

# Innovative Learning Holdings Limited

## Minutes of the 2010 Annual Meeting

### Held at Upstart at 9.00 am 19<sup>th</sup> November 2010

<b>PRESENT</b>	Scott Mason (Chair), Alan McConnon (Director), Michael Reid (Director). Shareholders/ Proxies: John Gallaher, Michael O'Connor, Alan Tocher, Ken Aitcheson, James Lang, Murray Lawrence (Teleconference – Michael Reid, Vicki Hatchell, Murray Downes).
<b>APOLOGIES</b>	Olive Webb, Basil Logan, Gowan Pickering
<b>VISITING</b>	Vicki Hatchell (General Manager - USA), Murray Downes (Upstart), Robert Hollebon and Michael Shaw (Auditors)

#### Financial Statements 31 March 2009 and 2010:

Scott Mason moved that the audited annual Financial Statements for the period to 31 March 2009 be adopted

Seconded: Ken Aitcheson / Carried

#### Annual Statement 31 March 2010

The Chairman advised the meeting that the 2010 audit had been completed in the US the day before the AGM but there had not been enough time to consolidate the results with the NZ audited statements. There were a number of reasons why the statements were not completed for this meeting including the wrong people doing the wrong things, the timing of the US tax season and the difficulty keeping the US Auditor on track. It was confirmed that the consolidated audited financial statements for 2010 be circulated with the Directors January 2011 update / communiqué.

#### Appointment of Auditor

The Chair moved that Thompson Lang and Associates be reappointed as auditors for a further term.

Seconded: John Gallaher / Carried

#### Appointment of Directors

The chairman indicated the directors offer them selves for re election as pointed out in the notice of annual meeting letter. The chairman moved that the existing directors continue on the basis of maintaining continuity.

Seconded: Michael O'Connor/Carried

#### Directors Fees

These were set at the launch of the company (\$30k across all directors)

The Chairman moved that the directors' fees remain the same, noting that these had not been paid for the current year and are now accrued until such time as cash flow improves.

Seconded: Mike O'Connor / Carried

Mr Gallaher said one option was to substitute fees for equity. Mr McConnon noted that this may not be necessary once company growth is realised.

#### Appointment of Chairman

The Chairman offered himself for re election

Seconded: Alan McConnon / Carried

## General Business Update

The Chairman acknowledged there had been a general lack of information communicated to shareholders in the past year and a half. In essence there had been very little news to report but it is recognised that this was unacceptable to shareholders. Accordingly, from now on quarterly progress reports will be provided to shareholders. The October - December quarter is due late January 2011. Minutes from this AM would serve as an immediate Shareholder Communiqué.

There had been steady business development progress since the last capital notes raising although most of these funds had now been expended. There was an expectation that revenue would have begun generating more volume at the beginning of March 2010 but this had not eventuated due to the difficult financial global situation and inability to get US corporations to meet their commitments (e.g. Pearson).

The Chairman stated that for 6 months there had been concern at a Director level around liquidity/solvency, but the directors had taken the view that there was underlying value in the business assets (IP) and recent accreditations that were being obtained in the US education environment. Furthermore, the company has generally continued to meet its financial obligations with the exception of WHK/Scott Mason, Al McConnon and Michael Reid who had not been paid for services provided – these had been accrued (currently around \$70k). Based on this support by directors, and nature of convertible notes, Directors had resolved at each meeting to continue trading with the view that there continued to be signs that the revenue stream planned for was imminent.

It was also noted that Michael Reid had carried out consultancy work in the UK to supplement Company revenues, while Vicki had proceeded to build the US business.

The final audit report from the US for the 2010 financial results was received on the 18<sup>th</sup> November 2010. Delay was due to the auditor having to meet other US statutory reporting deadlines. There were also a number of accounting errors which took some time to correct – no unresolved issues exist now. The overall results show that more was expended than received, which was expected.

Fund Raising: The directors have a strategic view that the business situation needs to be sustainable before asking shareholders for more funds for business growth. The efforts being placed on building sustained revenue is paramount and good progress is being made at the time of this meeting.

Michael Reid said the company's strategic goals are being met. The projected revenues were delayed due to the difficult US economy. Many state budgets had been slashed or frozen with restrictions put in place. New legislation required more credentials and certification which IL had been seeking. In the past few weeks new opportunities are being pursued and we are working jointly with other providers e.g. the Delwyn Institute and Project Optimal. Other opportunities are being developed in Florida at Edison State College which has the 12<sup>th</sup> largest nursing college in the US. We are developing an autism certificate for nurses and a School district Certificate in Education for Florida.

Vicki indicated that the market potential was 9,800 schools in 1,200 school districts in California. From this there is \$585k revenue potential. President Obama signed a bill for more training monies for schools. This money is needed to be spent by the end of 2010. Vicki indicated that these schools will be invoiced by the end of the year.

Michael Reid said that IL's US employees have at times deferred remuneration as they could see the vision of the company and were determined to see the company succeed in a tough financial environment. It was only however a matter of time before all the hard work comes to fruition and should the employees not have been so supportive, IL may not have been in this position.

Of the targeted districts in California revenue was likely to be repeated although at a lesser level. New candidates/teachers and recertification was on going. Each year there are 25,000 new teachers in California of which some which will require certification. California is a leader in teacher online certification and many other states will follow. IL has already created and formed relationships with other US States to exploit the situation. The company was readying it self, being proactive and working with others in a strategic alliance e.g. Howard Savin and the Eden Institute. Michael Reid said that a recession can work in IL's favour. We have a planned approach in the education sectors, in tough budgetary times savings are always being sought and IL has the systems to be the cost effective online training and certification providers.

Michael Reid said the Insurance industry presents a new opportunity for I.L.

Michael Reid mentioned the product quality. The satisfaction rate from users is 96.3%. This has never dropped below 93%. Test accuracy of 1,200 hours of training is over 93%.

It was noted I.L. has made quite an impact in California and is now well recognised. Vicki Hatchell has been instrumental in ensuring we are the qualified and preferred provider in the state.

Mike O'Connor expressed his thanks for the tenacity of the directors in what is a difficult operating environment and asked what is happening on the competition front. It was noted that Pearson revenues did not eventuate, mostly because they did not actively market the product internally and I.L. did not have the resources to do this for them. We still remain in contact with them.

Michael Reid said some of the previous competitors were no longer a problem for I.L. as we had become highly specialised and proactive in product development and had become ahead of the game in the educational sector. Vicki had become the expert in certification which gave I.L. an edge over other competitors.

Other Universities and Colleges such as Pheonix and Caplan had taken note of I.L.'s. programs and are the sort of organisation that could become a buyer of I.L.

Mike Reid mentioned the competitors I.L. has. There are two main competitors, The College of Direct Support; and Essential Learning. The College of Direct Support only focuses on the support of professionals and have no expertise in Autism. Mike mentioned that they were no longer a thorn in I.L.'s side. Essential Learning provides bulk sales at a cheap rate of \$15-\$20 per sale. They are not as specialised as I.L.

Ken Aitcheson asked to speak on behalf of other shareholders, Gowan Pickering, Basil Logan and Ron Gilbert. It was noted the lack of communications had caused major frustration and to say nothing was not an option. Michael Reid acknowledged Ken's request for better information. It was intended to develop a shareholder Blog on a secure web site so shareholders could be informed online at regular intervals.

#### SUMMARY

The chairman said it was difficult to know at which point you should stop a business when there are financial constraints. He noted, following a resolution from the floor to this effect, that there was good moral support from the shareholders to keep going in the face of adversity, especially in light of the very recent positive revenue trend.

John Gallaher said it was the nature of the start up business adding that he thought the directors and those involved had done great job so far. It was encouraging to hear of the recent business developments and growing revenues.

Michael Reid said the recent credit crunch had made a significant impact on ability to grow, while strategies had been achieved the revenues had stalled.

The Chairman advised the Board felt that the self funding model was the best one to follow right now to avoid shareholder dilution. Fundraising should be on the basis of growth opportunities once the initial value of the IP/business had been crystallised.

Scott and Al thanked Vicki Hatchell and Michael Reid for their major input and enduring focus over the past 18 months as well as Upstart's Murray Downes and Murray Lawrence's significant background support.

MEETING CLOSED

10.25 am