

Outcome of concurrent first meeting of creditors held on Wednesday 4 December 2019

University Cooperative Bookshop Limited (Administrators Appointed)
ARBN 009 937 160 (the Co-op)

Co Info Pty Ltd (Administrators Appointed)
ACN 165 442 026 (the Company)

- The appointments of Phil Carter, Daniel Walley and Andrew Scott as joint and several Administrators of the Co-op and the Company respectively were confirmed at the meetings held concurrently on 4 December 2019.
- Creditors of each entity resolved to appoint a Committee of Inspection (**COI**) to assist the Administrators. COI members will shortly receive communication from the Administrators regarding their role and timing of the first COI meeting in each case.
- Phil Carter gave creditors attending the meetings a broad update on the circumstances of each appointment and the current strategy for each Administration process, as well as opening the floor to creditors to ask questions. A summary of the key points of discussion is set out below.

Background to appointment

- The Administrators were appointed at respective Board meetings of the Co-op and the Company on the evening of Sunday 24 November 2019.
- As per the Declaration of Independence, Relevant Relationships, and Indemnities circulated to creditors, the Administrators had been involved with Co-op for about a week prior to their appointment and had not met any of the Co-op Board before then.
- As Co-op was providing financial support to its subsidiary company (Co Info), by virtue of Co-op entering Voluntary Administration (**VA**), it was necessary for the Company to also enter VA.

Implications of appointment

- VA is a creditor-driven process but initiated by the Board or secured creditor. The Administrators' role is to, effectively, act as the representative of the creditors and aim to get the best outcome possible for creditors – this is usually achieved by selling all or part of the business as a going concern.
- The Administrators effectively take over the executive authority of running the business from the Board and CEO and work with management and employees to try to achieve the best result.
- Ultimately, creditors will decide the futures of each of the Co-op and the Company at their respective second meetings of creditors. In order to be able to make an informed decision, the Administrators will report to creditors on which of the three available options they believe is in the creditors' best interests in each case.
- The options include returning the entity to the control of its directors if it is found to be solvent, or entering into a Deed of Company Arrangement (**DOCA**) if one is proposed, or entering liquidation if no DOCA is proposed (or if a liquidation is expected to give a better outcome than the proposed DOCA).

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Outline of strategy for Co-op

- The key elements of the Administrators' strategy for the Co-op are to:
 - Stabilise the business
 - Trade profitably through Christmas
 - Sell the business as a going concern
 - Undertake investigations
- In the first few days of the Co-op VA, priority was given to contacting all key stakeholders (employees, bank, suppliers, landlords and universities) to confirm arrangements for the continuation of trading.
- The aim is to use the peak sales period over Christmas/New Year to finance trading by converting inventory into cash to meet our commitments (wages, rent, supplies) and run a sale process in parallel.
- There are relatively low levels of textbook sales at this time of year, but the Administrators will also work with Co-op staff to understand the expected need and timing of inventory purchases for the next academic year.
- There is a sale process underway which could result in a buyer for the whole business, or parts of the Co-op business:
 - Alpin was originally engaged by Co-op to sell the Curious Planet business about five weeks before the Administrators' appointment and had been in contact with c.50 parties
 - The Administrators have re-engaged Alpin to help find buyers for the Curious Planet and Co-op bookshop businesses to leverage the information gained via the earlier process
 - The businesses were advertised in the Australian Financial Review on 3 December, and a data room and non-disclosure agreements have been set up
 - Alpin is back in touch with all parties previously contacted, and there are also some fresh enquiries being received.
- If a sale of the Co-op's business can be negotiated, it would be subject to bank consent and may require a DOCA to achieve the terms of the sale (the DOCA is usually proposed by the buyer or the Board). If there is no DOCA proposed and if the Co-op is not solvent, Co-op is likely to go into liquidation.
- Creditors will make the choice between the available options at the second meeting of creditors. The Administrators' role is to report to creditors on the choices available and to make a recommendation. As part of the reporting process, the Administrators will investigate the circumstances of Co-op's failure, and what potential actions would be available in a liquidation.
- One specific matter the Administrators will investigate are the arrangements made with Jacaru in relation to stock supplied to the Co-op. In the interim, the Administrators have negotiated a consignment arrangement with Jacaru whereby they will have an option to return up to \$200k of unsold and undamaged stock to Jacaru and get a full refund in January 2020.

Outline of strategy for Company

- Co Info was an on-line library business that was sold by way of a 'management buy-out' in September 2019. The consideration for the business was \$1.85m plus the value of stock acquired, with trade liabilities left in the Co Info shell company.
- The only means for Co Info to meet its remaining liabilities was to be funded via the Co-op's cash flow, hence Co Info being placed into VA as the Co-op was no longer able to fund payment of these liabilities.

- We will review the recent sale transaction and remaining creditor claims against the Company, and seek legal advice as required in relation to this transaction.
- As there is no trading business to manage, the other key work streams aside from reviewing the sale of the business include:
 - dealing with creditor enquiries
 - securing the Company's books and records.

Next steps and timing for second meetings of creditors

- The Administration process is designed to run to a tight timeframe. Under the standard meeting timetable, the convening period for both entities ends on 20 December 2019, and the second meeting of creditors in each case would need to be held by 31 December 2019.
- This timetable is impractical for the Co-op business, given the importance of Christmas holiday trading and the sale process currently underway. The intention is to apply to Court to extend the convening period for up to three months, which means the second meeting would be held by 31 March 2020. For the convenience of keeping the entities on the same timetable and to retain flexibility, we will seek the same extension for the Company.
- A Court date has been booked for 17 December 2019 to seek the appropriate orders. There were no objections raised by creditors at the meeting to this proposal, but the Administrators will additionally seek the endorsement of the respective COIs to the proposed approach.

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