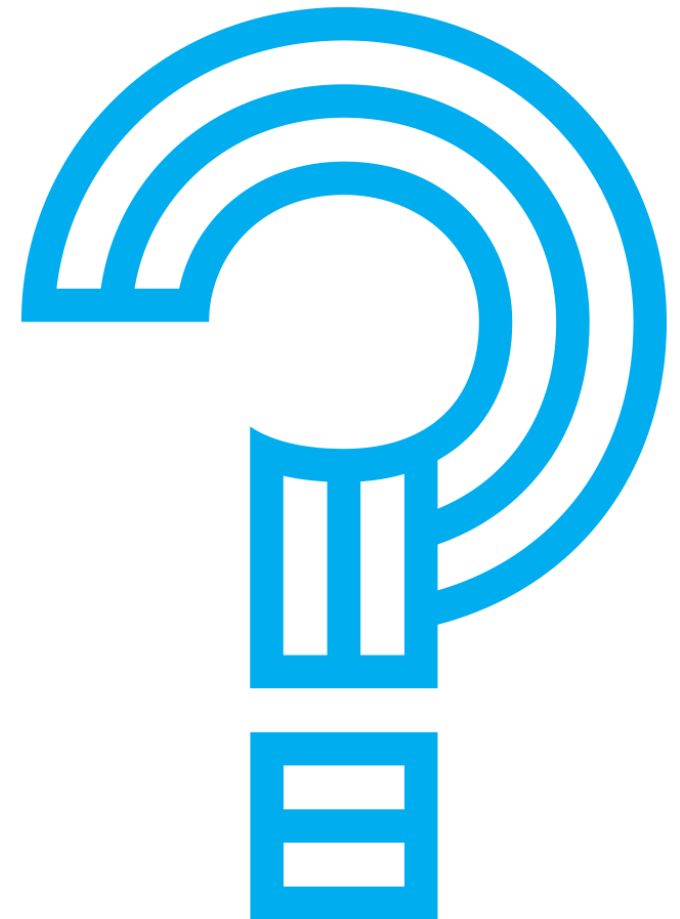


## Remuneration resolution summary

A\$	Voluntary Administration			DOCA / Creditors' Trust (if required)	Liquidation (if required)
	15 May 2019 to 7 June 2019	8 June 2019 to 20 June 2019	21 June 2019 to the execution of a DOCA		
Focus on Furniture Pty Ltd	980,342	335,760	285,110		475,000
Beds Online Australia Pty Ltd	2,758	2,745	1,755		2,900
Best Furniture Group Pty Limited	2,635	1,755	1,755		2,900
D. Gallery Pty Ltd	9,342	2,175	1,755		2,900
e-Commerce Ventures Pty Ltd	31,201	3,405	4,673		3,500
Furniture Online Australia Pty Ltd	840	960	1,755		2,900
LoveADeal Pty Ltd	840	531	531		1,650
Oz Retail Pty Ltd	840	531	531		1,650
Pacific Global Furniture Pty Ltd	840	531	531		1,650
Pillows Online Australia Pty Ltd	840	531	531		1,650
Trusted Web Sites Pty Ltd	54	531	531		1,650
United Furniture Warehouse Pty Ltd	840	531	531		1,650
Focus Group ( <i>pooled under DOCA</i> )				400,000	
<b>Subtotal</b>	<b>1,031,371</b>	<b>349,986</b>	<b>299,989</b>	<b>400,000</b>	<b>500,000</b>

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# Questions



## Resolution – retrospective remuneration

*“That the remuneration of the Voluntary Administrators of \_\_\_\_\_ (Administrators Appointed) for the period 15 May 2019 to 7 June 2019, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 20 May 2019, is approved for payment in the sum of \$ \_\_\_\_\_, exclusive of GST.”*

### Summary of resolutions

<b>Entity</b>	<b>Amount</b>
Focus on Furniture Pty Ltd	980,342
Beds Online Australia Pty Ltd	2,758
Best Furniture Group Pty Limited	2,635
D. Gallery Pty Ltd	9,342
e-Commerce Ventures Pty Ltd	31,201
Furniture Online Australia Pty Ltd	840
LoveADeal Pty Ltd	840
Oz Retail Pty Ltd	840
Pacific Global Furniture Pty Ltd	840
Pillows Online Australia Pty Ltd	840
Trusted Web Sites Pty Ltd	54
United Furniture Warehouse Pty Ltd	840

## Resolution - Administrators' prospective remuneration

*“That the remuneration of the Voluntary Administrators of \_\_\_\_\_ (Administrators Appointed) for the period 8 June 2019 to 20 June 2019, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 20 May 2019, is approved for payment up to a capped amount of \$ \_\_\_\_\_, exclusive of GST.”*

### Summary of resolutions

<b>Entity</b>	<b>Amount</b>
Focus on Furniture Pty Ltd	335,760
Beds Online Australia Pty Ltd	2,745
Best Furniture Group Pty Limited	1,755
D. Gallery Pty Ltd	2,175
e-Commerce Ventures Pty Ltd	3,405
Furniture Online Australia Pty Ltd	960
LoveADeal Pty Ltd	531
Oz Retail Pty Ltd	531
Pacific Global Furniture Pty Ltd	531
Pillows Online Australia Pty Ltd	531
Trusted Web Sites Pty Ltd	531
United Furniture Warehouse Pty Ltd	531

## Resolution - Administrators' prospective remuneration

*“That the future remuneration of the Voluntary Administrators of \_\_\_\_\_ (Administrators Appointed) for the period 21 June 2019 to the execution of a DOCA, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 20 May 2019, is approved for payment up to a capped amount of \$ \_\_\_\_\_, exclusive of GST.”*

### Summary of resolutions

<b>Entity</b>	<b>Amount</b>
Focus on Furniture Pty Ltd	285,110
Beds Online Australia Pty Ltd	1,755
Best Furniture Group Pty Limited	1,755
D. Gallery Pty Ltd	1,755
e-Commerce Ventures Pty Ltd	4,673
Furniture Online Australia Pty Ltd	1,755
LoveADeal Pty Ltd	531
Oz Retail Pty Ltd	531
Pacific Global Furniture Pty Ltd	531
Pillows Online Australia Pty Ltd	531
Trusted Web Sites Pty Ltd	531
United Furniture Warehouse Pty Ltd	531

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## Resolution - Prospective DOCA/Trustee remuneration (if applicable)

***“That the future remuneration of the Deed Administrators of the Focus Group and Trustees of the Creditors’ Trust as defined by the DOCA, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 20 May 2019, is approved for payment up to a capped amount of \$400,000, exclusive of GST.”***

- Focus on Furniture Pty Ltd;
- Beds Online Australia Pty Ltd;
- Best Furniture Group Pty Limited;
- D. Gallery Pty Limited;
- E-Commerce Ventures Pty Limited;
- Furniture Online Australia Pty Ltd;
- LoveADeal Pty Ltd;
- Oz Retail Pty Ltd;
- Pacific Global Furniture Pty Limited;
- Pillows Online Australia Pty Limited;
- Trusted Web Sites Pty Ltd; and
- United Furniture Warehouse Pty Ltd.

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# Questions

