

Our Ref: BAS/ML/FLE960 – 7

Please Reply to Melbourne Office

30 January 2012

TO THE CREDITOR AS ADDRESSED

Dear Sir / Madam

FLETCHER JONES AND STAFF PROPRIETARY LIMITED (ADMINISTRATORS APPOINTED) ACN 004 257 774 (“FLETCHER JONES”)

I advise that on 27 January 2012 Associate Justice Eftim of the Supreme Court of Victoria (**Court**) heard and determined an application made by the Administrators of Fletcher Jones seeking orders that the period within which the Administrators must convene the second meeting of Fletcher Jones’ creditors be extended to 14 May 2012 (**Application**).

The Application was made by the Administrators in circumstances where:

1. Pursuant to the order of Justice Bell of the Court of 5 January 2012, the Administrators were required to prepare their report to creditors and convene the second meeting of creditors of Fletcher Jones by 30 March 2012.
2. As noted in our last circular to creditors, the Administrators have:
 - (a) continued to operate the Fletcher Jones business;
 - (b) offered the Fletcher Jones business for sale; and
 - (c) engaged advisors to assist the Administrators in the marketing and sale of the Fletcher Jones business.
3. Following the review of a number of offers, the Administrators have accepted an offer from, and entered into an agency agreement with, Hilco Merchant Australia Pty Ltd (**Hilco**). Pursuant to the agency agreement Hilco will:
 - (a) assist the Administrators to realise the value of the stock in Fletcher Jones stores through a structured sell down process over a period of approximately three (3) months (**Sale Period**);
 - (b) provide Fletcher Jones with a guaranteed return on the stock in Fletcher Jones stores; and
 - (c) meet the expenses associated with the continued operation of the Fletcher Jones stores during the Sale Period.
4. The Administrators believe that the arrangement with Hilco will deliver the best outcome for creditors. During the Sale Period, the Administrators will also continue to market the Fletcher Jones brand, trademarks and other intellectual property for sale.
5. The agency agreement with Hilco requires, inter alia, that Fletcher Jones and the Administrators provide Hilco with access to the Fletcher Jones store network for the entire Sale Period. The Administrators believe that it would be difficult to continue to trade the Fletcher Jones business, and provide Hilco with the store access required, without the protections afforded to the Administrators under the *Corporations Act 2001* (Cth), most particularly, the protections with respect to property leases.

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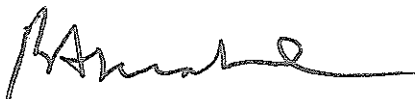
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6. The extension of the time in which the Administrators must convene the second meeting of creditors to 14 May 2012 was a condition precedent of the agency agreement with Hilco. This extension was required to ensure that the Administrators could continue to trade the Fletcher Jones business, and provide Hilco with the access required, for the Sale Period.
7. The Administrators believe their entry into the agency agreement with Hilco is in the best interests of creditors of Fletcher Jones as:
 - (a) the creditors of Fletcher Jones will not bear the trading risk associated with trading the Fletcher Jones business during the Sale Period;
 - (b) the remaining employees of Fletcher Jones are likely to remain in the employment for the Sale Period;
 - (c) where individual stores are no longer required, the Administrators will be able to negotiate an orderly vacation of stores and minimise the loss and damage suffered by landlords; and
 - (d) the return to the creditors of Fletcher Jones will be maximised.

Orders in the Application have been made as per the attached Form of Order (**Order**).

If you have any queries, please contact Mandy Lay of this office on (03) 8320 5630 or via email mLAY@corcordis.com.au.

Yours faithfully



BRUNO A SECATORE
Administrator