



# MATUSON

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## ASSOCIATES

**MEETING TO DETERMINE THE FUTURE OF THE  
COMPANY IN TERMS OF S151 OF THE COMPANIES  
ACT 71 OF 2008: MEGATRON SA (PTY) LTD**

DATE: 28/09/2016

# AGENDA

- Background to Business Rescue Proceedings of Megatron SA (Pty) Ltd (“Megatron”)
- Timing of Business Rescue Proceedings
- Proposed Business Rescue Plan (“Plan”)
- Opinion of the Business Rescue Practitioner (“BRP”) in terms of the Companies Act, 71 of 2008 as amended (“the Act”): Reasonable Prospect of Rescue
- Presentation by Employees’ Representative, if any
- Comparison of Business Rescue to Liquidation
- The Waterfall and Payment of Dividends
- Discussion and vote on:
  - Amendments
  - Adjournments to Revise
- Voting on the Plan
- Results of Vote

# BACKGROUND TO BUSINESS RESCUE PROCEEDINGS

- On 12 August 2016, Megatron was placed under supervision and commenced business rescue proceedings pursuant to an order granted by the High Court in terms of Section 131 of the Act
- Barry David Kaganson was appointed as the BRP of Megatron in terms of Section 131(5) of the Act on 12 August 2016.
- The BRP has implemented various initiatives to maximise the probability of the Business Rescue succeeding
  - Sales Process
  - Post Commencement Finance
  - Suspension of Lease Agreement
  - Reduction of Overhead Costs
  - Payment of Arrear Insurance Premiums
  - Cancellation of Orders
  - Labour

## TIMING OF BUSINESS RESCUE PROCEEDINGS

The following summary sets out the salient dates on which certain events have taken and will take place during Business Rescue:

Event	Date
Resolution to Commence Business Rescue	5 August 2016
Court Order Commencing Business Rescue	12 August 2016
Interim BRP Appointed	12 August 2016
First Employees' Meeting	22 August 2016
First Meeting of Creditors and Ratification of the BRP Appointment	26 August 2016
Second Employees' Meeting	29 August 2016
Third Employees' Meeting	31 August 2016
Publication of the Plan	16 September 2016
Q&A Meeting regarding the Business Rescue Plan	23 September 2016
Meeting to determine future of Megatron and consider Plan	28 September 2016

# PROPOSED BUSINESS RESCUE PLAN

- The definition and primary objective of Business Rescue is to develop and implement a plan, if approved, to rescue the company by:
  - a) Restructuring its affairs, business, property, debt, other liabilities and equity in a manner that maximises the likelihood of the company continuing in existence on a solvent basis,

OR, if not possible,

- b) Results in a better return for the Company's creditors or shareholders than would result from the immediate liquidation of the Company.
- This Plan has been prepared and drafted in terms of the above part (b) i.e. better return than liquidation
- The Plan details actions, events and steps taken by the BRP in respect of Megatron from 12 August 2016 to 16 September 2016, being the date of publication of the Plan
- The Plan envisages a higher return for Megatron's creditors than would result from the immediate liquidation of Megatron.

# BRP'S OPINION IN TERMS OF THE ACT

**The BRP remains of the view that that there is a reasonable prospect of Megatron being rescued in terms of part (b).**

**PRESENTATION BY EMPLOYEES'  
REPRESENTATIVES, IF ANY**

# THE BUSINESS RESCUE COMPARED TO A LIQUIDATION

	Business Rescue	Liquidation
Employees	<p>Employees received FULL SALARIES AND BENEFITS since the commencement of the Business Rescue to date.</p> <p>Retrenched employees to receive FULL RETRENCHMENT PACKAGES ON EXIT (no individual cap).</p>	<p>Employment contracts suspended upon liquidation</p> <p>Employees to receive capped severance in terms of the Insolvency Act = R28 000 per employee</p> <p>Payment of retrenchment dividend made as and when L&amp;D Account confirmed, which could take between 18 – 24 months.</p>
Costs	<p>The Business Rescue costs are lower</p>	<p>Liquidator's remuneration is based on a percentage fee based on the gross value of realisations but can be objected to by creditors.</p> <p>Fees are in excess of Business Rescue process.</p>
Asset Realisations	<p>Possible higher realisations of assets</p>	<p>Lower realisations of assets = forced sale</p>



# THE BUSINESS RESCUE COMPARED TO A LIQUIDATION

	Business Rescue	Liquidation
Return to Concurrent Creditors	HIGHER ANTICIPATED RETURN: 4 CENTS IN THE RAND	ANTICIPATED RETURN: LESS THAN 2 CENTS IN THE RAND
Timing	6 – 8 MONTHS  Payment made to creditors in terms of the Plan and waterfall as and when funds permit.	18 – 24 MONTHS  Payment made after confirmation by the Master of the L&D Account.

# COMPARISON OF BUSINESS RESCUE TO LIQUIDATION

	Business Rescue	Liquidation
Concurrent creditors	4 cents *	Less than 2 cents *
Secured creditors	100 cents *	29 cents *
Employees	Full retrenchment and severance pay due	R28,000 per employee

*\*Based on the realisation assumptions as per the Plan*

# BUSINESS RESCUE WATERFALL

**In terms of the Companies Act, the following order of priority is provided for:**

- The Business Rescue Costs, including but not limited to legal costs, the costs of the advisors, operating costs and other costs associated with the Business Rescue
- Pre-commencement secured creditors in respect of such secured asset
- Employees for their employment during Business Rescue
- Secured PCF creditors
- Unsecured PCF creditors
- Concurrent creditors

## PAYMENT OF DIVIDENDS

**To ensure Concurrent Creditors receive a better return than would result from the immediate liquidation of Megatron and on condition of the Plan being approved and implemented:**

- The secured creditor has agreed to allocating the first R6,250,000 of proceeds to payment of independent concurrent creditors claims (“Special Concurrent Distribution”).
- Ellies Holdings, Ellies Properties and Ellies Electronics have agreed to waive in favour of independent concurrent creditors their rights to participate in dividend payments during the Business Rescue.
- Creditors will receive any surplus proceeds after payment of the Business Rescue Costs, Special Concurrent Distribution, PCF Employee Claims, secured creditor’s indebtedness and preferred unsecured creditors.

## AMENDMENTS TO THE PROPOSED PLAN

In terms of s152(1)(d) of the Act, the BRP must invite discussion, and entertain and conduct a vote, on any motions to -

- (i) amend the proposed Plan, in any manner moved and seconded by holders of creditors' voting interests, and satisfactory to the BRP; or
- (ii) direct the BRP to adjourn the meeting in order to revise the Plan for further consideration.

# VOTING ON THE PROPOSED PLAN - PROCESS

In terms of s152 (1) (e) of the Act:

- The BRP must call for a vote of preliminary approval of the proposed Plan, as amended if applicable.
- The Plan will be approved on a preliminary basis if:
  - it was supported by the holders of more than **75% of the creditors' voting interests** that were voted; and
  - the votes in support of the proposed plan **included** at least **50% of the independent creditors' voting interests**, if any, that were voted.
- The preliminary approval of the Plan will constitute the **final adoption of the Plan** if it does not alter the rights of the holders of any class of Megatron's securities.

## CONDUCTING OF A VOTE - PROCESS

In terms of s152(4) of the Act, a Plan that has been adopted is **binding** on Megatron, its creditors and shareholders, **irrespective** of whether such person –

- a) was present at the meeting;
- b) voted in favour of the adoption of the Plan; or
- c) in the case of creditors, had proven their claims against Megatron.

## DETERMINATION OF VOTING INTERESTS

- A secured or unsecured creditor has a voting interest equal to the value of the amount owed to that creditor.
- PCF creditors, including employees with claims in terms of section 135(1) of the Act, will have a voting interest equal to the value of the amount owed to that PCF creditor.
- A creditor who has a disputed claim, contingent claim, prospective claim, damages or unliquidated claim will only be allowed to vote in the sole discretion of the BRP.
- A creditor whose claim amount does not reconcile with Megatron's records will only be allowed to vote on the amount determined in the sole discretion of the BRP.



## RESULTS OF VOTING

### **Votes in favour:**

- All creditors 87%
  - Independent 78%
- (excludes contingent claims)*

**Plan ADOPTED**



**MATUSON**  
ASSOCIATES