

HRL Limited
(ACN 061 930 756)
ACN 151 146 422 Pty Ltd
(ACN 151 146 422)
HRL Technology Pty Ltd
(ACN 062 076 199)
Energy Brix Australia Corporation Pty Ltd
(ACN 074 736 833)
Vemco Pty Limited
(ACN 065 985 453)
Vemco Treasury Pty Ltd
(ACN 081 954 789)
Dual Gas Pty Ltd
(ACN 117 102 244)
HRL Water Pty Ltd
(ACN 604 198 834)
Linepro Pty Ltd
(ACN 100 749 246)
HRLDI (Holdings) Pty Ltd
(ACN 118 989 629)
(All Administrators Appointed) (the Companies)

HRL Developments Pty Ltd
(ACN 093 163 663)
HRL Imports Pty Ltd
(ACN 165 637 276)
HRL Treasury Pty Ltd
(ACN 062 076 279)
Industrial Energy Pty Ltd
(ACN 080 687 681)
Vemco Services Pty Ltd
(ACN 083 377 173)
Vemtec Pty Ltd
(ACN 070 489 039)
HRL Infrastructure Services Pty Ltd
(ACN 166 922 292)
HRL (Hunter) Pty Ltd
(ACN 097 325 810)
Aerial Devices Australia Pty Ltd
(ACN 115 776 353)

Minutes of First Meetings of Creditors
held pursuant to Section 436E of the Corporations Act 2001 (the Act)
held on 9 November 2015 at 10:30am, at Chartered Accountants Australia and New Zealand,
Level 3, 600 Bourke Street, Melbourne, VIC 3000

OPENING:

Mr Ian Carson introduced himself and called the meeting to order at 10:38am.

Mr Carson advised that on 27 October 2015, he along with Craig Crosbie and Stephen Longley were appointed joint and several Administrators of the Companies.

Mr Carson introduced those present with him:

- James Jones (PPB Advisory)
- Ryan Borg (PPB Advisory)
- Shanna Wood (PPB Advisory)
- Visna Hemachandra (PPB Advisory)
- Steven Palmer (Norton-Rose Fulbright)

AGENDA OF MEETING:

The agenda of the meeting was outlined as follows:

- Meeting formalities
- Administrators' address to creditors
- Questions
- Committee of Creditors
- Alternative Administrators
- Remuneration of Administrators
- Work undertaken to date
- Next steps
- Any other business

PURPOSE OF MEETING:

Mr Carson advised that this was the first meeting of creditors held since the Administrators' appointment. He explained that the purpose of the meeting was to:

- update creditors on recent events and answer any questions that they may have in relation to the administration
- determine whether to appoint a Committee of Creditors for each company and if so, who are to be the Committee's members
- if creditors so resolve, to remove the Administrators from office and appoint replacement Administrators.

EXTENSION OF CONVENING PERIOD

Mr Carson advised that due to the complexity of the Companies' structure, the Administrators are likely to seek an extension of the convening period by three months for the second creditors meeting. The requirement in the Act is to hold the second creditors meeting within 20 business days of this meeting.

Mr Carson advised that any objections or comments to an extension may be discussed at today's meeting.

APPOINTMENT OF CHAIRPERSON:

Mr Carson advised that he would be Chairperson for the meetings, in accordance with Regulation 5.6.17(1) of the *Corporations Regulations 2001 (Regulations)*.

CONCURRENT MEETINGS:

The Chairperson advised that the intention was to hold meetings of each of the Companies concurrently. However separate resolutions will be considered for each of the Companies if and when appropriate.

The Chairperson asked those in attendance if there were any objections to holding the meetings of each company concurrently.

There were no objections.

CONDUCT OF MEETINGS:

The Chairperson advised that the meetings were being recorded and requested that creditors identify themselves when asking questions by stating their name and the company they represented so that their details could be recorded.

MEDIA PRESENT:

The Chairperson advised that this meeting was for the creditors of the Companies and only creditors of the Companies have a right to attend.

The Chairperson asked if there were any members of the media in attendance. There were no members of the media identified at the meeting.

OBSERVERS PRESENT:

The Chairperson advised the meetings that there were observers present. The Chairperson then sought and received confirmation that all observers present were included on, and had signed, the Observers register. The Chairperson further obtained confirmation from creditors present that they did not have any objection to the observers' present.

The Chairperson noted that observers cannot ask questions or vote on any resolutions put forward to the meeting.

CREDITORS PRESENT:

The Chairperson sought and obtained confirmation that each creditor present had signed the attendance registers (refer attached).

The Chairperson noted that, where creditors had submitted a Proof of Debt (POD) without satisfactory supporting documentation and where that POD exceeded the value of the debt as recorded in the Companies' records, those creditors were being admitted, for voting purposes only, for amounts recorded in the Companies' records.

The Chairperson advised that the Administrators will allow contingent creditors to vote for a nominal amount of one dollar (\$), if a claim cannot be quantified.

The Chairperson sought and received confirmation from all creditors present that there was no objection to the grounds upon which he was admitting PODs for voting purposes.

The Chairperson tabled the attendance registers.

QUORUM AND PROXIES:

The Chairperson advised that, as at least two persons entitled to vote were present at the meetings, a quorum was sufficiently constituted pursuant to Regulation 5.6.16.

TIME AND PLACE OF MEETINGS CONVENIENT:

The Chairperson declared that the time and place for holding the meetings was convenient to the majority of creditors in accordance with Regulation 5.6.14.

The Chairperson confirmed that sufficient notice of the meetings had been given in accordance with Section 436E of the Act, by writing to all known creditors and publishing notice within the required timeframe.

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES:

The Chairperson tabled the Administrators' Declaration of Independence, Relevant Relationships and Indemnities (DIRRI) dated 29 October 2015, which was annexed to the Administrators' Report to Creditors dated 29 October 2015. The Chairperson confirmed that no additional indemnities or relationships had been identified beyond those disclosed in the DIRRI sent to creditors.

TABLING OF DOCUMENTS:

The Chairperson tabled the following:

- Notice of Appointment dated 27 October 2015
- Report to Creditors
- ASIC Form 530 (Statement of Posting in Writing)
- Advertisement of Meeting

The Chairperson invited the creditors to inspect the tabled documents during the meetings.

MOTIONS AND RESOLUTIONS:

The Chairperson advised that all motions were to be resolved on the voices, unless a poll was demanded in accordance with Regulation 5.6.19.

The Chairperson advised that a resolution is carried if:

- a majority of the creditors voting (whether in person, by attorney or by proxy) vote in favour of the resolution and
- the value of the debts owed by the Corporation to those voting in favour is more than half the total debts owed to all creditors voting.

The Chairperson noted that he may exercise a 'casting vote' if no result is reached for or against a resolution in accordance with Regulation 5.6.21.

The Chairperson's decision to exercise this vote is subject to review by the Court upon application by a creditor under sections 600B and 600C of the Act.

MINUTES OF MEETINGS:

The Chairperson advised that the minutes would be lodged with the Australian Securities and Investments Commission (**ASIC**). A transcript would not be prepared but the minutes would reflect key discussions and outcomes. The Administrators reserve the right not to disclose in the minutes commercially sensitive information that may prejudice investigations and asset realisations.

ADMINISTRATORS' ADDRESS TO THE CREDITORS:

The Chairperson provided a brief overview of the background to the Administrators' appointment, actions undertaken to date and the strategy for the administration under the following headings:

- Background to appointment – reasons for Companies' failure
- Summary of Administrators' strategy
- Corporate structure
- Sale of business
- Trading to date
- Administrators' remuneration

QUESTIONS FROM CREDITORS:

The Chairperson opened the meeting to questions from those present.

Below is a summary of topics raised for discussion.

Sale of Companies

Creditors queried whether proceeds from the sale of profitable trading Vemco entities would be available to all creditors.

The Chairperson advised that any proceeds from the sale of Vemco Group will go towards meeting debts owed to Vemco creditors. The Chairperson also advised that the Companies assets could either be sold as a group or individually, depending on the offers received and which offer would bring the best return to creditors.

The Chairperson encouraged a Committee of Creditors to be formed to discuss the offers put forward prior to the Second Meeting.

Creditors requested an estimate of the sale price for the Vemco Group.

The Chairperson advised that he could not reveal the estimated figures due to commercial reasons.

Returns to Creditors

Creditors asked whether an extended convening period would impact on the timing and amount of creditor returns. They also enquired about the order of payments to the respective parties.

The Chairperson advised that the Administrators are required to conduct investigations into the Companies and to consider any Deed of Company Arrangement proposals. The Chairperson assured the creditors in attendance that the Administrators will seek to hold meetings as early as possible.

The Chairperson advised that in order to keep costs down, the Administrators would utilise HRL and Vemco staff.

Creditors further queried how quickly monies would be available to pay outstanding debts to creditors in the event of a sale in comparison to a liquidation scenario.

The Chairperson advised that the Administrators would seek to accelerate payments to employees by speaking with the Federal Government and employees would have access to these if the Companies enter Liquidation.

Debt Levels

Creditors asked whether a sale would be sufficient to cover all debts owed by the Vemco Group and requested details of debts owed to creditors of Vemco Group as a whole, Aerial Devices Australia Pty Ltd and HRL Technology Pty Ltd.

James Jones advised that the Vemco Group had c\$16 million debts outstanding across secured and unsecured creditors as well as bank guarantees. Mr Jones also mentioned that Aerial Devices Australia Pty Ltd has c\$1.3million debts outstanding and HRL Technology Pty Ltd has c\$7.6million outstanding debts.

The Chairperson advised that the Administrators would seek to sell the Group for the best price possible and advised that they would not disclose details of offers due to commercial reasons.

Creditors requested an explanation for the large Vemco group debt of \$16million.

The Chairperson advised that the Administrators were appointed to investigate the reasons for the failure of the Companies and report these reasons to creditors, he highlighted unprofitable contracts and money spent on research and development as potential reasons.

Creditors noted that prior to the sale of the Vemco Group to HRL, some employees were terminated and subsequently re-hired two months after the sale in an attempt to present a positive cash flow during the sale process.

Sale of the Vemco Group to HRL

Creditors asked why HRL purchased the Vemco Group despite its large debt and the likelihood it would lose one of its profitable contracts.

The Chairperson advised that the Administrators will perform their investigations to understand the details of the purchase of Vemco Group to HRL.

Creditors asked whether the existing directors of Vemco Group could be potential purchasers of the Vemco cutting business.

The Chairperson advised that it is the duty of the Administrators to get the best return for creditors and therefore all available offers must be considered.

Creditors raised questions in regards to the \$11million refund from Vemco to HRL due to the lower than expected revenues.

The Chairperson advised that this would be investigated by the

Administrators and would be reported to creditors.

s439A Report to creditors

Creditors asked whether all findings made by the Administrators will be reported to creditors, including funds transferred between companies.

The Chairperson advised that these findings will be reported to ASIC and to all creditors.

The Chairperson confirmed that the intercompany transfers would be investigated and the report would contain a list of assets and creditors of each company.

Previous connection between PPB and HRL Limited

Creditors asked about PPB Advisory's history with HRL Limited.

The Chairperson advised that PPB Advisory assisted HRL Limited with collecting funds from debtors and improving cash flow in 2000. The Chairperson also mentioned that they had been engaged in a similar capacity to assist Energy Brix Australia Corporation.

Current legal proceedings

Creditors asked whether current legal proceedings against HRL entities will be adopted by the Administrators.

The Chairperson advised that the Administrators are still considering their approach but is seeking to deal with them in the most efficient manner possible.

Wage Payments

Creditors asked whether PPB Advisory would guarantee weekly payments to Linepro Pty Ltd and Vemtec Pty Ltd employees and whether they would require a loan to meet these costs.

Stephen Longley advised that the Administrators were seeking to bring forward outstanding payments owed to the Companies but could possibly need to borrow up to \$500,000 to meet payroll costs. Mr Longley added that the Administrators were personally liable for these debts and were very focused on ensuring adequate cash is available to pay debts.

Contracts

Creditors enquired about a potential new contract, Networks NSW contract.

The Chairperson advised that the contract has not yet been granted to any party.

Creditors asked whether the contract between Vemco Pty Limited and Powercor Pty Ltd was available for them to view and if anyone had access to it.

The Chairperson advised that the Committee of Creditors could possibly have access to this and advised that he had taken this on notice

Creditors enquired about HRL Technology Pty Ltd's current contract.

Mr Jones advised that the contract is currently being assessed and the preliminary view is that it will be honoured but a final view is still being determined.

Creditors asked whether there were any other current contracts.

Mr Longley responded that the Administrators would not be releasing details of these contracts as they are part of the sale process.

COMMITTEES OF CREDITORS:

The Chairperson provided a brief overview of the role and benefits of a Committee of Creditors (COC).

The Chairperson advised that pursuant to section 436G(1) and (2) of the Act, the COC can comprise of creditor companies or individuals.

The Chairperson asked the creditors to demonstrate by a show of hands if they wished to form a COC. The Chairperson asked those creditors who wanted to nominate to be a member of each company to introduce themselves to the meeting, to allow the creditors to evaluate the proposed composition of the COC.

HRL Limited

The following were nominated to become a member of the COC:

- Barry Richards, representing Mecrus Pty Ltd
- Alf Ottrey, employee

It was proposed by **Barry Richards** representing Mecrus Pty Ltd that:

"A Committee of Creditors be formed for HRL Limited comprising of Barry Richards and Alf Ottrey as its members"

The motion was carried on the voices.

HRL Developments Pty Ltd

The following were nominated to become a member of the COC:

- Alf Ottrey, employee

It was proposed by **Alf Ottrey** that:

"A Committee of Creditors be formed for HRL Developments Pty Ltd comprising of Alf Ottrey as its member"

HRL Technology Pty Ltd

The following were nominated to become a member of the COC:

- Nick Miller, employee
- Alex Blatchford, employee
- Damian Menzies, representing Choice Career Services
- Colin Clark, representing CS Energy Limited

It was proposed by the Chairperson that:

"A Committee of Creditors be formed for HRL Technology Pty Ltd comprising of Nick Miller, Alex Blatchford, Damian Menzies and Colin"

Clark as its members"

Industrial Energy Pty Ltd

The following were nominated to become a member of the COC:

- Mark Robinson, representing RGL Adhesives
- Barry Richards, representing Mecrus

It was proposed by the Chairperson that:

"A Committee of Creditors be formed for Industrial Energy Pty Ltd comprising of Mark Robinson and Barry Richards as its members"

Energy Brix Australia Corporation Pty Ltd

The following were nominated to become a member of the COC:

- Tony Staley, representing Gippsland Water
- Barry Richards, representing Mecrus

It was proposed by the Chairperson that:

"A Committee of Creditors be formed for Energy Brix Australia Corporation Pty Ltd comprising of Tony Staley and Barry Richards as its members"

Aerial Devices Australia Pty Ltd

The following were nominated to become a member of the COC:

- Joel Bacon, employee
- Adam Orgill, employee
- Phil Pears, representing Brampton Sheet Metal
- Rodney Baldwin, representing Metal Morphis

It was proposed by the Chairperson that:

"A Committee of Creditors be formed for Aerial Devices Australia Pty Ltd comprising of Joel Bacon, Adam Orgill, Phil Pears and Rodney Baldwin as its members"

Vemco Pty Ltd

The following were nominated to become a member of the COC:

- Lawrence Merdy, employee
- Andrew Cuthbert, representing Andrew Cuthbert Tree Services
- Lucinda Nunn, employee (Operations Manager)
- Luke Adams, representing A Grade Trees & Tower Hire
- John O'Connor, representing JW & HL O'Connor
- Brendan Morris, representing A1 Tree Solutions

It was proposed by the Chairperson that:

"A Committee of Creditors be formed for Vemco Pty Ltd comprising of Lawrence Merdy, Andy Cuthbert, Lucinda Nunn, Luke Adams, John O'Connor and Brendan Morris as its members"

Vemco Services Pty Ltd

The following were nominated to become a member of the COC:

- John Mulqueen, employee
- Stephen Milardovic, former employee

It was proposed by the Chairperson that:

"A Committee of Creditors be formed for Vemco Services Pty Ltd comprising of John Mulqueen and Stephen Milardovic as its members"

Vemtec Pty Ltd

The following were nominated to become a member of the COC:

- Linda Hopkins, employee
- Rosa Avila-Rendon, employee
- Lavella Da Rose, representing Australian Future Communications
- Tony Genova, representing Australia Powerline Industries

It was proposed by the Chairperson that:

"A Committee of Creditors be formed for Vemtec Pty Ltd comprising of Linda Hopkins, Rosa Avila-Rendon, Lavella Da Rose and Tony Genova as its members"

Linepro Pty Ltd

The following were nominated to become a member of the COC:

- Amy Marshall, representing Craig Marshall (Employee)

It was proposed by the Chairperson that:

"A Committee of Creditors be formed for Linepro Pty Ltd comprising Amy Marshall as its member"

APPOINTMENT OF ALTERNATIVE ADMINISTRATORS:

The Chairperson asked if any creditor wished to propose the appointment of another person(s) as Administrator(s).

As there were no nominations or Consents to Act from another insolvency practitioner, the Chairperson confirmed that he, Stephen Longley and Craig Crosbie would continue as Administrators.

REMUNERATION OF ADMINISTRATORS:

The Chairperson advised that the ARITA Code of Professional Practice requires an administrator to provide an estimate of expected remuneration in their first advice to creditors.

The Chairperson confirmed that the actual fees incurred to date were \$436,000 and expected fees to completion would be detailed in the report to be sent to creditors ahead of the second meeting. The Chairperson also noted that creditors will only be asked to approve remuneration when full details of work undertaken had been provided.

OTHER BUSINESS:

The Chairperson asked if there were any other matters those present

wished to discuss.

CLOSURE:

The Chairperson asked if those present had any further questions.

There being no further business, the meeting was closed at 11:30am.

Signed as a correct record

Dated this 20th day of November 2015

A handwritten signature in black ink, appearing to read 'Ian' followed by a stylized surname.

Chairperson