

**Hotwire Preemptive Intelligence Pty Limited (Administrators Appointed)
ACN 164 068 348 ("the Company")**

Circular to Creditors

I advise that Tony McGrath and I were appointed Joint & Several Administrators of the Company on 28 April 2014 by a resolution of the Companies' Directors, pursuant to Section 436A of the Corporations Act 2001 ("the Act").

The purpose of this circular is to provide creditors with information about the business, property, affairs and financial circumstances of the Company in preparation for the second statutory meeting of creditors.

The meeting is to be held at Cliftons, Level 13, 60 Margaret Street, Sydney on **Monday, 2 June 2014 at 2:00 PM.**

The following documents are attached:

- + Administrators' report to creditors;
- + Notice convening the meeting (Form 529);
- + Proof of Debt form (Form 535) along with an information sheet to assist you in completing the Proof of Debt; and
- + Proxy form (Form 532) along with an information sheet to assist you in completing the Proxy.

At the meeting, creditors will be entitled to vote on whether the:

- + Company should execute a Deed of Company Arrangement; or
- + administration should end; or
- + Company be wound up; or
- + meeting be adjourned.

Creditors who intend to vote at the meeting must lodge a formal proof of debt with the Administrators. If you have already lodged a proof of debt, you are not required to do so again.

Creditors who are unable to attend the meeting and wish to be represented should ensure that either a proxy form, power of attorney, or evidence of appointment of a company representative pursuant to Section 250D of the Act is validly completed and provided to the Administrators.

Proof of debt and proxy forms may be lodged with me prior to the meeting or may be brought to the meeting.

If a faxed or emailed copy of a proxy or power of attorney is provided prior to the meeting, the original of the instrument must be received by me within 72 hours of my receipt of the faxed or emailed copy.

Corporate creditors who wish to attend the meeting should note that they may only be represented by an individual if that person is validly granted a proxy or power of attorney by that corporation, or appointed as a company representative pursuant to Section 250D of the Act.

Creditors who are unable to attend in person may participate via teleconference, subject to providing relevant proof of debt and proxy documents in advance. Please contact us on or before 29 May 2014 should you wish to participate via teleconference.

If you require any further information, please contact David Russell of my staff on (02) 9248 9922.

Dated: 26 May 2014



Barry Kogan
Joint & Several Administrator

Enclosures:

Notice of Meeting
Administrator's Report to Creditors
Proof of Debt
Instructions for completion of Proof of Debt
Proxy form
Instructions for completion of Proxy form
Information for attendance at meeting

FORM 529

Corporations Act (2001)

Subregulation 5.6.12 (2)

**NOTICE OF SECOND MEETING OF
CREDITORS OF COMPANY UNDER ADMINISTRATION**

**Hotwire Preemptive Intelligence Pty Limited
(Administrators Appointed)
ACN: 164 068 348
("the Company")**

On 28 April 2014 the Company, under Section 436A of the Corporations Act (2001), appointed Tony McGrath and Barry Kogan of McGrathNicol as Joint & Several Administrators.

Notice is given that a second meeting of the creditors of the Company will be held at Cliftons, Level 13, 60 Margret Street, Sydney on Monday 2 June 2014 at 2:00 PM.

Creditors who are unable to attend in person may participate via teleconference. Please notify David Russell of McGrathNicol on (02) 9248 2600 on or before 29 May 2014 if you intend to attend the meeting via teleconference.

Agenda

1. The purpose of the meeting is to consider the Administrators' report in relation to the Company's affairs and any other matters raised relating to the Company's future and then to resolve either that:
 - (a) the Company execute a Deed of Company Arrangement; or
 - (b) the administration should end; or
 - (c) the Company be wound up; or
 - (d) the meeting be adjourned.
2. To consider and if thought fit, approve the Administrators' remuneration.
3. To determine the remuneration of the:
 - (a) Deed Administrator, if one is appointed; or
 - (b) Liquidator, if one is appointed.
4. If the Company is wound up, to consider the appointment of a Committee of Inspection.
5. To discuss any other relevant business which may arise.

Dated 26 May 2014.



Barry Kogan
Joint & Several Administrator

Note:

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless:

- his/her claim has been admitted, wholly or in part, by the administrator; or
- he/she has lodged with the administrator particulars of the debt or claim (regulation 5.6.23).
Furthermore proxies must be made available to the administrator.

A secured creditor may vote for the whole of his debt without deduction for his/her security (reg 5.6.24(4)).

McGrathNicol

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CORPORATE RECOVERY

**Hotwire Preemptive Intelligence Pty Limited
(Administrators Appointed) ACN: 164 068 348**

(“Hotwire” or “the Company”)

Report to Creditors Pursuant to Section 439A of the
Corporations Act 2001

26 May 2014

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1 Introduction

Barry Kogan and Tony McGrath (“**Administrators**”) were appointed Joint & Several Administrators of Hotwire Preemptive Intelligence Pty Limited (“**Hotwire**” or “**the Company**”) on 28 April 2014 by resolution of the Company’s Directors, pursuant to Section 436A of the Corporations Act 2001 (“**the Act**”).

The first meeting of creditors was held on 8 May 2014. At this meeting, there were no nominations to appoint an alternative Administrator.

The purpose of the appointment of an Administrator is to allow an Insolvency Practitioner to control the affairs of a potentially insolvent company during a moratorium and investigation period, at the end of which, the creditors of the company determine the Company’s future.

The purpose of this Report is to inform creditors about the Company’s business, property, affairs and financial circumstances in preparation for the second meeting of creditors, and to provide creditors with our opinion as to the course of action which should be adopted.

2 Executive Summary

- + The Company was incorporated on 2 June 2013 and commenced trading shortly thereafter.
- + The Company's main activity was the acquisition of various e-learning and e-payment system software and undertaking research and development work in respect of this software and for software owned by related entities.
- + The Company traded from leased premises in North Ryde, NSW and employed over 40 staff (primarily software engineers involved in research and development).
- + As a result of a Goods and Services Tax ("**GST**") refund claim of circa \$3.1 million relating to the September 2013 quarter being withheld by the Australian Taxation Office ("**ATO**"), the Company was unable to meet its trading liabilities from around February 2014.
- + Following continued efforts to secure the GST refund and attempts to raise funding from other sources (which were ultimately unsuccessful), the Directors resolved that the Company was insolvent and appointed Administrators on 28 April 2014.
- + The Report as to Affairs ("**RATA**") prepared by the Directors discloses the following financial position:
 - **Assets (\$14.4 million)**: Principally amounts due from the ATO on account of GST (\$3.1 million) and research and development credits¹ (\$9.2 million), work in progress (\$2 million) representing work undertaken in respect of advancing various software development, and office furniture and computers (\$50,000);
 - **Liabilities (\$2.7 million)**: Employee entitlements (\$977,445), unsecured creditors (\$360,466), and related party claims (\$1.4 million); and
 - **Equity (\$11.7 million)**: Representing the surplus of assets over liabilities prior to the costs of the administration.
- + Based on our understanding of the Company's financial position, the quantum of the distribution that will become available to creditors is largely dependent on the recoverability of amounts due from the ATO. We understand that the remaining assets are likely to have minimal realisable value.
- + The second meeting of creditors will be held at **2.00pm on 2 June 2014** at Level 13, 60 Margaret Street, Sydney, NSW.
- + The purpose of the second meeting is for creditors to:
 - Resolve the future of the Company. In this regard, the options available include whether the Company should:
 - be returned to its Directors; or
 - enter into a Deed of Company Arrangement ("**DOCA**"); or
 - enter into liquidation.
 - Consider and, if thought fit, appoint a Committee of Inspection; and
 - Consider and, if thought fit, approve the remuneration of the Administrators, the Deed Administrators or the Liquidators.
- + We have undertaken our preliminary investigations in relation to the conduct of the Directors and whether there are any amounts that could be recoverable in a liquidation. Our initial work has not revealed any significant events or transactions that would be recoverable in a liquidation however, we note that the

¹ Further detail is provided in Section 11 of this report

related party software acquisition and development transactions are complicated and warrant additional review in the event that the Company is wound up.

- + The Directors have proposed a DOCA, which includes third party contributions of \$2.9 million to fund a distribution to creditors (excluding related parties). The contributions are expected to be received in instalments by 31 October 2014 and (based on known creditor claims to date), provide a full repayment to all creditors (excluding related parties).
- + Given the DOCA:
 - provides an additional source of funds to creditors;
 - provides for funds to be received by creditors prior to the expected timing of other asset realisations; and
 - provides sufficient funds to allow full repayment of all known creditor claims (excluding related parties),

it is our recommendation that creditors vote in favour of the DOCA as proposed.

3 Administrators' prior involvement

In accordance with Section 436DA of the Act and the Australian Restructuring, Insolvency & Turnaround Association (“**ARITA**”) Code of Professional Practice, a Declaration of Independence, Relevant Relationships and Indemnities (“**DIRRI**”) was enclosed with our first communication to creditors (and tabled at the first meeting of creditors).

The DIRRI disclosed information regarding our independence, prior personal or professional relationships with the Company or related parties and indemnities received in relation to this appointment. For convenience, this has been restated below.

3.1 Independence

We, Barry Kogan and Tony McGrath, of the firm McGrathNicol have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Administrators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

3.1.1 Prior Personal or Professional Relationships

We, or members of our firm, have or have had within the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons why no conflict of interest or duty
Clayton Utz	<p>Clayton Utz act as solicitors of the Company and referred this appointment to McGrathNicol.</p> <p>Clayton Utz periodically refers engagements to McGrathNicol.</p> <p>Clayton Utz also undertakes legal work from time to time on various corporate advisory and recovery engagements under McGrathNicol's instructions.</p>	<p>Each professional engagement undertaken on instructions from Clayton Utz is conducted on an entirely separate basis, which has no bearing on this appointment.</p> <p>These engagements are only commenced after full regard is given to potential conflicts of interest in relation to all interested stakeholders.</p> <p>Clayton Utz does not receive any benefit for referring engagements to McGrathNicol.</p> <p>McGrathNicol has not undertaken any previous engagement for Clayton Utz in respect of the Company and the referral of the administration is entirely unconditional.</p> <p>The legal work conducted by Clayton Utz on instructions from McGrathNicol is also conducted on an entirely separate basis, which has no bearing on this appointment and is only commenced after full regard is given to potential conflicts of interest.</p> <p>Given these factors, our independence in acting as Administrators of the Company has not been affected.</p>

Since the date of our appointment, we have continued to assess whether any potential conflict of interest issues have developed.

At the date of this Report, our opinion has not changed in that there is no change to the information provided in the DIRRI. We remain of the view that our prior professional relationships as outlined above do not cause any potential conflict of interest.

4 Background and statutory information

4.1 Business activity

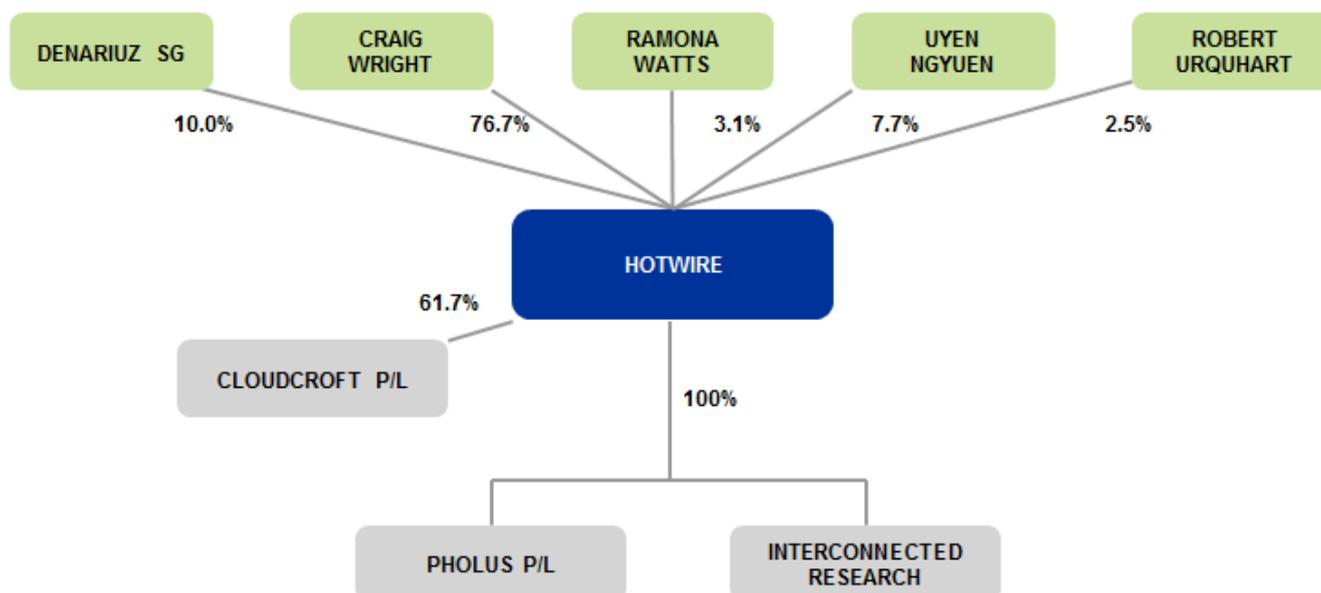
- + The Company was incorporated on 2 June 2013 and commenced trading shortly thereafter.
- + The Company's main activity was the acquisition of various e-learning and e-payment software and undertaking research and development work in respect of this software and for software owned by related entities.
- + The Company traded from leased premises in North Ryde, NSW and employed over 40 staff (primarily software engineers involved in research and development).
- + The Directors have advised that \$30 million was subscribed to by the shareholders in paid up capital and this was injected via Bitcoins².
- + The Company applied its equity as follows:
 - \$29 million to acquire software from the Wright Family Trust (“**the Trust**”); and
 - \$1 million to fund day to day trading activities.
- + According to Hotwire's records, the Trust acquired the software from Craig Wright (Hotwire's Managing Director and major shareholder), who in turn, acquired the software from third parties. The acquisition and licensing of the software is documented through a series of complicated legal agreements. The Trust is claiming retention of title to the software on the basis that Hotwire has not met its full range of obligations under certain agreements³. Further information in relation to the purchase and assignment of the software is provided in Section 5 of this Report.
- + Given the Company's main activity was research and development of (uncommercialised) software, it was reliant on the ongoing support of its shareholders and research development credits (“**R&D credits**”) from the ATO to meet its day to day trading costs.
- + Further to incurring a range of expenses, the Company lodged its GST return for the September 2013 quarter, claiming a GST refund of \$3.1 million (“**the GST refund**”). After various discussions and correspondence, the ATO issued a notice to the Company on 20 January 2014 notifying that it intended to withhold the refund pending further verification of transactions and the treatment of Bitcoin.
- + Following continued efforts to secure the GST refund and attempts to raise funding from other sources (which were ultimately unsuccessful), the Directors resolved that the Company was insolvent and appointed Administrators on 28 April 2014.
- + At the time of our appointment:
 - the Company had ceased trading;
 - its landlord had assumed possession of its trading premises (given rental default); and
 - staff had been stood down. We formally terminated all employees immediately following our appointment.

² Bitcoins are a form of digital currency. Further information in relation to Bitcoins is set out in Section 6 of this Report

³ These obligations include further work surrounding development of the software and payment of licensing fees totalling circa \$8 million.

4.2 Organisational structure

A diagram outlining the corporate structure of the Company is provided below:



Further information regarding the Company’s shareholders, subsidiaries and related entities are detailed below.

4.3 Statutory details, shareholders and officers

A search of the records maintained by the Australian Securities and Investments Commission (“ASIC”) database as at the date of our appointment reveals the following statutory details:

Company Details			
Company Name	ACN	Registered Office	Incorporation date
Hotw ire Preemptive Intelligence Pty Ltd	164 068 348	Level 5, 32-38 Delhi Road, Macquarie Park, NSW 2113	02-Jun-13

Source: ASIC searches

Set out below are the Company's shareholders as at the date of our appointment:

Shareholder details				
Shareholder details	Class	Shares held	Proportion	Fully paid up capital
Craig Steven Wright	Ordinary	7,670,000	76.7%	\$23,009,847
Denariuz Sg	Ordinary	1,000,000	10.0%	\$2,999,980
Ramona Watts	Ordinary	306,000	3.1%	\$917,994
Robert Urquhart	Ordinary	250,000	2.5%	\$749,995
Uyen Thuc Nguyen	Ordinary	774,000	7.7%	\$2,321,985
Total		10,000,000	100.0%	\$29,999,800

Source: ASIC searches

Set out below are the Company's office holders at the date of our appointment:

Current office holders		
Name	Position	Appointment date
Craig Steven Wright	Director	02-Jun-13
Ramona Watts	Director	01-Jul-13

Source: ASIC searches

Set out below are office holders who held appointed positions in the twelve months prior to our appointment as Administrators:

Former office holders			
Name	Former position	Appointment date	Cease date
Craig Steven Wright	Secretary	02-Jun-13	10-Oct-13
Jamie Robert Wilson	Director	01-Aug-13	23-Oct-13
Jamie Robert Wilson	Secretary	10-Oct-13	23-Oct-13

Source: ASIC searches

4.3.1 Subsidiaries

4.3.1.1 General commentary

Hotwire's Directors have advised that each of the subsidiaries set out in Section 4.2 above with the exception of Cloudcroft Pty Limited ("**Cloudcroft**") are non-trading entities that were incorporated for the purposes of housing software to be developed and commercialised by Hotwire. Our investigations reveal that either Dr Wright or Ms Watts is a Director of each of the entities.

Our enquiries also reveal that no intellectual property or real estate is registered in the names of these entities.

4.3.1.2 Cloudcroft

Hotwire's Directors have advised that Cloudcroft was developing software and intellectual property in relation to 'firewalling' and it was planned that this entity would ultimately become a wholly owned subsidiary of Hotwire.

The ASIC database discloses that Hotwire holds a 61.7% shareholding in Cloudcroft. However, the Directors have advised that this ownership interest is an error and Hotwire's shareholding interest in Cloudcroft is only crystallised

upon Hotwire meeting certain performance obligations (i.e. research and development of software) under an agreement between the two entities. We have sighted minutes of a meeting of Hotwire's Directors that support this position.

Our searches of publicly available information with regard to Cloudcroft reveals that it is has a registered interest in two properties located at Crows Nest and Cammerray in NSW.

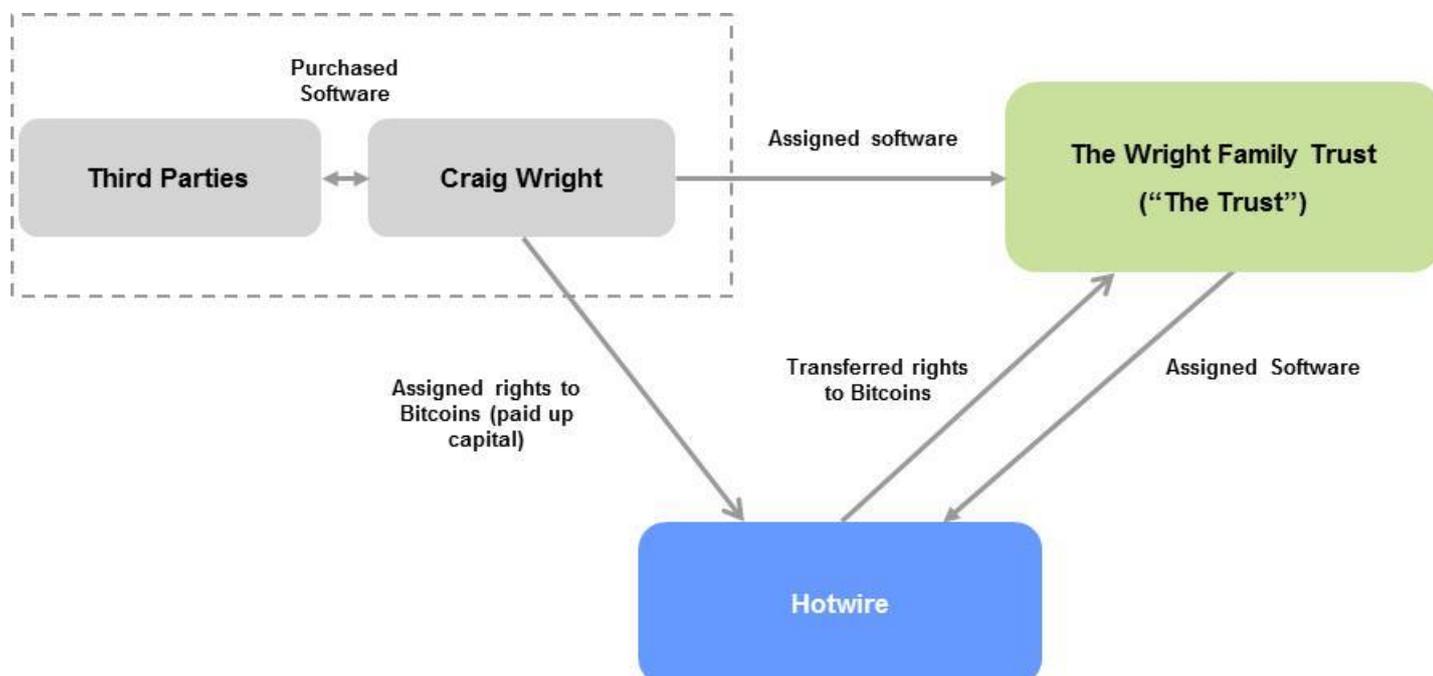
Further investigation and review of Hotwire's dealings with Cloudcroft is required.

4.4 Charges

There were no registered charges over the Company at the date of our appointment.

5 History of software purchases

The diagram below provides an overview of the purchase of software by the Trust, and the ultimate assignment of same to Hotwire.



In summary:

- + Dr Wright acquired software from various third parties. This software was acquired via Bitcoin rights and accordingly, the value attributed to the software acquired was based on the value of the Bitcoins assigned.
- + Following acquisition of the software, Dr Wright assigned the software to the Trust.
- + The Trust subsequently assigned the software to Hotwire in exchange for Bitcoins (which Hotwire acquired by way of equity injection from Dr Wright upon the Company's incorporation).
- + As stated earlier in this Report, the Trust has asserted that it retains title to the assigned software as various remaining payments (totalling some \$8 million) have not been paid.

The acquisition and assignment transactions set out above are complicated transactions which require additional investigations in the event that the Company enters into liquidation.

6 Bitcoins

The purpose of this Section is to provide creditors with a brief understanding of Bitcoins.

The below material has been prepared based on the Wikipedia website: <http://en.wikipedia.org/wiki/Bitcoin> (accessed on 22 May 2014).

- + Bitcoin is a peer-to-peer payment system introduced as open source software in 2009.
- + The payments in the system are recorded in a public ledger.
- + Bitcoin is commonly referred to as a digital currency, virtual currency, electronic money, or cryptocurrency.
- + The Bitcoin system is not controlled by a single entity (Bitcoins can be transferred directly from one person to another and therefore described as “digital cash”).
- + Bitcoins are created as a reward for payment processing work in which users offer their computing power to verify and record payments into the public ledger. Called ‘mining’, individuals or companies engage in this activity in exchange for transaction fees and newly created Bitcoins. Besides mining, Bitcoins can be obtained in exchange for other currencies, products, and services.
- + Users can send and receive Bitcoins electronically using wallet software on a personal computer, mobile device, or a web application.

7 Administrators' actions to date

The Administrators and our staff have attended to the following matters since our appointment:

- + Attending to meetings with the Company's Directors and their legal and accounting advisers to understand the Company, the nature of its business and operations;
- + Securing books and records including electronic accounting software package;
- + Terminating employees and informing them of their rights and the manner in which the Voluntary Administration process impacts their entitlements;
- + Issuing requests to the Directors to complete a RATA, Directors' Questionnaire and deliver the books and records of the Company to the Administrators;
- + Reviewing the books and records of the Company and undertaking preliminary investigations to ascertain the Company's financial position, the position with regard to refunds due from the ATO and any transactions that may be recoverable by a Liquidator;
- + Conducting publicly available land title and intellectual property searches to ascertain any assets of the Company (and its subsidiaries);
- + Notifying major financial institutions of our appointment, seeking to freeze any bank accounts;
- + Addressing unsecured creditor and employee enquiries in relation to the administration;
- + Calculating outstanding employee entitlements having regard to the Company's records and underlying employment contracts;
- + Informing the Fair Entitlements Guarantee Scheme ("**FEG**") of our appointment and the termination of employees;
- + Attending to statutory duties including informing ASIC, the ATO, the Office of State Revenue and various other statutory authorities of our appointment;
- + Issuing our Notice of Appointment and first Circular to Creditors convening the meeting of creditors held on 8 May 2014;
- + Attending and Chairing the first meeting of creditors held on 8 May 2014 and lodging the minutes of the meeting with ASIC;
- + Liaising with various professional advisers in relation to the GST and R&D claims for refunds with the ATO and determining the basis upon which these may be advanced;
- + Holding preliminary discussions with the ATO regarding the Company's GST position;
- + Liaising with the Company's landlord in relation to the lease termination and the seizure of the Company's office furniture and bank guarantee;
- + Liaising with the Directors and their legal advisers in relation to their proposed DOCA and the administration generally;
- + Preparing this Report pursuant to Section 439A of the Act and convening the second meeting of creditors to be held on 2 June 2014; and
- + Attending to other general and statutory requirements.

8 Book and records

One of the matters we are required to provide an opinion on is whether the Company's books and records were maintained in accordance with the requirements of Section 286 of the Act.

The Act requires that a company must keep written financial records that:

- + correctly record and explain its transactions and financial position and performance; and
- + would enable true and fair financial statements to be prepared and audited.

Failure to maintain books and records in accordance with Section 286 of the Act provides a presumption of insolvency. This presumption can be relied upon by a Liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to the Act from Directors and other related parties.

The administrative functions of the Company, including accounting and the maintenance of books and records, were performed by the Directors (both current and former), with assistance from an external adviser.

We have secured various books and records of the Company from the Directors in both physical and electronic form. The electronic information provided includes numerous emails, an online drop box and XERO (an online accounting software package). We understand that additional records remain on the Company's computer server which has been retained by the landlord in lieu of outstanding rent⁴.

We consider that a company operating this type of business should, as a minimum, maintain the following books and records in order to comply with Section 286 of the Act:

- + Accounting files and associated working papers

The Company's accounting files were maintained in XERO and were reasonably current as at the date of our appointment. Management accounts were prepared on an ongoing basis and through XERO, accounting reports can be printed for any period as required.

- + Financial statements

The Company prepared financial statements and lodged Business Activity Statements ("**BAS**") on a regular basis.

On review of the accounts and discussions with the Directors, there are a number of discrepancies between accounting information and the Directors' view of the correct position.

- + Banking records including account statements

Bank reconciliations were automatically prepared through the XERO accounting system.

- + Copies of creditor and debtor invoices

Copies of creditor and debtor information were kept in an orderly manner which enabled reporting of both creditor and debtor positions at month end.

- + Lease contracts/agreements

The property lease and various stakeholder agreements were maintained on file by the Directors and have been furnished to us.

⁴ We contacted the landlord on various occasions with a view to obtaining access to the server (or image of same) and the landlord has declined our request/refused to respond. We have reserved our rights to pursue this matter further.

+ Asset registers

We have obtained a copy of a fixed asset register through Xero.

+ Company registers and board minutes

The Company maintained a separate register of board minutes (and other statutory records). We have located board minutes for the period from June 2013 to November 2013 and have taken possession of these files. We have not been furnished with minutes beyond November 2013. In this regard, the Directors have advised us that Director meetings were held on a monthly basis and all meetings were minuted (the Directors continue to search for the remaining minutes).

From discussions with the Directors, we understand that they are of the view that Bitcoins are analogous with cash. Accordingly, in its accounts the Company did not differentiate between those transactions that were via cash versus Bitcoin related transactions. This has made our review more difficult.

Summary

Overall, based on our preliminary investigations to date, the Company generally appears to have maintained the type of records one would expect of a company of this nature.

We conclude at this time, that the Company has maintained its records in accordance with the requirements of Section 286 of the Act. Therefore we do not believe we can rely on the presumption of insolvency based on a failure to maintain records in accordance with Section 286 of the Act.

9 Financial performance and sources and applications of funds

9.1 General commentary and disclaimer

The Directors have advised us that although the Company was incorporated on 2 June 2013, its trading activities did not commence until financial year 2014. Accordingly, our review of the financial performance and position of the Company focusses on the ten months from 1 July 2013 to 28 April 2014 (being the date of our appointment).

Creditors should note that we have not carried out an audit, nor have we verified the financial statements, management accounts and trial balances in the preparation of the summarised profit and loss, balance sheet and cash flow statements for the Company. Accordingly, no warranty of accuracy or reliability is provided by the Administrators.

9.2 Financial performance

A summary of the Company's Statement of Financial Performance for the ten months ended 28 April 2014 is set out below

Statement of Financial Performance	
	Ten months to 28-Apr-14
Income	
Interest and other income	112,864
Coin-Exch Pty Ltd (progress payments)	3,994,500
Gross profit	4,107,364
Expenses	
Accounting and legal	(199,997)
Licensed software expense	(495,254)
Other expenses	(1,458,185)
Total expenses	(2,153,436)
Operating profit	1,953,928

Note: we have excluded 'currency gains' of circa \$4.7 million from the above schedule on advice from the Company's Directors that this does not properly reflect income generated by the Company

Source: Management accounts, Management discussion and XERO accounting data

Key points:

- + The Company's records reveal that an operating profit of approximately \$1.9 million was generated over the ten months to 28 April 2014.
- + Other than interest on cash at bank, Hotwire's only source of income relates to progress payments due from Coin Exchange Pty Limited ("**Coin-Ex**")⁵, a related company in respect of which research and development work was undertaken by Hotwire. In this regard we note that:
 - Our review of the Company's records indicates that these amounts have not been received from Coin-Ex;
 - Hotwire's Directors (who we note also have an interest in Coin-Ex) have advised that these amounts are not properly recoverable, given the research and development work undertaken by Hotwire ceased before being finalised; and
 - Accordingly, further investigations as to the recoverability of these amounts is required.

⁵ This is a related company set up to develop and licence computer and accounting systems.

- + If the progress payments from Coin-Ex do not represent properly recoverable revenue, the Company incurred a trading loss of circa \$2 million over the period examined.
- + Given that Hotwire's business involved research and development of software that has not been commercialised, it is not unusual for it to have generated trading losses and relied on equity and other funding sources to meet operating costs.
- + Further investigations as to the interaction between Hotwire and related companies, the research and development work undertaken and whether this is properly collectible is required.

9.3 Financial Position

Our analysis of the Company's financial position is provided in Section 10 overleaf.

9.4 Cash flow

The Company's sources and application of funds is summarised below.

Source and application of funds	
Ten months to 28-Apr-2014	
Cash receipts	
Opening cash balance	-
Other revenue	100,000
Director loans	196,948
R&D tax rebate and interest	1,466,568
Total receipts	1,763,516
Cash payments	
Wages, salaries and expenses	867,854
Licensed software expense	495,254
Other operational expenses (accounting, legal, cloud expense and other)	400,678
Total payments	1,763,786
Closing cash balance	(270)

Source: Management accounts, XERO accounting data, bank statements, discussions with Management

Key points:

- + There were limited cash inflows in the business since it was incorporated in June 2013, with the only material inflow relating to R&D credits for the prior year.
- + Apart from wages and operational expenses, the other major payment made by the Company (\$495,254) was to an external software development provider.
- + We note that the funds introduced by way of Director loans were used to pay for a portion of the wage and operating expenses.

10 Financial position at appointment based on Report as to Affairs

10.1 Report as to Affairs

We have received a Report as to Affairs (“RATA”) setting out the Company’s financial position as at the date of our appointment from the Company’s Directors.

A summary of the historical financial position and the RATA is as follows:

Summary of the Financial Position and Directors' RATA			
	Notes	Financial Statements as at 30-Jun-13	RATA Net realisable value as at 28-Apr-14
Assets			
Cash at bank		(412)	-
R&D software / work in progress	10.2.2	18,119,885	2,000,000
Plant and equipment	10.2.3	-	50,000
Contingent assets	10.2.4	1,453,703	12,225,596
Other assets	10.2.5	408	-
Total assets		19,573,584	14,275,596
Liabilities			
Employee entitlements	10.3.1	-	(977,445)
Trade creditors	10.3.2	(914)	(360,466)
Related party loans	10.3.3	(1,149,882)	(1,352,898)
Total liabilities		(1,150,796)	(2,690,809)
Net assets		18,422,788	11,584,787

Source: Company's Xero accounting records and Directors' RATA

Our comments in relation to the historical financial position and the Directors' RATA are set out below.

10.2 Assets

10.2.1 Overall comments

Whilst the Directors list various assets in their RATA, the “contingent assets” (please see note 10.2.4) relating to refunds/credits due from the ATO represent the most significant asset of the Company that may generate a return to creditors.

Further details on each of the Company’s assets are set out below.

10.2.2 R&D software/work in progress

Key points:

- + The amount shown as at 30 June 2013 represents various software purchases made by the Company via assignment of Bitcoins. As stated earlier in this Report, the Trust is claiming retention over the software and accordingly, the Directors have not included this in their RATA.
- + The \$2 million disclosed in the Directors' RATA relates to research and development work undertaken by Hotwire’s employees which is not yet complete. Whilst the Directors have advised that significant work

has been undertaken to date, they have indicated that realising any value will be very difficult. The software developed was held on Hotwire's server (retained by the landlord) and we understand that the Directors also have a copy maintained elsewhere. We have requested an image of the relevant software from the Directors however, this has not yet been furnished to us⁶.

- + Our investigations have also identified six trademarks registered in the name of Hotwire. Similarly to the work in progress, we consider that realising any value from the trademarks is likely to be challenging.

10.2.3 Plant and equipment

This relates to the Company's computers and office furniture located at its trading premises.

As stated earlier, the landlord has asserted a lien over these assets in lieu of unpaid rent. Based on a 'desktop' valuation from an external valuer, we understand that these items have an estimated auction value of approximately \$10,000.

10.2.4 Contingent assets

The amount shown for Financial Year 2013 relate to an R&D credit which was ultimately received by the Company in late 2013.

The amounts shown in the Directors' RATA consist of:

- + GST credits (\$2.8 million) – This includes the September 2013 GST refund of \$3.1 million less Pay as You Go and other tax liabilities of approximately \$300,000. Further details on the GST credit are provided in Section 11.1 of this Report; and
- + R&D credit (\$9.6 million) – This amount relates to an R&D Claim in respect of software expenditure and development for Financial Year 2014. Further details in respect of the R&D credit are set out in Section 11.2 of this Report.

The Directors have estimated that the costs to recover the above credits from the ATO will be circa \$200,000. In our opinion, due to the complexity involved with submitting and substantiating claims of this nature, the legal and tax adviser costs are likely to be significantly higher.

We are engaging the Company's incumbent tax adviser to assist us with recovering the R&D credits (which are expected to be received in late 2014) whilst considering our position with regard to the GST credits. Given we are without funds to pay for the cost of the tax advice, the adviser will receive a success based fee if the R&D credits are recovered.

10.2.5 Other assets

This represents petty cash as at 30 June 2013. The Directors have advised that the petty cash on hand at appointment was less than \$600 (and has been retained by the landlord).

10.3 Liabilities

Set out below is our commentary on the Company's liabilities.

10.3.1 Employee entitlements

We understand that the Company employed 44 staff prior to our appointment who are owed outstanding entitlements.

⁶ The Directors have cited difficulties in isolating Hotwire's proprietary software from that owned by other related companies which are not subject to our appointment.

A summary of outstanding employee entitlements owed by the Company as at the date of our appointment is provided below.

Summary of employee entitlements as at 28 April 2014

Employees (No.)	Unpaid wages (\$)	Unpaid super (\$)	Annual leave (\$)	Notice (\$)	Total (\$)
44	688,179	177,290	64,891	47,086	977,445

Source: The Company's books and records as provided by Directors

We note the following:

- + The above entitlements have been calculated based on the books and records of the Company and may change as our review continues.
- + Outstanding employee entitlements represent a preferential claim against the Company which are paid prior to distributions to ordinary unsecured creditors.
- + We have recently requested each employee to confirm the accuracy of their entitlements as calculated.
- + The employee entitlements set out above include circa \$85,000 due to the Directors. Director (preferential) entitlements are capped at a maximum of \$3,500 per person.
- + In the event that it is determined that the Company be wound up, FEG⁷ covers certain employee entitlements. Details of FEG have previously been provided to employees and are available from our office on request.

10.3.2 Trade creditors

The RATA lists 21 creditors who are owed a total of \$360,466, excluding related party loans. The major creditors are listed below:

Top 5 trade creditors (excluding loans from Directors and other related entities)

Rank	Creditor	Amount (\$)	Narration of debt
1	John T Chesher	76,647	Accounting and management services
2	Quinn Emanuel Law yers	76,018	Legal fees
3	Macquarie Telecom	49,110	Data centre charges
4	NSW Office of State Revenue	38,962	Payroll tax
5	ICT Netw orks Pty Ltd	27,829	Technical consulting
Total		268,566	

Source: RATA, invoices from the Company's books and records

In the event that sufficient funds are realised to pay a dividend to trade creditors, we will call on creditors to submit a Formal Proof of Debt form ("**POD Form**") which will be adjudicated upon.

In the meantime, those creditors wishing to attend and vote at the forthcoming meeting to be held on 2 June 2014 should prepare and submit a POD Form with full supporting documentation ahead of the meeting.

⁷ During the first creditors' meeting we advised that the typical timeframe for FEG to process claims was circa 8 weeks following receipt of all relevant information. FEG have recently advised that their turnaround for processing employee claims is likely to be at least 16 weeks.

10.3.3 Related party loans

The RATA reveals an amount of \$1.4 million as owing to related party creditors. The majority of this amount (\$1.1 million) is outstanding to Dr Wright.

On review of the Company's records related parties provided approximately \$1.8 million in assigned software or cash to the Company and withdrew approximately \$400,000 in repayments.

Under the terms of the proposed DOCA, these related party claims will be subordinated (i.e. they will not receive a return until all other creditors have been paid in full).

In the event the Company enters into liquidation, similarly to other unsecured creditors, we will adjudicate on related party claims prior to paying a dividend.

11 GST and R&D credits due from the ATO

11.1 GST credits

- + As stated earlier in this Report, one of the Company's major assets is a GST refund of approximately \$3.1 million due from the ATO for the September 2013 quarter.
- + We understand that the key transaction that has given rise to the refund claim is the initial acquisition of the software by Hotwire from the Trust by way of Bitcoin assignment.
- + The ATO queried the transactions and sought further substantiation from the Directors in late 2013.
- + The Directors (with the assistance of a tax advisor) provided further particulars of the claim to support the transactions and the GST refund.
- + The ATO issued a private ruling on 23 December 2013 indicating that they did not regard Bitcoins as 'money', and considered the correct treatment of Bitcoins to be the same as that of a taxable commodity.
- + After further discussions and correspondence, the ATO issued a notice to the Company on 20 January 2014 notifying that it intended to withhold the GST refund pending verification of matters.
- + We understand that the ATO has now received additional supporting information from Dr Wright and his legal advisers.
- + Since our appointment, we have been in contact with the ATO regarding this claim. We understand that the ATO continues to assess the materials provided by Dr Wright and his advisers prior to finalising their position.

11.2 R&D credits

- + As stated earlier in this Report, one of the Company's major assets is a R&D credit of approximately \$9.6 million in respect of research and development activities undertaken during the 2014 financial year.
- + We understand that certain software development activities undertaken by the Company represent eligible costs that are capable of claiming pursuant to the relevant tax legislation. The legislation provides that 45% of eligible expenditure is refunded by the ATO at the end of the relevant financial year (following the filing of income tax returns).
- + Hotwire has previously made a successful claim for R&D credits in respect of relevant costs incurred during the 2013 financial year.
- + We are proposing to engage the Company's incumbent tax adviser to prepare the R&D credit claim and tax return, with payment of professional costs to be made on a 'success fee' basis.
- + In the event that the ATO approves the Company's R&D credit claim, payment is expected to be received in late 2014.

12 Explanation for difficulties and winding up applications

12.1 Explanation for difficulties

The Directors have attributed the failure of the Company to:

- + delays in receiving the \$3.1million GST refund for the September 2013 quarter; and
- + Dr Wright, as the major shareholder no longer being able to provide financial accommodation to the Company due to the collapse of the Mount Gox Bitcoin registry where we understand Dr Wright had a significant exposure.

We agree with the Directors' explanation set out above, as the GST refund would have provided the Company with sufficient working capital to continue to trade and meet creditor claims or alternatively, funding from its shareholders could also address its issues.

An additional reason for the failure of the Company is that outside government incentives or support of shareholders it did not have a commercialised product that generated an income stream to meet its day to day trading costs.

12.2 Outstanding winding up applications

We are not aware of any outstanding winding up applications against the Company.

13 Offences, insolvent trading and voidable transactions

13.1 Offences

The ARITA has issued an “Offences, Recoverable transactions and Insolvent trading” information sheet providing general information for creditors about insolvent trading and voidable transactions.

This information sheet is available from the ARITA website (www.arita.com.au). If you are unable to access this website, please contact Andrew McEvoy on (02) 9248 9990 to obtain a copy.

13.2 Insolvent trading

Other than in cases of fraud, the Directors of a company may only be sued for insolvent trading if the company is in liquidation. Where a Voluntary Administrator has been appointed, assessment of the issue of insolvent trading can be important to creditors if they are being asked to choose between a DOCA or a liquidation. In that instance, creditors have to assess the advantages to them of a DOCA (which does not include proceeds from insolvent trading actions) compared to the likely return to them in a liquidation (which could include the proceeds of any successful insolvent trading action). A liquidation also preserves the possibility of individual creditors taking action in their own right.

Before a Court will order that a person pay compensation in respect of insolvent trading, a Liquidator must establish that:

- + the person was a Director of the company at the time the company incurred the debts that are the subject of the claim;
- + the company was insolvent at that time or became insolvent by incurring the debt;
- + at that time, there were reasonable grounds for suspecting that the company was insolvent or would become insolvent by incurring the debt; and
- + the debt the subject of the claim was wholly or partly unsecured and the creditors to whom debts are owed have suffered loss and damage.

There are various defences available to a Director. In summary, they are:

- + the Director had reasonable grounds to suspect that the company was solvent;
- + the Director had reasonable grounds to believe and did believe that a competent, reliable person was responsible for providing adequate information on the company’s solvency and that person fulfilled that responsibility and the Director believed that at the time the debt was incurred, and considering the other debts existing at that time, the company was solvent and remained solvent;
- + the Director was ill (and therefore did not take part in management) at the time the debt was incurred; and
- + the Director took reasonable steps to prevent the debt being incurred.

Our preliminary investigations have revealed that the Company was unable to pay its debts from February 2014.

We have formed this view because:

- + a broad range of creditors have invoices outstanding since February 2014;
- + wages for employees had not been paid since February 2014; and
- + Pay as You Go Withholding Tax due to the ATO was not paid since February 2014.

Accordingly, it is possible that a Liquidator or an individual creditor may argue that any debts incurred from February 2014 until the date the Company was placed into administration represent debts incurred when the Company was insolvent (and the Directors are therefore personally liable for same).

As set out above, there are a range of defences that may be available to the Directors to address this issue. A likely defence that the Directors would seek to rely on is that they had reasonable prospects of recovering the GST refund due to the Company and, if this was recovered, all creditor claims could be paid in full.

13.3 Voidable transactions

In the event that the Company is wound up, certain transactions that occurred prior to the appointment of the Administrators, and where the property of the Company was disposed of or dealt with, may be recovered by the Liquidator under Part 5.7B of the Act. This may result in, among other things, a requirement for a third party to return property and/or money to the Company and thereby increase the assets available to the Liquidator and creditors. These are known as voidable transactions.

Corporations Regulation 5.3A.02 requires an Administrator to specify whether there are any transactions that appear to the Administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a Liquidator under Part 5.7B of the Act. As with the insolvent trading analysis above, this issue is relevant to creditors if they are being asked to choose between a DOCA or a liquidation, because voidable transactions are only recoverable if a liquidation occurs.

Voidable transactions include:

- + *unfair preference claims*: transactions between the Company and a creditor, resulting in the creditor receiving from the Company, in relation to an unsecured debt owed to the creditor, a greater amount than it would have received in relation to the debt in a winding up of the company;
- + *uncommercial transactions*: being transactions which a reasonable person in the place of the company would not have entered into, taking into account the benefits and the detriment to the company, the respective benefits to the other parties involved and any other related matters; and
- + *unfair loans*: being a loan agreement where the interest or charges are considered to be extortionate. Unfair loans made to the company any time prior to the appointment of the Administrator may potentially be overturned by a subsequently appointed Liquidator, whether or not the company was insolvent at the time the loan was entered into.

To the extent that information has been available, we have conducted the following investigations to determine the existence of voidable transactions:

- + conducted interviews of the Directors and their advisers;
- + reviewed agreements between the Company and various third parties;
- + reviewed the books and records to determine whether there have been any unfair loans made to or from the Company; and
- + reviewed deposits and withdrawals into, or out of, the Company's bank accounts since June 2013 to determine whether any creditor has been preferred over the general body of creditors as a result of any transaction.
- + our preliminary investigations have identified the following issues that require further investigations if the Company was wound up:
 - whether the transactions entered into with related parties for the acquisition of software and subsequent research and development work undertaken by Hotwire for third parties were arms length transactions for appropriate consideration; and
 - whether circa \$115,000 in payments to various 3rd parties (including some \$60,000 paid to the Directors) in the months leading to the appointment of the Administrators constitute preferences.

- + Similarly to insolvent trading actions, there are a range of defences that may be available to the parties involved in the potential 'unfair preference claims' that would need to be considered and investigated prior to commencing recovery action. Having regard to the relatively small amounts involved, there is a real risk that the costs of further investigations and enforcement action could outweigh any recoveries.
- + We note that our investigations to date are preliminary. If the Company is wound up, further investigations and a cost benefit analysis of pursuing recovery action will need to be undertaken in relation to the matters referred to above. Additionally, if proceedings are commenced, there is a risk that the claim will not be established or that a defence will be sustained. Further, even if a judgement is obtained, there is a risk that it may not be satisfied or that the amount recovered will not be sufficient to meet the costs of investigating and prosecuting the claim.

13.4 Funding to pursue insolvent trading and voidable transactions

Insolvent trading and voidable transactions can only be pursued in a liquidation and further investigation and any subsequent proceedings will incur significant costs. In the event the GST refund and the R&D credits are not received, funding would be required from creditors or third parties for the Liquidator to commence recovery actions.

14 Deed of Company Agreement (“DOCA”)

14.1 Explanation of a 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.

14.2 Overall summary

The Directors have proposed a DOCA to be considered at the second creditors meeting. An outline of the proposed DOCA is attached as Appendix “A” to this Report.

A summary of the key terms of the DOCA are as follows:

- + two Director related entities will advance funds to Hotwire totalling \$2.9 million to pay creditors a return of 100 cents in the dollar plus interest.
- + these loans will only be repayable to the relevant entities in the event that all creditors have been paid in full and the Company has sufficient funds to make a repayment (i.e. if the GST and/or R&D credits have been received).
- + the loans will be made available to Hotwire in two, tranches as follows:
 - \$893,000 on or before 31 August 2014; and
 - \$2 million on or before 31 October 2014.
- + the Deed Administrator will distribute these funds in accordance with the order of priority set out in Section 556 of the Act, the same priority as a liquidation scenario. In a general sense the priority for payments will be:
 - The External Administrators’ fees and costs;
 - Priority employee claims;
 - Unsecured creditors’ principal claims; and
 - Unsecured creditors’ interest claims.
- + related party creditors will not participate in the DOCA (i.e. no payments will be made to related parties until other creditors have been paid in full).

In the event that the loans set out above are not received by their due dates, the Deed Administrators will convene a meeting of creditors to consider varying the terms of the DOCA (e.g. provide an extension of time for the advances to be made) or to place the Company into liquidation.

14.3 Advantages and disadvantages of DOCA

The key advantages of the DOCA as compared to a liquidation of the Company are:

- + additional funds of \$2.9 million will be available to employees and creditors in a more timely manner than likely in a liquidation scenario; and
- + the majority of employee entitlements are likely to be received in advance of any employee entitlements from the FEG scheme. Employees should note that during the first creditors’ meeting we advised that the typical timeframe for FEG to process claims was circa 8 weeks following receipt of all relevant information. FEG have recently advised that their turnaround for processing claims is likely to be at least 16 weeks.

The key disadvantages of the DOCA as compared to a liquidation are:

- + any insolvent trading and voidable transactions are not recoverable under a DOCA; and
- + in the event the loan advances are not provided as proposed, there will be a time delay for employees to access their entitlements through FEG.

15 Alternative courses of action

As Administrators, we are required to provide creditors with a statement of our opinion about each of the courses of action in respect of which creditors are entitled to vote at the meeting on 2 June 2014.

The matters requiring our opinion are:

- + whether it would be in the creditors' interests for the administration to end with control of the Company reverting to its Directors; or
- + whether it would be in the creditors' interests for the Company to execute a DOCA; or
- + whether it would be in the creditors' interests for the Company to be wound up.

In addition, creditors are entitled to adjourn the meeting for up to 45 business days.

15.1 Administration to end

Creditors may consider ending the administration and returning the control of the Company to its Directors. We do not believe this to be a commercially viable option given the Company is currently without funds to meet employee and creditor liabilities.

If control of the Company was returned to its Directors, then they would resume control of the Company's assets and be able to deal with them as they deem appropriate. This would place the Company in a similar position to that existing prior to the appointment of the Voluntary Administrators.

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

15.2 DOCA

Given the relative advantages and disadvantages of the DOCA proposed (set out in Section 14.3 above), we consider that the DOCA is in the best interests of creditors. The DOCA increases the pool of assets available to creditors in a relatively short timeframe and (if complied with) will generate a more timely return to all creditors than a liquidation.

Additionally, in the event that various counterparties fail to meet their obligations under the DOCA, creditors can simply resolve to wind up the Company.

Based on the analysis set out above, **in our opinion, it is in the best interests of creditors to vote in favour of the proposed DOCA.**

15.3 The Company 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 (for example, voidable transaction recoveries) will improve the return to creditors in comparison to the return expected under a DOCA.

The liquidation of the Company would involve:

- + the completion of a more detailed investigation into the affairs of the Company and the conduct of its Directors;
- + further enquiries with regard to potential insolvent trading and voidable transaction actions;
- + reporting to ASIC in relation to any offences committed by the Directors of the Company; and

- + adjudication of creditor claims and payment of dividends (if funds are recovered).

The costs of administering the liquidation would depend to a large extent on the:

- + nature of further investigations in relation to voidable transactions and other recovery actions; and
- + investigations into the acquisition of software and research and development work undertaken for related parties.

Given that the DOCA proposes to provide an additional source of funding for the Company to meet all creditor claims in full on a more timely basis than a liquidation, we do not consider a liquidation to be in the best interests of creditors.

In our opinion, it is not in the best interests of creditors to vote for the Company to be wound up.

15.4 Anticipated return to creditors

Our current estimate of the return available to creditors and shareholders on a 'high' and 'low' basis under the proposed DOCA and liquidation are set out below.

Anticipated return to creditors				
	DOCA		Liquidation	
	High \$	Low \$	High \$	Low \$
Assets				
Work in progress	-	-	-	-
Plant & Equipment	10,000	5,000	10,000	5,000
DOCA loan funds	2,900,000	2,900,000	-	-
GST Refund (September 2013 BAS)	3,100,000	-	3,100,000	-
R&D Tax Incentive Claim (FY 14)	9,600,000	-	9,600,000	-
Unfair preferences	-	-	unknown	-
Less costs				
Administrators' fees and disbursements	(147,075)	(147,075)	(147,075)	(147,075)
Estimated Deed Administrators' fees and disbursements	(200,000)	(400,000)	-	-
Estimated Liquidators' fees and disbursements	-	-	(200,000)	(500,000)
Tax advisers' fees	(1,500,000)	-	(1,500,000)	-
Legal and other advisers' costs and disbursements	(50,000)	(300,000)	(50,000)	(400,000)
Amount available to unsecured creditors	13,712,926	2,057,926	10,812,926	(1,042,075)
Proofs of debt received and possible claims				
Employee entitlements (less excluded employees)	893,000	893,000	893,000	893,000
Unsecured creditor claims	360,466	360,466	360,466	360,466
DOCA loan funds	2,900,000	2,900,000	-	-
Related party claims	1,437,898	1,437,898	1,437,898	1,437,898
Total estimated unsecured creditor claims	5,591,364	5,591,364	2,691,364	2,691,364
Estimated return to employees (cents in \$)	100	100	100	-
Estimated return to external creditors (cents in \$)	100	100	100	-
Estimated return to third parties - DOCA loan funds (cents in \$)	100	28	100	-
Estimated return to related party claims (cents in \$)	100	-	100	-
Residual funds returned to shareholders	8,121,562	-	8,121,562	-

Source: Administrators' estimates

In summary:

- + In the event that the terms of the DOCA are complied with, all creditors will receive full repayment and there will be a return available to shareholders.
- + If the Company enters into liquidation and the GST and R&D credits are not received, any return to creditors will be solely contingent on voidable transaction recoveries (which can be challenging to pursue).

15.5 Overall opinion and recommendation

Based on the analysis outlined above, we recommend that creditors vote in favour of the proposed DOCA.

16 Creditor information on remuneration

Sections 16 to 19 of this report deal with remuneration incurred to date and future remuneration required to deal with the remainder of the administration and the DOCA or liquidation of the Company (depending on the outcome of the meeting of creditors convened for 2 June 2014).

ARITA has issued an “Approving remuneration in external administrations” information sheet providing general information for creditors on the approval of an External Administrator’s fees in a liquidation, a voluntary administration or a DOCA.

This information sheet is available from the ARITA website (www.arita.com.au). If you are unable to access this website, please contact Andrew McEvoy on (02) 9248 9990 to obtain a copy.

17 Administrators' remuneration

An Administrator's remuneration can only be fixed by resolution of a committee of creditors, the Company's creditors or by application to the Court.

In accordance with Section 449E of the Act and the ARITA Code of Professional Practice, a Schedule of Remuneration Methods and Hourly Rates was provided to creditors with our initial circular and tabled at the first creditors meeting held on 8 May 2014

Our remuneration to date has been calculated on time spent by the Administrators and their staff for the period from 28 April 2011 to 18 May 2014. In addition, we will also be seeking creditor approval of our remuneration incurred and (expected) to be incurred over the period from 19 May 2014 to the later of 2 June 2014 (should creditors resolve that the Company be wound up) or the date upon which a DOCA is executed.

17.1 Remuneration incurred from 28 April 2014 to 18 May 2014

The following resolution will be proposed at the meeting of creditors convened for 2 June 2014:

“That the remuneration of the Administrators for the period from 28 April 2014 to 18 May 2014, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$67,074.50 (excluding GST), is hereby approved for payment.”

This remuneration has been calculated in accordance with the Schedule of Remuneration Methods and Hourly Rates previously provided at the commencement of the administration.

17.1.1 Description of work completed

Task area	General description	Includes
Assets 6 hours \$2,493 (ex GST)	Cash	<ul style="list-style-type: none"> + Assessing the pre-appointment cash position. + Writing to major Australian banks to identify whether there were any additional bank accounts.
	Landlord	<ul style="list-style-type: none"> + Liaising with the Company's landlord in relation to the lease termination and the seizure of the Company's office furniture and bank guarantee.
	Other assets	<ul style="list-style-type: none"> + Conducting publicly available land title and intellectual property searches to ascertain any assets of the Company (and its subsidiaries).
Employees 9.0 hours \$2,390.50 (ex GST)	Employee entitlements	<ul style="list-style-type: none"> + Terminating employees and informing them of their rights and the manner in which the Voluntary Administration process impacts their entitlements. + Calculating outstanding employee entitlements having regard to the Company's records and underlying employment contracts. + Informing the FEG of our appointment and the termination of employees.

Task area	General description	Includes
Creditors 42.8 hours \$14,694.50 (ex GST)	Creditor enquiries	<ul style="list-style-type: none"> + Liaising with creditors in relation to their claims and the administration generally. + Receiving and following up creditor enquiries generally. + Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post.
	Creditor reports	<ul style="list-style-type: none"> + Preparing creditor reports and notifications (including our initial circular to creditors and this Report pursuant to Section 439A of the Act).
	Dealing with proofs of debt	<ul style="list-style-type: none"> + Reviewing proofs of debt received by the Administrators.
	Meeting of Creditors	<ul style="list-style-type: none"> + Preparation for and attending first meeting of creditors including preparing the meeting circular, notices, proxies, and advertisements. + Preparing meeting file including; Chairman's notes, agenda, certificate of postage, attendance register and list of creditors. + Preparing and lodging minutes of first meeting of creditors with ASIC. + Responding to creditors' queries and questions immediately following the meeting of creditors.
Investigations 53.8 hours \$22,364.50 (ex GST)	Conducting investigation	<ul style="list-style-type: none"> + Attending various meetings with the Directors and John Chesher with respect to the financial position and history of the Company. + Reviewing bank statements to identify any potential voidable transactions. + Reviewing XERO electronic data, including profit and loss, balance sheet and cash flow statements.
Statutory, Administration and DOCA 49.4 hours \$25,132 (ex GST)	Planning / review	<ul style="list-style-type: none"> + Discussing internally the status of the administration. + Internal strategy meetings and work plans.
	Dealing with Directors and their advisers	<ul style="list-style-type: none"> + Addressing Director queries with respect to preparation of the RATA. + Attending various meetings with the Directors and their advisers with respect to the administration and possible DOCA. + Liaising with the Directors with respect to the administration including providing access to the books and records to enable completion of the RATA.
	Statutory notices	<ul style="list-style-type: none"> + Preparing and lodging statutory lodgements with ASIC.

Task area	General description	Includes
		+ Advising other statutory authorities (e.g. the ATO, Office of State Revenue and Sherrif's office) of our appointment.
	Establishing insurance	+ Liaising with brokers and underwriters to establish appropriate insurance coverage for the administration.
	Books and records	+ Taking control of the Company's books and records (including electronic accounting data).

17.1.2 Calculation of remuneration incurred

Remuneration for the period 28 April 2014 to 18 May 2014															
Name	Position	Rate	Total		Assets		Employees		Creditors		Investigations		Statutory and Administration		
			Hours	Value (\$)	Hours	Value (\$)	Hours	Value (\$)	Hours	Value (\$)	Hours	Value (\$)	Hours	Value (\$)	
Tony McGrath	Partner	690.00	2.0	1,380.00	-	-	-	-	-	-	-	-	2.0	1,380.00	
Barry Kogan	Partner	690.00	19.2	13,248.00	-	-	-	-	1.4	966.00	5.0	3,450.00	12.8	8,832.00	
Andrew McCabe	Director	580.00	32.1	18,618.00	1.3	754.00	-	-	4.0	2,320.00	10.1	5,858.00	16.7	9,686.00	
Rosemary Winsor	Director	460.00	0.9	414.00	-	-	-	-	-	-	-	-	0.9	414.00	
Andrew McEvoy	Assistant Manager	370.00	67.1	24,827.00	4.7	1,739.00	2.3	851.00	21.5	7,955.00	28.6	10,582.00	10.0	3,700.00	
David Russell	Accountant	245.00	26.3	6,443.50	-	-	5.5	1,347.50	10.7	2,621.50	10.1	2,474.50	-	-	
Zoe Bastian	Client Admin	160.00	13.4	2,144.00	-	-	1.2	192.00	5.2	832.00	-	-	7.0	1,120.00	
Total (excluding GST)			161.0	67,074.50	6.0	2,493.00	9.0	2,390.50	42.8	14,694.50	53.8	22,364.50	49.4	25,132.00	
GST															
Total (including GST)				73,781.95											

17.2 Estimated Administrators' remuneration from 19 May 2014

In addition to our remuneration incurred to 18 May 2014, we will also be seeking creditor approval of our remuneration incurred and (expected) to be incurred over the period from 19 May 2014 to the later of 2 June 2014 (should creditors resolve that the Company be wound up) or the date upon which a DOCA is executed.

Approval is being sought for our future remuneration as Administrators (calculated on the basis of time spent at McGrathNicol standard rates) in the amount of \$80,000 (excluding GST). In the event that our remuneration is below the amount approved, we will only draw the amount incurred. In the event that our remuneration exceeds the amount approved, we will seek further approval from creditors.

The following resolution will be proposed at the meeting of creditors convened for 2 June 2014:

“That the Administrators’ remuneration for the period from 19 May 2014 to 2 June 2014 (if creditors resolve to wind up the company) or to the date upon which the DOCA is executed (if creditors vote in favour of a DOCA) shall be a sum equal to the time cost spent by the Administrators, their partners and their staff, calculated at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$80,000 (exclusive of GST).

Creditors acknowledge that if actual costs incurred are below the amount approved, the Administrators are only authorised to draw the amount incurred. Creditors also acknowledge that if actual costs incurred exceed the amount approved, the Administrators will seek further approval from creditors.

The Administrators are approved to draw their remuneration as and when it is incurred from funds under their control”

The future remuneration being sought represents the current estimate of the work required to be completed up to the later of when creditors resolve that the Company be wound up or the execution of a DOCA.

17.2.1 Description of major tasks to be completed and explanation of estimated fees

Task area	General description	Includes
Assets 3.0 hours \$1,000 (exc GST)	Landlord	+ Continue to liaise with the Company’s landlord in relation to the lease termination and the seizure of the Company’s office furniture and bank guarantee.
Employees 3.0 hours \$1,000 (exc GST)	Employee entitlements	+ Liaising with employees regarding the progress of the administration and lodgement of PODs. + Reviewing the Company’s books and records to determine outstanding employee entitlements. + Preparing letters to employees regarding entitlements, PODs and separation certificates.

Task area	General description	Includes
Creditors 60.0 hours \$20,000 (exc GST)	Creditor enquiries	<ul style="list-style-type: none"> + Reviewing the ATO claim. + Liaising with creditors in relation to their claims and the administration generally. + Receiving and following up creditor enquiries generally. + Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post.
	Dealing with proofs of debt	<ul style="list-style-type: none"> + Reviewing proofs of debt received by the Administrators.
	Meeting of Creditors	<ul style="list-style-type: none"> + Preparing for and attending the second meeting of creditors including the preparation of the meeting circular, notices, proxies, and advertisements. + Forwarding notice of second meeting to all known creditors. + Preparing meeting file including; Chairman's notes, agenda, certificate of postage, attendance register, list of creditors, and advertisement of meeting. + Preparing and lodging minutes of second meeting of creditors with ASIC.
Investigations 90 hours \$40,000 (exc GST)	Conducting investigation	<ul style="list-style-type: none"> + Preparing creditors report pursuant to Section 439A of the Act. + Various discussions with the Directors and John Chesher with respect to the financial position and history of the Company. + Reviewing potential liquidation recoveries including unfair preferences, insolvent trading and uncommercial transactions. + Reviewing debtor position and assessing the recoverability of same. + Reconstructing historical financial information of the Company. + Further comprehensive investigations to enable the completion of the Section 439A report to creditors.
Statutory, Administration and DOCA 40 hours \$18,000 (exc GST)	Planning / review	<ul style="list-style-type: none"> + Discussing the status of the administration.
	DOCA	<ul style="list-style-type: none"> + Liaising with the Directors and their advisers in relation to the proposed DOCA. + Considering the terms of the DOCA and incorporating same in our report pursuant to Section 439A of the Act.

18 Deed Administrators' remuneration

Should creditors vote in favour of the DOCA at the second meeting of creditors, we will also put a resolution to creditors for approval of the Deed Administrators' remuneration calculated on the basis of time spent by the Administrators and their staff, currently estimated to be \$200,000.

The key workstreams during the DOCA period include:

- + Reviewing and executing the terms of the DOCA document;
- + Calling for proof of debt claim forms from creditors and adjudicating claims; and
- + Advancing the R&D credit and GST refund from the ATO.

In the event that our remuneration is below the amount approved, we will only draw the amount incurred. In the event that our remuneration exceeds the amount approved, we will seek further approval from creditors.

The following resolution will be proposed at the forthcoming meeting:

"That the remuneration of the Deed Administrators for the period of the Deed, shall be a sum equal to the time cost spent by the Deed Administrators, their partners and their staff, calculated at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$200,000 (exclusive of GST).

Creditors acknowledge that if actual costs incurred are below the amount approved, the Deed Administrators are only authorised to draw the amount incurred. Creditors also acknowledge that if actual costs incurred exceed the amount approved, the Deed Administrators will seek further approval from creditors.

The Deed Administrators are approved to draw their remuneration as and when it is incurred from funds under their control".

18.1 Description of major tasks to be completed and explanation of estimated fees

The future remuneration being sought for the deed administration of the Company represents the current estimate of the work required and the associated remuneration for the completion of the DOCA. In the event that unforeseen circumstances arise which require work to be undertaken in excess of that which is presently anticipated, a further Remuneration Report will be provided and approval sought for further remuneration.

Task area	General description	Includes
Assets 120 hours \$60,000 (exc GST)	ATO issues	+ Advancing the GST credits and Research and Development credits against the ATO with legal and financial advisors.
Creditors 115 hours \$30,000 (exc GST)	Dealing with creditors and their claims	+ Liaising with creditors in relation to their claims and the administration generally. + Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post.

Task area	General description	Includes
Investigations 15 hours \$10,000 (exc GST)	Conducting investigations	+ Liaising with the Directors regarding the financial position and history of the Company.
Dividend 160 hours \$60,000 (exc GST)	Processing proofs of debt ("POD")	+ Preparing correspondence to potential creditors inviting lodgement of POD's. + Receiving and adjudicating on POD's. + Requesting further information from creditors regarding POD's. + Considering legal advice regarding PODs (if needed).
	Dividend procedures	+ Preparing correspondence to creditors advising of intention to declare dividend. + Obtaining clearance from ATO to allow distribution of company's assets. + Preparing dividend calculations. + Preparing payment vouchers to pay dividend. + Preparing correspondence to creditors enclosing payment of dividend.
Statutory, Administration and DOCA 75 hours \$40,000 (exc GST)	Document maintenance/file review/checklist	+ Undertaking first month, then 6 monthly administration review. + Filing of documents. + Undertaking file reviews. + Updating checklists.
	DOCA	+ Reviewing and executing the DOCA document.
	ASIC Form 524 and other forms	+ Lodging statutory notifications with ASIC upon execution of the DOCA. + Preparing and lodging ASIC forms including 505, 524, and 911 as required from time to time. + Preparing correspondence to ASIC regarding statutory forms.
	Dealing with Directors and their advisers	+ Liaising in relation to the administration including requests for assistance/confirmation of issues etc.
	ATO lodgements	+ Preparing and lodging Business Activity Statements on a quarterly basis.

Task area	General description	Includes
	Finalisation	<ul style="list-style-type: none"> + Informing key parties that the DOCA has been effectuated. + Cancelling ABN / GST registration. + Completing checklists.
	Planning / review	<ul style="list-style-type: none"> + Participating in internal discussions and planning in relation to the administration.
	Books and records/ storage	<ul style="list-style-type: none"> + Dealing with records in storage. + Sending job files to storage.

19 Liquidators' remuneration

Should creditors vote to place the Company into liquidation at the second meeting of creditors, we will also put a resolution to creditors for approval of the Liquidators' remuneration in the amount of \$200,000 (exclusive of GST).

In the event that our actual remuneration is below the amount approved, we will only draw the amount incurred. In the event that our actual remuneration exceeds the amount approved, we will seek further approval from creditors.

The following resolution will be proposed at the forthcoming meeting:

“That the remuneration of the Liquidators, for the period of the liquidation, shall be a sum equal to the time cost spent by the Liquidators, their partners and their staff, calculated at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$200,000 (exclusive of GST).

Creditors acknowledge that if actual costs incurred are below the amount approved, the Liquidators are only authorised to draw the amount incurred. Creditors also acknowledge that if actual costs incurred exceed the amount approved, the Liquidators will seek further approval from creditors.

The Liquidators are approved to draw their remuneration as and when it is incurred from funds under their control”.

19.1 Description of major tasks to be completed and explanation of estimated fees

The remuneration being sought for the liquidation of the Company represents the current estimate of the work required to be undertaken during the liquidation. At this stage it is difficult to predict the costs involved in dealing with a review of the related party software acquisition and development transactions. Subject to investigations undertaken and advice received, it is possible that the costs of dealing with these acquisitions and transaction will materially exceed current estimates. At this stage we have only included relatively minor costs surrounding further investigations of these and other issues.

In the event that work undertaken exceeds current estimates, a further Remuneration Report will be provided and approval sought for further remuneration.

Task area	General description	Includes
Assets 120 hours \$60,000	ATO issues	+ Liaising with the ATO regarding the GST credits and Research and Development credits
Creditors 115 hours \$30,000	Dealing with creditors and their claims	+ Liaising with creditors in relation to their claims and the liquidation generally. + Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post.
Investigations 70 hours \$25,000	Conducting investigations	+ Conducting further investigations in relation to (potential) voidable transactions including seeking legal advice and liaising with (potential) defendants and their advisers. + Preparing and lodging report pursuant to Section 533 of the Act with ASIC.

Task area	General description	Includes
	Litigation / recoveries (where relevant)	<ul style="list-style-type: none"> + Preparing briefs to solicitors. + Liaising with solicitors regarding recovery actions. + Attending to negotiations. + Attending to settlement matters.
Dividend 160 hours \$60,000	Processing proofs of debt ("POD")	<ul style="list-style-type: none"> + Preparing correspondence to potential creditors inviting lodgement of PODs. + Receiving and adjudicating on PODs. + Requesting further information from creditors regarding PODs. + Considering legal advice regarding PODs (if needed).
	Dividend procedures	<ul style="list-style-type: none"> + Preparing correspondence to creditors advising of intention to declare dividend. + Obtaining clearance from ATO to allow distribution of company's assets. + Preparing dividend calculations. + Preparing payment vouchers to pay dividend. + Preparing correspondence to creditors enclosing payment of dividend.
Administration 60 hours \$25,000	Document maintenance/file review/checklist	<ul style="list-style-type: none"> + Undertaking first month, then 6 monthly administration review. + Filing of documents. + Conducting file reviews. + Updating checklists.
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> + Preparing and lodging ASIC forms including 505, 524, 911 and other ASIC forms. + Corresponding with ASIC regarding statutory forms.
	Dealing with Directors and their advisers	<ul style="list-style-type: none"> + General liaison in relation to the liquidation including requests for assistance/confirmation of background issues etc.
	ATO & other statutory reporting	<ul style="list-style-type: none"> + Notifying of appointment. + Preparing Business Activity Statements.

Task area	General description	Includes
	Finalisation	<ul style="list-style-type: none"> + Informing key parties that the liquidation has been finalised. + Cancelling ABN / GST registration. + Completing checklists.
	Planning / review	<ul style="list-style-type: none"> + Attending internal discussions and planning in relation to the liquidation.
	Books and records / storage	<ul style="list-style-type: none"> + Dealing with records in storage. + Sending job files to storage.

20 Receipts and payments

There have been no receipts or payments in the administration for the period 28 April 2014 to the date of this report.

21 Committee of inspection

In the event that creditors resolve that the Company execute a DOCA or that the Company be wound up, the Act provides that a Committee of Inspection (“COI”) may be formed.

In both circumstances, a COI would provide the Deed Administrators or Liquidators with a sounding board as to likely creditor views on any contentious issues, and may approve certain matters (for example compromises of claims and remuneration requests).

At the meeting of creditors convened for 2 June 2014, creditors will be invited to consider whether a COI should be formed, and if so, to nominate members.

22 Creditor meeting details

The second statutory meeting of creditors has been convened to be held at Cliftons Sydney, Level 13, 60 Margaret Street, Sydney NSW 2000 at 2:00pm on 2 June 2014.

Creditors who have already lodged a proof of debt do not need to complete a new proof.

Under the Act, the proxy forms lodged by creditors for the first meeting cannot be used for the second meeting. Accordingly, creditors who are unable to attend the meeting and wish to be represented should ensure that either a proxy form, power of attorney or evidence of appointment of a company representative is completed. Documents may be lodged with our office prior to the meeting or may be brought to the meeting.

A formal notice of meeting, proof of debt form and proxy form are enclosed with the accompanying circular to creditors.

Should you wish to attend this meeting via teleconference, please notify Andrew McEvoy on or before 29 May 2014.

If you have any further queries in relation to this report or the administration, please do not hesitate to contact Mr McEvoy on (02) 9248 9990.

Dated Monday, 26 May 2014

Yours faithfully
Hotwire Preemptive Intelligence Pty Limited (Administrators Appointed)



Barry Kogan
Joint & Several Administrator

Outline of Terms of Conditions of DOCA

Detailed below is a summary of the terms and conditions of the Hotwire DOCA proposal:

1. The DOCA will bind all creditors' claims as at 28 April 2014, being the date of the appointment of the voluntary administrators. The successful completion of the DOCA shall extinguish the claims of participating employees and unsecured creditors, with the exception of the claims of Dr Craig Wright, Ms Ramona Watts and Panopticyrpt Pty Ltd (**Related Parties**), in the sum of circa \$1,437,898 whose claims will remain, only to be enforceable against the company in the event that the company has available assets (after payment of all other creditors in full).
2. Funds are to be made available to the company by way of 2 unsecured subordinated loans to be paid by entities related to the company into a pool of funds, to be administered under the terms of the DOCA to enable the discharge of all debts, including those incurred during the voluntary administration but excluding the Related Parties, as set out below:
 - (a) **LOAN 1** - on or before 31 August 2014, CO1N Pty Ltd will advance the company the sum of \$893,000 to be repaid on commercial terms (but only to the extent the company has assets after payment of all other creditors, including Administrators' fees and costs in full). The funds advanced will be utilised to pay the External Administrators' fees and costs and provide a return to participating unsecured creditors. It is intended that CO1N Pty Ltd be a party to the DOCA acknowledging that it owes a monetary benefit accruing to it by way of refund from the ATO, or other sources, which it will advance to the company upon receipt; and
 - (b) **LOAN 2** - on or before 31 October 2014, Panopticyrpt Pty Ltd will advance the company the sum of \$2,000,000 to be repaid on commercial terms (but only to the extent the company has assets after payment of all other creditors, including Administrators' fees and costs in full). The funds advanced will be utilised to pay the External Administrators' fees and costs and provide a return to participating unsecured creditors. It is intended that Panopticyrpt Pty Ltd be a party to the DOCA acknowledging that it owes a monetary benefit accruing to it by way of refund from the ATO, or other sources which it will advance to the company upon receipt. (together, "**Available Assets**")
3. The Deed Administrators will administer the pool of funds made up of the Available Assets and make payments or distributions in the following order:
 - Reimbursement and payment of the costs and expenses of voluntary administration and the deed administration;
 - Priority payments or distributions in the order set out in sections 556, 560 and 561 of the *Corporations Act 2001* (Cth);
 - Payments or distributions to Admitted Creditors; and
 - Payments of interest on claims of any Admitted Creditors calculated to the date of payment of their claim in full.
4. The Related Parties agree not to prove in the pool of funds made up of the Available Assets.
5. The successful completion of the DOCA shall extinguish the claims of all employees and unsecured creditors (with the exception of the Related Parties) and the employees and unsecured creditors will have no further rights of recourse against the company in respect of their claims.
6. Following payment of all creditors (excluding Related Parties) in full, the Deed Administrators will retire and the company will be returned to the control of its Directors.

Appendix “A”

7. In the event that either of LOAN 1 and LOAN 2 are not paid to the company by the due dates referred to above, the DOCA will provide that the deed administrators may under section 445F of the Corporations Act 2001, convene a meeting of the company's creditors to consider a proposed variation to extend the time for the loan(s) to be paid so as to achieve the purpose of the DOCA or a proposed resolution that the DOCA be terminated, at which time the company will go into liquidation.
8. The deed administrators shall retain the right to pursue any claims that might be available to the company against any third parties for the benefit of unsecured creditors.

It is apparent from the above that the successful implementation of the DOCA from the unsecured creditors' prospective is dependent upon the company being advanced funds by related parties. Therefore, the return to unsecured creditors, if any, is dependent upon the advancement of the loans by CO1N Pty Ltd and Panoptcrypt Pty Ltd.

The DOCA has the following benefits to creditors:

- employee claims will be paid in full;
- the unsecured creditors are paid in full with the exception of the Related Parties; and
- the cost of liquidation is saved.

The only detriment to unsecured creditors of entering into the DOCA is that they will forego whatever actions might otherwise been available to a liquidator if the company is wound up. Such actions might include insolvent trading and recovery of preferences or uncommercial transactions.

The proposed DOCA offers creditors the most timely opportunity to receive a distribution which is expected to pay creditors claims in full.

FORM 535

Subregulation 5.6.49(2)

Corporations Act (2001)

**FORMAL PROOF OF DEBT OR CLAIM
(GENERAL FORM)**

To the Administrators of Hotwire Preemptive Intelligence Pty Limited (Administrators Appointed)

1. This is to state that the company was on 28 April 2014 (*date of court order in winding up by the Court, or date of resolution to wind up, if a voluntary winding up*), and still is, justly and truly indebted to:

_____ *(full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor)*
for \$ _____ and _____ cents.

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: (*insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form*).

Date	Drawer	Acceptor	Amount \$c	Due Date

- *3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.
- *3. I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

.....
Signature
Occupation:
Address

Dated

Proof of Debt Reference:

*Do not complete if this proof is made by the creditor personally.

Address: Level 31, 60 Margaret Street, Sydney NSW 2000
Contact Name: David Russell
Contact Number: (02) 9248 9922

Proofs of Debt
Notes for your guidance
(Please read carefully before filling in Form 535 or Form 536)

It is a creditor’s responsibility to prove their claim to our satisfaction.

When lodging claims, creditors must ensure that:

- (a) the proof of debt form is properly completed in every particular; and
- (b) documentary evidence, such as that detailed below, is attached to the Form 535 or Form 536.

Directions for completion of a Proof of Debt

- 1 Insert the full name and address of the creditor.
- 2 Under “Consideration” state how the debt arose, for example “goods sold to the company on
- 3 Under “Remarks” include details of any documents that substantiate the debt (refer to the section titled “Information to support your claim” below for further information).
- 4 Where the space provided for a particular purpose is insufficient to contain all the required information in relation to a particular item, that information should be set out in an annexure.
- 5 An annexure to the form must have an identifying mark and be endorsed with the words:
“This is the annexure of pages marked referred to in the Form 535/536 signed by me and dated
.....
Signature(s) Name of Signatory IN BLOCK LETTERS”
and signed by each person signing the form to which the document is annexed.
- 6 The pages in the annexure must be numbered consecutively.
- 7 Where a document, copy of a document or other matter is annexed to a form, reference made in the form to the annexure shall be by its identifying mark, the number of pages in it, and a brief description of the nature of the document and its contents.
- 8 A reference to an annexure includes a document, copy of a document or any other matter accompanying, attaching to or annexed to a form.

Information to support your claim

Please note that your debt is not likely to be accepted unless evidence to support its existence is provided. Detailed below are some examples of the type of debt creditors may be claiming and a suggested list of documents, copies of which should accompany a proof of debt for that class of creditor.

Trade Creditors

- Statements and supporting invoices(s) showing the amount of the debt; and
- Advice(s) to pay outstanding invoice(s) (optional).

Guarantees/Indemnities

- Executed guarantee/indemnity;
- Notice of Demand served on the guarantor; and
- Calculation of the amount outstanding under the guarantee.

Judgment Debt

- Copy of the judgment; and
- Documents/details to support the underlying debt as per other categories.

Deficiencies on Secured Debt

- Security Documents (eg. mortgage);
- Independent valuation of the secured portion of the debt (if not yet realised) or the basis of the creditor's estimated value of the security;
- Calculation of the deficiency on the security; and
- Details of income earned and expenses incurred by the secured creditor in respect of the secured asset since the date of appointment.

Loans (Bank and Personal)

- Executed loan agreement; and
- Loan statements showing payments made, interest accruing and the amount outstanding as at the date of appointment.

Tax Debts

- Documentation that shows the assessment of debts, whether it is an actual debt or an estimate, and separate amounts for the primary debt and any penalties.

Employee Debts

- Basis of calculation of the debt;
- Type of Claim (eg. wages, holiday pay, etc);
- Correspondence relating to the debt being claimed; and
- Contract of Employment (if any).

Leases

- Copy of the lease; and
- Statement showing amounts outstanding under the lease, differentiating between amounts outstanding at the date of the appointment and any future monies.

FORM 532
Corporations Act 2001

Regulation 5.6.29

Hotwire Preemptive Intelligence Pty Limited (Administrators Appointed)
ACN: 164 068 348

APPOINTMENT OF PROXY

I/We (1) _____ of

a creditor/member of **Hotwire Preemptive Intelligence Pty Limited (Administrators Appointed)** appoint

(2) _____ or in his/her absence

(3) _____ as my/our general/special proxy to vote at the meeting of creditors to be held on 2 June 2014 at 2:00 PM or at any adjournment of that meeting.

DATED this _____ day of _____ 20

(4) Signature _____

CERTIFICATE OF WITNESS - only complete if the person given the proxy is blind or incapable of writing.

I, _____ of _____
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

DATED this _____ day of _____ 20

Signature of witness _____

Description _____

Place of residence _____

Notes:

- (1) If a firm strike out "I" and set out the full name of the firm.
- (2) Insert the name of the person appointed.
- (3) If a special proxy, "add the words 'to vote for' or the words 'to vote against' and specify the particular resolution".
- (4) If the creditor is a sole trader, sign in accordance with the following example: "A.B., proprietor".
If the creditor is a partnership, sign in accordance with the following example: "A.B., a partner of the said firm."
If the creditor is a company, then the form of proxy must be under its Common Seal or under the hand of some officer duly authorised in that capacity, and the fact that the officer is so authorised must be stated in accordance with the following example: "for the company, A.B." (duly authorised under the Seal of the Company).

Proxy forms should have been completed and returned by no later than 5:00 PM on 29 May 2014 to be eligible to vote at the meeting.

RETURN TO: **Hotwire Preemptive Intelligence Pty Limited (Administrators Appointed)**
of care of McGrathNicol
Address: GPO Box 9986, Sydney NSW 2001
Phone: +61 2 9338 2600
Fax: +61 2 9338 2699

Proxy

Notes for your Guidance

- + Insert full name and address of creditor, contributory or member on the top line.
- + On the second line, insert the name of the person you appoint as your proxy. You may insert "the Chairperson of the meeting" if you wish.
- + On the next line insert the organisation the proxy holder represents or works for (not required if the Chairperson is your proxy).
- + You may appoint an alternate proxy on the fourth line who may act if your first appointed proxy cannot attend the meeting. You may insert "the Chairperson of the meeting" if you wish.
- + If the proxy is a general proxy the form requires no addition.
- + If the proxy is a special proxy the form must include instructions regarding the use of the proxy (i.e. details of the resolution and whether the proxy holder is to cast a vote in favour or against the resolution or abstain from voting).
- + Date and sign the Proxy form using one of the following various forms of execution:
 - Sole Trader - Sign the proxy yourself.
 - Partnership - e.g. sign - "Smith & Associates
Per John Smith - Partner"
 - Company - (i) By a director or secretary, e.g. "J Smith – Director".
(ii) By a person duly authorised to sign on behalf of the company, e.g.

"Smith & Sons Pty Ltd. ACN: _____
Per: J Smith
A person duly authorised to sign on the company's behalf".

OR

"Smith & Sons Pty Ltd. ACN: _____
By its duly constituted attorney J Smith".

NB: If signing on behalf of a company the following example is not sufficient:

"Smith & Sons Pty Ltd. ACN: _____
Per: J Smith"

- + "Certificate of Witness" is only to be used where the Proxy is being completed on behalf of a person who is blind or incapable of writing. In all other cases a witness to the signature of the person appointing the Proxy is not required and you may ignore the section headed "Certificate of Witness".

Hotwire Preemptive Intelligence Pty Limited (Administrators Appointed)
ACN 164 068 348

General Information for Attending and Voting at Meetings of Creditors

Time and Place of Meeting

Pursuant to Corporations Regulation ("Regulation") 5.6.14 a meeting of creditors must be convened at a time and place most convenient for the majority of creditors entitled to receive notice of the meeting.

Quorum

- + Pursuant to Regulation 5.6.16 a meeting must not act for any purpose except:
 - the election of a chairperson; and
 - the proving of debts; and
 - the adjournment of the meeting:
unless a quorum is present.
- + A quorum is deemed to be present if at least 2 (two) creditors are present at the meeting in person, by proxy, by power of attorney or participating by telephone.
- + A meeting is sufficiently constituted if only one person is present in person if the person represents personally or by proxy or otherwise a number of persons sufficient to constitute a quorum.

Chairperson

Pursuant to Regulation 5.6.17 the Administrator is appointed Chairperson of the meeting. Alternatively, the Administrator may, pursuant to Regulations 5.6.17 and 5.6.34, appoint someone else to act as chairperson of the meeting and authorise that person to use any proxies held by the Administrator on the Administrator's behalf.

For the second meeting of creditors in a Voluntary Administration, the Administrator must chair the meeting pursuant to Section 439B of the Corporations Act 2001.

Voting

- + Pursuant to Regulation 5.6.23 creditors will not be eligible to vote at the meeting unless they have lodged particulars of their debt or claim prior to or at the meeting.
- + Accordingly, creditors who intend to vote at the meeting should ensure that they lodge a formal proof of debt with the company prior to or at the meeting.
- + Pursuant to Regulation 5.6.19 all resolutions put to the meeting will be decided on the voices unless a poll is demanded, before or on the declaration of the result of the voices.

A poll may be demanded by:

- the chairperson; or
 - at least 2 (two) persons present in person, by proxy, by power of attorney or participating by telephone and entitled to vote at the meeting; or
 - a person present in person, by proxy, by power of attorney or participating by telephone and representing not less than 10% of the total voting rights of all persons entitled to vote at the meeting.
- + Pursuant to Regulation 5.6.21, should a poll be demanded:
- a resolution will be carried if a majority in number and a majority in value vote in favour of the resolution; and
 - a resolution will be lost if a majority in number and a majority in value vote against the proposed resolution.

In the event of a deadlock, the chairperson may exercise a casting vote. In such situations, the minutes of the meeting must specify the chairperson's reasons for exercising, or not exercising, their casting vote.

Proxies

- + Pursuant to Regulation 5.6.28 creditors who are entitled to attend and vote at the meeting may appoint a natural person over the age of 18 years as their proxy to attend and vote at the meeting on their behalf.
- + Accordingly, creditors who are unable to attend the meeting but who wish to be represented should ensure that a validly executed proxy form is lodged with the Administrator prior to the meeting.
- + Pursuant to Regulations 5.6.28 and 5.6.36A creditors may lodge a facsimile copy of a proxy form with the Administrator prior to the meeting, however, the original of the instrument must be received by the Administrator within 72 hours of receipt of the faxed copy.
- + Pursuant to Regulations 5.6.28, 5.6.29 and 5.6.31 creditors may lodge a proxy form with the company prior to the meeting by electronic means, however electronic lodgement will only be possible where the convenor has specified an electronic address or other electronic means on the proxy form. Proxy forms lodged via electronic means must be validly executed by signing and scanning the form.
- + Pursuant to Regulation 5.6.32 a person may, should they so desire, appoint the Administrator by name or by reference to his or her office to act as his, her or its general or special proxy.

Corporate Creditors

Corporate creditors who wish to attend the meeting should note that they may only be represented by an individual if that person is validly granted a proxy or power of attorney by that corporation.

Alternatively, Section 250D of the Corporations Act 2001 provides that a corporation may, by resolution of its board, provide a standing authority for a specified person to represent the

corporation at specified meeting of creditors. A copy of any such resolution should be provided to the Administrator prior to attending the meeting.

Committee of Inspection/Committee of Creditors

Pursuant to Section 436G of the Corporations Act 2001, a person may only serve as a member of a Committee of Creditors if the person is:

- + a creditor of the company personally; or
- + the attorney of a creditor under a general power of attorney; or
- + authorised in writing by a creditor.

Corporate creditors who are members of a Committee of Inspection may be represented by:

- + an officer or employee of the member; or
- + an individual authorised in writing by the member to represent the member on the committee.