



Tuchuzy Bondi Pty Ltd (Administrators Appointed)
ACN 081 997 444 (Tuchuzy)

**Supplementary report to creditors pursuant to section 75-225 of the
Insolvency Practice Rules (Corporations) 2016**

23 June 2020



McGrathNicol



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Report Glossary	
Administrators	Barry Frederic Kogan and Katherine Sozou of McGrathNicol
Appointment Date	The date the Administrators were appointed, being 3 June 2020
ARITA	Australian Restructuring, Insolvency and Turnaround Association
ASIC	Australian Securities and Investment Commission
ATO	Australian Taxation Office
COVID-19	The novel coronavirus
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DOCA	Deed of Company Arrangement
First meeting of Creditors	First Meeting of Creditors held on 16 June 2020
DOCA Proponent	Daria Sakic
DOCA Proposal	Original proposal made by Daria Sakic
ERV	Estimated realisable value
FEG	Commonwealth Government Fair Entitlements Guarantee Scheme
FY18	Financial year ending 30 June 2018
FY19	Financial year ending 30 June 2019
FY20 YTD	Financial year to 31 May 2020
GST	Goods and Services Tax
GSA	General Security Agreement
IP	Intellectual property
K	Thousand
M	Million
NBIO	Non binding indicative offer
OSR	Office of State Revenue
PAYG	Pay As You Go instalments is a system for making regular payments towards an expected annual income tax liability
Relation back day	The date the External Administrators were appointed, being 3 June 2020
Revised DOCA Proposal	Revised proposal made by Daria Sakic on 22 June 2020
ROCAP	Report on Company Affairs and Property
Second Meeting of Creditors	The second meeting of creditors to be held on 25 June 2020
Secured Creditor	Sydney Metro Properties Pty Ltd
Sole Director	Daria Sakic
Supplementary Report	Supplementary Report to creditors prepared by the Administrators, pursuant to section 75-225 of Insolvency Practice Rules (Corporations) 2016, dated 23 June 2020
Tuchuzy	Tuchuzy Bondi Pty Ltd
the Act	The Corporations Act 2001
the Administrators' Report or Previous Report	Report to creditors prepared by the Administrators, pursuant to section 75-225 of Insolvency Practice Rules (Corporations) 2016, dated 18 June 2020

1 Introduction

1.1 Appointment

The Administrators were appointed Joint and Several Voluntary Administrators of Tuchuzy by the Sole Director with the appointment effective on 3 June 2020 (**Appointment Date**), pursuant to section 436A of the Corporations Act 2001 (Cth) (**Act**).

This report (**the Supplementary Report**) should be read in conjunction with the Administrators' report dated 18 June 2020.

1.2 Purpose of this Report

The purpose of the Supplementary Report to creditors is to provide an update prior to the upcoming meeting of creditors on 25 June 2020 on the following matters:

- sale/recapitalisation process undertaken by the Administrators;
- revised DOCA that has been submitted by the Director, Daria Sakic (**revised DOCA proposal**); and
- confirm the Administrators' recommendation to creditors to resolve to enter into the revised DOCA proposal at the second meeting of creditors.

1.3 Context of this Report

In reading the Supplementary Report, creditors should note the following:

- The statements and opinions in the Supplementary Report are given in good faith and, whilst the Administrators have no reason to doubt any information contained in the Supplementary Report, the Administrators reserve the right to alter their conclusions if the underlying information proves to be inaccurate or materially changes after the date of the Supplementary Report.
- If, after issuing the Supplementary Report, the Administrators become aware of any additional information which may assist creditors in determining how to vote at the Second Meeting of Creditors, the Administrators may make the additional information the subject of a further written report and/or table the information at the Second Meeting of Creditors.
- In considering the options available to creditors and formulating their recommendation to creditors, the Administrators have necessarily made forecasts of asset realisations and the total value of creditors. These forecasts and estimates may change as asset realisations progress and claims are received from creditors and adjudicated upon. Whilst the forecasts and estimates are the result of the Administrators' best assessment in the circumstances, creditors should note that the ultimate outcome for creditors may differ from the information provided in the Supplementary Report.
- The assessment of potential claims in the Supplementary Report has been performed on a preliminary basis, based on information available to the Administrators at the time of completion of the Supplementary Report. As a consequence, the Administrators reserve their rights to alter their assessment, if further relevant information is provided after the date of the Supplementary Report or as a consequence of further investigations.

2 Sale/recapitalisation update

Shortly after our appointment, the Administrators commenced a process of seeking interest in a sale or recapitalisation.

- The Administrators have engaged with 24 parties to date in relation to the sale process.
- 8 parties submitted non-binding indicative offers by 16 June 2020.
- 3 parties submitted final offers by 19 June 2020 (**the final offers**). Of these parties:
 - 1 final offer included also acquiring the 'Tuchuzy' trademark;
 - 1 offer excluded taking over the office lease; and
 - All offers included taking over the shop lease and acquiring the inventory.

- The final offers all require significant further work prior to completion of a sale. This includes:
 - An assignment or novation of the lease arrangements with the landlord;
 - Release of various PPSR interests over stock and other assets;
 - Negotiation of a Sale and Purchase Agreement;
 - A stock take of inventory on hand; and
 - Preparation of offers and documentation for transitioning employment.
- In addition we are unable to assign the 'Tuchuzy' trademark (given the Director's ownership) and the Secured Creditor is seeking to enforce its alleged rights to have its debt repaid (albeit we hold serious concerns as to the validity of the security).
- On the basis of assessing the final offers as against a revised DOCA proposal received on 22 June 2020 from both a financial (i.e return to creditors) and execution risk perspective, we advised the 3 parties who submitted the final offers that we are proceeding to hold the upcoming meeting of creditors where the revised DOCA Proposal will be considered by creditors.

3 Revised DOCA proposal

Following receipt of the final offers on 19 June 2020, we advised the DOCA Proponent that the original Deed Fund would need to be improved if we were to continue to recommend the DOCA in lieu of liquidation.

On 22 June 2020, a revised DOCA Proposal was received increasing the Deed Fund from \$145,000 to \$220,000. All other terms of the revised DOCA Proposal remain the same as the original DOCA Proposal.

A copy of the revised DOCA Proposal can be found at **Appendix A**.

3.1 Revised outcome

The revised DOCA Proposal is expected:

- to pay priority employee entitlements for non-continuing employees in full;
- pay overdue superannuation for continuing employees in full (with the company continuing to honour all remaining entitlements for continuing employees); and
- provide for participating ordinary unsecured creditors to receive a dividend of between **7.0** and **11.6** cents in the dollar.

In a liquidation scenario with a sale to a third party, the various issues that must be dealt with ahead of the sale (as set out in Section 2, above) and the time taken to deal with such issues presents significant risk and uncertainty. This is particularly the case given the loss making nature of the Tuchuzy business and limited funding available to the Administrators whilst the business trades under our control as a sale is agreed/documentated.

Whilst we have provided a revised estimate of outcomes in the Liquidation assuming a sale, there remains a risk that a sale will not be successful, leading to the liquidation outcomes set out in our Previous Report (i.e Nil to 2.1 cents in the dollar for unsecured creditors).

The following summarises the expected returns in each scenario:

Estimated returns to creditors									
c/\$	Previous Report				This Report				
	Liquidation		Original DOCA		Sale/Liquidation		Revised DOCA		
	Low	High	Low	High	Low	High	Low	High	
Employees	Nil	100	100	100	Nil	100	100	100	
Ordinary unsecured creditors	Nil	2.1	5.1	7.6	Nil	6.0	7.0	11.6	

4 Anticipated return to creditors

The table below illustrates the estimated outcome to creditors should they resolve to effect the revised DOCA or place Tuchuzy into liquidation which also anticipates a sale to a third party. The comparison of returns in our initial Report and this Report are shown separately.

Estimated comparison between liquidation and DOCA outcomes										
\$'000	Notes	Previous Report				This Report				
		Liquidation		Original DOCA		Sale/Liquidation		Revised DOCA		
		Low	High	Low	High	Low	High	Low	High	
Estimated asset recoveries										
Surplus administration funds (before professional costs)	1	172	215	172	215	145	181	172	215	
Stock realisations (net of costs)	2	37	86	n/a	n/a	n/a	n/a	n/a	n/a	
Director loan, insolvent trading and uncommercial transactions	3	Nil	100	n/a	n/a	Nil	100	n/a	n/a	
Preference payments	4	Nil	30	n/a	n/a	Nil	30	n/a	n/a	
Fixed asset realisations (i.e. motor vehicles)	5	Nil	10	n/a	n/a	Nil	Nil	n/a	n/a	
Sale/DOCA Contribution	6	n/a	n/a	145	145	200	250	220	220	
Total estimated asset recoveries		209	440	317	360	345	561	392	435	
Estimated costs (excl. GST)										
Administrators' fees	7	(140)	(140)	(140)	(140)	(220)	(220)	(140)	(140)	
Liquidators' / Deed Administrators' fees	8	(100)	(75)	(30)	(30)	(100)	(75)	(30)	(30)	
Legal costs (Administration)	9	(20)	(15)	n/a	n/a	(70)	(50)	n/a	n/a	
Legal costs (Liquidation / Deed Administration)	10	(50)	(40)	(20)	(15)	(50)	(40)	(20)	(15)	
Total estimated costs		(310)	(270)	(190)	(185)	(440)	(385)	(190)	(185)	
Total funds available		Nil	170	127	175	Nil	176	202	250	
Employees:										
Estimated employee entitlement claims	11	(107)	(107)	(31)	(31)	(31)	(31)	(70)	(31)	
Return to employees (c/\$)		Nil	100	100	100	Nil	100	100	100	
Funds available for creditors		Nil	63	96	144	Nil	145	132	219	
Creditor claims										
Loan - Sydney Metro Properties	12	(202)	(202)	n/a	n/a	(202)	(202)	n/a	n/a	
Landlord claim	13	(1,082)	(541)	n/a	n/a	n/a	n/a	n/a	n/a	
Director entitlement claim (above statutory cap)	14	(319)	(319)	n/a	n/a	(319)	(319)	n/a	n/a	
Other creditors (excl. Sydney Metro and Landlord claims)	15	(1,891)	(1,891)	(1,891)	(1,891)	(1,891)	(1,891)	(1,891)	(1,891)	
Total ordinary unsecured creditor claims	16	(3,494)	(2,953)	(1,891)	(1,891)	(2,412)	(2,412)	(1,891)	(1,891)	
Return to ordinary unsecured creditors (c/\$)		Nil	2.1	5.1	7.6	Nil	6.0	7.0	11.6	

4.1 Scenarios and outcomes

For the purposes of estimating the comparison between sale/liquidation and DOCA outcomes, the following scenarios have been prepared.

Unless stated otherwise all other scenarios and explanations remain unchanged from our Previous Report issued on 18 June 2020.

Sale/Liquidation scenarios

- **Low** – this scenario contemplates circumstances whereby sale proceeds are on the lower end of the offers contemplated and there are no preferences, insolvent trading claims or other Liquidator recoveries secured.
- **High** – this scenario contemplates where sale proceeds are on the upper end of the offers contemplated and certain Liquidator recoveries are successful.

Revised DOCA scenarios

- **Low** – this scenario contemplates circumstances whereby the funds available from trading are reduced due to a decline in sales in the period between issuing our Administrators' Report and the Second Meeting of Creditors.
- **High** – this scenario contemplates circumstances whereby the funds available from trading are in line with our forecast.

4.2 Key assumptions

Unless stated below the notes to the ERV remain as described in the Administrators' report dated 18 June 2020. Creditors should ensure they consider the updated ERV and amended notes following a review of the Previous Report issued on 18 June 2020.

Note 1: Surplus administration funds

- This represents the forecast closing cash position as at 25 June 2020 less trading commitments to be settled following the end of the administration.
- The Administrators have applied a discount to the trading outcome for a Sale/Liquidation scenario, given that the business trades at a loss and it is expected to trade for a further week whilst a sale is agreed and completed.

Note 6: Sale/DOCA Contribution

- This represents the consideration for the various Sale and DOCA scenarios illustrated above being:
 - *Sale*: based on our assessment of the offers submitted from \$200,000 to \$250,000 in a low and high case respectively.
 - *Original DOCA Proposal*: Deed contribution of \$145,000.
 - *Revised DOCA Proposal*: Deed contribution of \$220,000.

Note 7: Administrators' Fees

- The estimated Administrators fees in a sale/liquidation scenario have increased as a result of:
 - the need to adjourn and reconvene the second meeting of creditors (including relevant notices, lodgements and associated work) in order that the Administration moratorium remains in place, whilst the sale is negotiated;
 - the need to resolve the validity of the Secured Creditor's registration. We have been notified by the Secured Creditor that should there be a sale of business, they will press that their security is valid. Therefore we would need to incur additional legal costs to work through this security validation issue and determine the priority of their claim (or have it set aside); and
 - the need to deal with the various contractual documentation in a sale (lease novation, Sale and Purchase Agreement, domain transfers, etc).

Note 9: Legal costs (Administration)

- An additional \$35,000 to \$50,000 in legal costs as against the revised DOCA scenario is estimated to be incurred in the Sale/Liquidation high and low scenarios respectively. This relates to the increased work for:
 - resolving the validity of the Secured Creditor's registration (as noted above); and
 - the sale related documentation set out above.

Note 11: Estimated employee entitlements

- This represents an estimate of the total claims of employees and former employees. In the revised Liquidation scenario, the cessation of trading is expected to result in the crystallisation of outstanding superannuation entitlements (being the outstanding March quarter).
- For the revised DOCA scenarios the following applies:

- *Low*: this assumes that all outstanding superannuation and accrued annual leave entitlements are paid in priority (this will occur if eligible employee creditors do not pass a resolution in favour of modifying the statutory priorities for payment as proposed by the revised DOCA); and
- *High*: this assumes that non-continuing employees entitlements are repaid in full and continuing employees are only repaid March quarter superannuation which is presently overdue (with remaining entitlements to continue to be honoured by the Company) i.e eligible employee creditors do pass a resolution modifying the statutory priorities for payment.

4.3 Advantages of the Proposed revised DOCA

- Provides more certainty on the likely outcome for creditors (i.e. immediate injection of \$220,000) in the context of lower professional fees being incurred;
- Preserves the ongoing employment and entitlements of all current employees;
- Pre-appointment employee claims expected to be paid or honoured in full under the revised DOCA Proposal within a relatively short time of the DOCA being executed. Whilst preferential employee entitlements may also be repaid in full in a liquidation, this is expected to present a higher execution risk;
- Excludes circa \$0.5 million in claims of the DOCA Proponent and the Secured Credit;
- Avoids the cost, time and uncertainty associated with a sale to a third party; and
- Provides for an increased estimated distribution to unsecured creditors of between **7.0** and **11.6** cents in the dollar.

4.4 Disadvantages of the Proposed DOCA

- Antecedent transactions claims such as preference payments and insolvent trading claims that may be available to a liquidator cannot be pursued in a DOCA. The recover from these potential claims is presently estimated at circa \$130,000 in a high scenario and would require further investigations and funding.
- All claims against Tuchuzy and Tuchuzy's claims against the Director will be released and extinguished upon the effectuation of the DOCA where the objectives of the DOCA have been fulfilled and the DOCA has not otherwise been terminated.
- The distributions to creditors are limited to the Deed Fund whereas in a liquidation recoveries for creditors depend on the outcomes of successful litigation (which are theoretically unlimited), although presently uncertain and require funding. Based on the funding position and nature of claims, we consider that any such recoveries in a liquidation are subject to significant uncertainty.

Having regard to the relative advantages and disadvantages of the DOCA, the Administrators consider that the revised DOCA provides a more certain, timely and superior return to creditors than a sale/liquidation.

5 Options available to creditors

The Administrators are required to provide creditors with a statement of their opinion about each of the courses of action in respect of which creditors are entitled to vote at the Second Meeting of Creditors.

The Administrators are required to opine on whether it would be in the creditors' interests for:

- the administration to end with control of Tuchuzy reverting to the Directors;
- Tuchuzy to enter into a DOCA; or
- Tuchuzy to enter liquidation and be wound up.

Creditors are also entitled to vote to adjourn the Second Meeting of Creditors for up to 45 business days.

5.1 Administrations to end

Creditors may consider ending the administration and returning the control of Tuchuzy to the Director. This would only be appropriate in circumstances where Tuchuzy was deemed to be solvent.

The Administrators do not believe this to be a viable option, noting that Tuchuzy remains insolvent and has no access to funding. It would not be appropriate to return control of an insolvent company to its Directors.

In the Administrators' opinion, it is not in the best interests of creditors of Tuchuzy to vote for the administration to end.

5.2 DOCA

A DOCA is a binding arrangement between a company and its creditors governing how the company's affairs will be dealt with. It aims to maximise the chances of the company, or as much as possible of its business, continuing, or to provide a better return for creditors than an immediate winding up. A DOCA binds all unsecured creditors, even if they voted against the proposal.

The proposed revised DOCA is anticipated to provide employees either a return of 100 cents in the dollar or in the case of continuing employees for the Company to honour the ongoing entitlements, and ordinary unsecured creditors are expected to receive between **7.0** and **11.6** cents in the dollar, being a superior return, within a shorter timeframe with more certainty than would be received in a winding up of Tuchuzy and sale, as set out in **Section 4**.

In the Administrators' opinion, it is in the best interests of creditors of Tuchuzy to vote to enter into the revised DOCA.

5.3 Tuchuzy to be wound up

An Administrator would usually recommend that creditors vote for an insolvent company to be wound up in the absence of an acceptable DOCA proposal. An Administrator would also recommend liquidation in preference to a DOCA if there is a strong likelihood that recoveries in liquidation which may include voidable transaction recoveries (which are only recoverable by a liquidator) would improve the return to creditors in comparison to the return expected under a DOCA.

The liquidation of Tuchuzy would involve:

- finalising sale negotiations with a 3rd party purchaser;
- the completion of a more detailed investigation into the affairs of Tuchuzy, the conduct of its Director and potentially pursuing claims against her;
- validation of the security interest held by Sydney Metro Properties Pty Ltd;
- further enquiries with regard to recovering potential insolvent trading and voidable transaction claims;
- reporting to ASIC in relation to offences (if any) committed by the Directors of Tuchuzy; and
- adjudication of creditor claims and payment of dividends.

The costs of administering the liquidation would depend to a large extent on the extent of further investigation into the various potential claims identified, and the outcome of any recommended litigation. Based on the asset landscape, funding

position and nature of claims, we consider that any antecedent transaction recoveries in a liquidation are subject to significant risk and uncertainty.

In the Administrators' opinion, it is not in the best interests of creditors of Tuchuzy to vote for the winding up of Tuchuzy.

5.4 Administrators' recommendation

For the reasons set out above, the Administrators, at the time of writing this Report, recommend that Creditors resolve that Tuchuzy execute the revised DOCA.

6 Contact

Please refer to the McGrathNicol website at <https://www.mcgrathnicol.com/creditors/tuchuzy-bondi-pty-ltd/> for further information regarding this engagement. Creditors may email cmenzies@mcgrathnicol.com if they have any queries.

Dated 23 June 2020



Barry Frederic Kogan
Administrator

APPENDIX A Proposed revised Deed of Company Arrangement

PROPOSAL FOR A DEED OF COMPANY ARRANGEMENT - TERM SHEET

Tuchuzy Bondi Pty Ltd (Administrators Appointed) ACN 081 997 444 (Company)

This term sheet must be read in conjunction with the terms defined below.

Daria Sakic, the Director of the Company (**Deed Proponent**), proposes this Deed of Company Arrangement (**Deed Proposal**) to the Creditors of the Company for their consideration and approval.

Key Terms	
1. Purpose	<p>The Deed of Company Arrangement's (DOCA) primary purpose will be to:</p> <ol style="list-style-type: none"> a. provide Creditors a greater and more timely return than would result from an immediate winding up of the Company; and b. Establish the Deed Fund in order to pay dividends to Participating Creditors.
2. Conditions Precedent	<p>It is a condition precedent to the operation of the DOCA that, as soon as possible and within 2 business days after the creditors of the Company resolve at the second meeting of the Creditors of the Company (Second Meeting) that the Company execute the DOCA (or such further time as agreed in writing):</p> <ol style="list-style-type: none"> a. (Contribution) the Deed Proponent's lawyers will pay (from their trust account) the Deed Fund contribution into the Administration Account; and b. (Deferral) the Deferred Creditors enter into a "Deed of Deferral".
3. Undertakings and Reasonable Endeavours	<p>The Deed Proponent will use all reasonable endeavours and do all things reasonably necessary to assist the Administrators:</p> <ol style="list-style-type: none"> a. To trade the business throughout the period of the DOCA; b. To achieve the Purpose; c. To ensure all DOCA obligations are satisfied.
4. Moratorium	<p>Subject to any leave granted under section 444E of the <i>Corporations Act 2001 (Act)</i>, from execution of the DOCA all creditors of the Company will be subject to a moratorium whilst the Company remains subject to the DOCA and will not be able to enforce or otherwise take any action against the Company.</p>
5. Non-Participating Creditors	<p>means each of the following:</p> <ul style="list-style-type: none"> • The Landlord; • Continuing Employees in respect of Continuing Entitlements; • the Deferred Creditors. <p>The Landlord is entitled to retain all and any Claims (including under a Bank Guarantee that it may hold) under and in respect of the lease of the Premises, which Claim shall not be limited or affected by the DOCA.</p> <p>The Deed Proponent will procure the written consent of the Landlord that it will covenant not to enforce any default caused by virtue of the appointment of the Administrators for the duration of the DOCA subject to compliance by the Company with the terms of the lease (Landlord Consent).</p> <p>Notwithstanding any other provision of the DOCA, the accrued but unpaid entitlements (except overdue superannuation relating to or prior the March 2020 quarter) of Continuing Employees that have fallen due for payment as at or after the Appointment Date are not provable or entitled to payment under the terms of the DOCA and the DOCA will not compromise those entitlements (Continuing Entitlements). All of the Continuing Entitlements of Continuing Employees will be entirely preserved and continue notwithstanding effectuation and will be honoured by the Company in the</p>

Key Terms							
	ordinary course of business during the Arrangement Period and after the Termination Date.						
6. Secured Creditors	<p>The DOCA will be subject to and is not intended to interfere with or otherwise compromise any security interest or mortgage granted by the Company to any of its secured creditors, other than to the extent that the secured debt owing to these secured creditors has been paid in full or its secured interest has otherwise vested in the Company, or it has voted in favour of the DOCA.</p> <p>The Secured Creditors includes the following:</p> <ul style="list-style-type: none"> • Westpac Banking Corporation ACN 007 457 141; and • Macquarie Leasing Pty Ltd ACN 002 674 982. 						
7. Deferred Creditors	<p>The Deed Proponent and the other creditor claims listed below who will not prove against the Deed Fund in respect of their claims being:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Name</th> <th style="text-align: left;">\$</th> </tr> </thead> <tbody> <tr> <td>Deed Proponent</td> <td>364,800</td> </tr> <tr> <td>One AR Pty Ltd ACN 602 601 776 / Sydney Metro Properties Pty Ltd ACN 111 327 747 atf Sydney Metro Fund ABN 80 356 439 291</td> <td>200,000</td> </tr> </tbody> </table> <p>The Deed Proponent will procure that the Deferred Creditors enter into the Deed of Deferral Deed by which they will covenant that upon expiry of the DOCA, they will forbear from seeking repayment of their claims until such time as the Company has the capacity to pay the claims and will forbear from enforcing any securities which they may have against the Company (if any).</p>	Name	\$	Deed Proponent	364,800	One AR Pty Ltd ACN 602 601 776 / Sydney Metro Properties Pty Ltd ACN 111 327 747 atf Sydney Metro Fund ABN 80 356 439 291	200,000
Name	\$						
Deed Proponent	364,800						
One AR Pty Ltd ACN 602 601 776 / Sydney Metro Properties Pty Ltd ACN 111 327 747 atf Sydney Metro Fund ABN 80 356 439 291	200,000						
8. Deed Contribution	<p>The Deed Contribution is held in the Deed Proponent's lawyers' trust account.</p> <p>The Deed Proponent will make the Contribution to the Deed Fund in the sum of \$220,000.00 from the monies held in the Deed Proponent's lawyers' trust account.</p>						
9. Deed Fund Establishment	<p>The Deed Fund is to be available to pay Admitted Claims.</p> <p>The Deed Fund will comprise:</p> <ol style="list-style-type: none"> a. The Retained Cash; b. The Deed Contribution. <p>The Administrators agree to cap their Remuneration to a maximum of \$140,000 excluding GST with a view to:</p> <ul style="list-style-type: none"> • providing 100 cents in the dollar for Employee Priority Claims; • ensuring a return to Participating Creditors which is better than that which they would receive in any liquidation of the Company. <p>The Deed Fund will be applied by the Deed Administrators to meet the entitlements of the Participating Creditors in accordance with the priorities in Subdivision D of Division 6 of Part 5.6 of the Act.</p> <p>Sections 444DA and 444DB of the Act will apply to the Deed Fund.</p>						
10. Entitlement of creditors	<p>All proofs of debt submitted will be adjudicated upon by the Deed Administrators in accordance with Subdivisions A, B, C and E of Division 6 of Part 5.6 of the Act, and as if references to the liquidator were references to the Deed Administrators, and with such other adaptations as are necessary.</p>						

Key Terms	
	<p>The Deed Administrators may fix a time by which creditors are required to lodge their proof of debt.</p> <p>A claim is a debt payable by, or a claim against, the Company (present or future, certain or contingent, ascertained or sounding only in damages) being debts or claims the circumstances giving rise to which occurred before the appointment date of the former voluntary administrators which would be admissible to proof against the Company in accordance with Division 6 of Part 5.6 of the Corporations Act if the Company had been wound up and the winding up had commenced on that date.</p>
11. Manner of distribution	<p>Subject to subdivision D of Division 6 of Part 5.6 of the Act, the Deed Fund will be applied as follows:</p> <ol style="list-style-type: none"> a. to pay the Administrators' Remuneration capped in the sum of \$140,000 excluding GST plus the Administrators' Liabilities (after accounting for any amounts already received or held by them in relation to their Administrators' Remuneration and Administrators' Liabilities); b. to pay the Deed Administrators' Remuneration and Deed Administrators' Liabilities, estimated in the amount of \$30,000 (ex GST) c. to pay 100% of the admitted claims Employee Priority Claims; d. to pay a percentage of the admitted claims of Participating Creditors on a <i>pari passu</i> basis; e. any surplus once all Participating Creditors have been paid in full will be returned to the Company. <p>Non-Participating Creditors will not be entitled to a Dividend Payment or other distribution under this Deed.</p>
12. Release	<p>Any dividend paid by the Deed Administrators from the Deed Fund will be accepted by Participating Creditors in full satisfaction of their claims against the Company.</p> <p>All claims against the Company will be automatically released following the payment of a final dividend to the Participating Creditors from the Deed Fund.</p> <p>All claims by the Company against the directors of the Company and the Company's related entities (other than the Deferred Creditors) will be automatically released following the payment of a final dividend to the Participating Creditors from the Deed Fund.</p> <p>The claims of the Deferred Creditors will not be released by the DOCA.</p>
13. Termination	<p>The DOCA will terminate on the earlier of the following occurring:</p> <ol style="list-style-type: none"> a. automatically if the Conditions Precedent are not satisfied in accordance with item 2; b. upon a relevant event occurring under section 445C of the Act; c. by a resolution of the Company's creditors at a meeting convened under Division 75 of Schedule 2 to the Act, <i>Insolvency Practice Schedule (Corporations) (IPS)</i>. <p>The DOCA will have been effectuated upon the conditions precedent to the operation of this deed having being satisfied and a final dividend from the Deed Fund having been paid.</p> <p>Following effectuation the Deed Administrators will lodge a notice with ASIC that the deed has been effectuated and full control of the Company will revert to the directors.</p>
14. Creditors' Meetings	<p>Additional to any powers of the Deed Administrators at law, if the Deed Administrators consider that the DOCA is no longer in best interests of creditors, then the Deed</p>

Key Terms	
	<p>Administrators be entitled to convene a meeting of the Company's creditors under Division 75 of the IPS at which creditors may resolve to:</p> <ol style="list-style-type: none"> a. vary the DOCA; or b. terminate the DOCA; or c. terminate the DOCA and wind up the company appointing the Deed Administrators as its liquidators; or d. enforce the terms of the DOCA; or e. approve any other proposal permitted under the Act.
15. Committee of inspection	There will be no committee of inspection.
16. Control	The control and stewardship of the Company will revert to the director upon satisfaction of the Conditions Precedent in item 2.
17. Indemnity	<p>The Administrators and the Deed Administrators will be entitled to be indemnified from the assets of the Company and the Deed Fund for:</p> <ol style="list-style-type: none"> a. the Administrators' Remuneration; b. the Administrators' Liabilities; c. the Deed Administrators' Remuneration; d. the Deed Administrators' Liabilities; e. all actions, suits, proceedings, accounts, claims and demands arising out of the voluntary administration of the Company which may be commenced, incurred by or made on the Administrators in their capacity as voluntary administrators of the Company or any of them by any person and against all costs, charges and expenses incurred by the Administrators in their capacity as voluntary administrators of the Company in respect thereof (for the avoidance of doubt including any priority creditor claims); f. all actions, suits, proceedings, accounts, claims and demands arising out of the voluntary administration of the Company which may be commenced, incurred by or made on the Deed Administrators in their capacity as administrators of the DOCA or any of them by any person and against all costs, charges and expenses incurred by the Deed Administrators in their capacity as administrators of the DOCA in respect thereof (for the avoidance of doubt including any priority creditor claims); <p>The Administrators and the Deed Administrators will have a lien over the assets of the Company and the Deed Fund to secure their right of indemnity.</p> <p>The Indemnity and lien are without limitation as to time and continue despite the removal or retirement of the Administrators and the appointment of the Deed Administrators or any subsequent administrator of the DOCA or the termination of the DOCA for any reason whatsoever.</p> <p>The Indemnity and lien have priority over all other claims of creditors to the maximum extent permitted by law.</p>
18. Administrators' Remuneration	The remuneration and other fees to which the Administrators are lawfully entitled (under the Act or otherwise) by reason of the performance of their duties as voluntary administrators of the Company.
19. Administrators' Liabilities	Any liabilities, debts, costs, fees, charges, disbursements, and expenses of the Administrators and Former Administrators, incurred in connection with or arising out of the administration of the Company pursuant to the Administrators' appointment as voluntary administrator of the Company, including but not limited to any Claim made on

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	the Administrator/s or the Company by any person arising out of the appointment of the Administrators to the Company, acting as Administrators of the Company or any application to set aside the DOCA including without limitation, all legal costs incurred by the Administrators in respect of the foregoing, but does not include the Administrators' Remuneration.
20. Deed Administrators' Remuneration	The remuneration and other fees to which the Deed Administrators are lawfully entitled (under the Act, under the DOCA or otherwise) by reason of the performance of their duties as deed administrators under the DOCA.
21. Deed Administrators' Liabilities	Any liabilities, debts, costs, fees, charges, disbursements, and expenses of the Deed Administrators, including any statutory liabilities, incurred in connection with or arising out of: <ul style="list-style-type: none"> a. the administration of the DOCA pursuant to the Deed Administrators' appointment as deed administrators of the DOCA; b. the preparation, execution and performance of the DOCA; c. any application to set aside the DOCA; including without limitation, all legal costs incurred by the Deed Administrators in respect of the foregoing, but does not include the Deed Administrators' Remuneration.
22. Other terms	The provisions of Schedule 8A of the Act are to be incorporated into the DOCA to the extent not inconsistent with the terms outlined above. The DOCA will incorporate the necessary content and mechanics to give effect to this deed proposal, including standard boilerplate clauses found in a DOCA of this type, which have not otherwise been set out in this term sheet.
23. Preparation of DOCA and other costs	Each party will bear their own costs (with the Administrators' costs forming part of the Deed Administrators' Liabilities).
24. Governing law	New South Wales
25. Definitions	In this Deed Proposal: Act means the <i>Corporations Act 2001</i> (Cth). Administrators means the administrators of the Company, being Barry Kogan and Katherine Sozou of McGrathNicol jointly and severally. Administration Account means such bank or other account or accounts opened by the Administrators or the Deed Administrators for the purpose of the administration of the Company or the DOCA. Administrators' Liabilities has the meaning given in item 19 of this Deed Proposal Administrators' Remuneration has the meaning given in item 18 of this Deed Proposal Admitted Claim means a Claim by a Participating Creditor that is admitted to proof by the Administrators in accordance with the DOCA Appointment Date means 3 June 2020. Arrangement Period means the period commencing on the Execution Date and ending on the Termination Date. Business Day means a day on which banks are open for general banking business that is not a Saturday, Sunday or public holiday in Sydney, Australia. Claim means an unsecured debt payable by, and all unsecured claims against the Company (whether present or future, certain or contingent, ascertained or sounding only in damages, expenses, environmental liability, tax, liability, loss, obligation, suit, action,

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demand, cause of action, prayer for relief, proceeding, judgment, whether direct or indirect, consequential, incidental or economic, known or unknown as at the Appointment Date, liquidated or unliquidated), being debts or claims any of the circumstances giving rise to which occurred on or before the Appointment Date.

Company means Tuchuzy Bondi Pty Ltd (Administrators Appointed) ACN 081 997 444.

Continuing Employees means any employee of the Company who remains in the Company's employ as at the Execution Date

Creditor means all unsecured creditors of the Company that have a Claim against the Company (whether at law, in equity, whether present, prospective or contingent, whether liquidated or sounding only in damages and whether in contract, in tort or howsoever arising (including without limitation any penalty or fine as against the Company) that arose prior to the Appointment Date.

Deed Administrators means Barry Kogan and Katherine Sozou of McGrathNicol jointly and severally.

Deed Administrators' Liabilities has the meaning given in item 21 of this Deed Proposal

Deed Administrators' Remuneration has the meaning given in item 20 of this Deed Proposal

Deed of Deferral means the deed entered into between the Deferred Creditors, the Company and the Administrators contemporaneously with the DOCA.

Deed Contribution has the meaning given in item 8 of this Deed Proposal.

Deed Fund means the fund established by the Deed Administrators under item 9 of this Deed Proposal.

Deed Proponent means Daria Sakic.

Deferred Creditors means the Creditors whose claims against the Company are deferred upon the terms set out in the Deed of Deferral

Deferred Creditors' Claims means the claims of the Deferred Creditors set out in item 7 of this Deed Proposal.

Director means Daria Sakic

DOCA means the Deed of Company Arrangement the material terms of which are set out in this Deed Proposal

Execution Date means the date on which the DOCA is executed by the Deed Proponent, the Company, and the Deed Administrators.

Eligible Employee has the same meaning as the term "eligible employee creditor" has in section 9 of the Act as though the reference to "company" was to the Company.

Employee Entitlements means employee entitlements accrued by Employees of the Company before the Appointment Date payable as a priority in accordance with Section 556(1) of the Corporations Act and whose debt or Claim would, in the event of a winding up of the Company be payable in priority to other unsecured debts and Claims in accordance with Sections 556(1)(e), 556(1)(f), 556(1)(g), 556(1)(h), 560 or 561 of the Corporations Act;

Employee Priority Claims means a Claim of any Employee for, in respect of, or arising in connection with any amount that would rank in priority under section 556(1) of the Act if the winding up of the Company had commenced on the Appointment Date.

Insolvency Schedule means the Insolvency Practice Schedule (Corporations) at Schedule 2 to the Corporations Act.

Landlord means Bondi Beach Retail Holdings Ltd.

Non-Participating Creditors has the meaning given in item 5 of this Deed Proposal.

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Participating Creditors means the Creditors who prove their claims against the Company in accordance with the DOCA excluding the Non-Participating Creditors.

PPSA means the *Personal Property Securities Act 2009* (Cth).

Property has the meaning given to it in section 9 of the Act.

Regulations means the *Corporations Regulations 2001* (Cth) made under the Act.

Retained Cash means the amount of money (if any) contained in the Administration Account as at the Execution Date (or the amount of money (if any) contained in any administration account opened by the Deed Administrators) plus any amounts received into the Administration Account (or the Company's bank account) after the Execution Date which relate to transactions which occurred prior to the Execution Date, including but not limited to credit sales and PayPal receipts.

Rules means the Insolvency Practice Rules (Corporations) 2016.

Secured Creditor means any creditor with a Security Interest as at the Effective Date and, for the avoidance of doubt, includes any such creditor with a claim by way of subrogation including those set out at item 6 of this Deed Proposal.

Security Interest means any mortgage, chattel mortgage, pledge, lien, charge, agreement, set-off or assignment which secures the payment of any liability including any security interest for the purposes of the PPSA.

Termination Date means the date on which the DOCA is terminated in accordance with item 13 of this Deed Proposal.