





## ABOUT THIS INFORMATION MEMORANDUM

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This Information Memorandum contains forward looking statements which are identified by words such as "may", "could", "anticipates", "believes", "estimates", "expects", "intends", "plans" and other similar words that involve risks and uncertainties. These forward looking statements are subject to various factors that could cause the results of the Fund to differ materially from those expressed or anticipated in these statements. The Fund Manager has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Information Memorandum, except where required by law.

### Investment risk warning

Investment in the Fund involves a high level of risk and is not suitable for investors who are unable to sustain the loss of all or part of the sum invested, or who require predictable levels of return or liquidity. Section 8 of this Information Memorandum sets out additional risks of an investment in the Fund. Potential investors should assess their own appetite for such risks independently and consult their own advisors before making a decision to invest in the Fund. Investment in the Fund should be regarded as speculative and is subject to the conflicts of interest described in this Information Memorandum. Investments should be considered only by sophisticated or professional investors.



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# 1 EXECUTIVE SUMMARY

*This section is intended to highlight certain information contained in the body of this Information Memorandum. This executive summary is qualified entirely by information appearing elsewhere in this Information Memorandum and in the Partnership Deed.*

## 1.1 THE OPPORTUNITY

The Sydney Angels Sidecar Fund (**Fund**) will leverage a unique and exclusive partnership with leading Sydney-based angel investment group, Sydney Angels, to invest alongside experienced active Angels. This type of arrangement between a fund and an Angel Group is commonly referred to as a sidecar fund.

The Fund has negotiated an exclusive co-investment arrangement with Sydney Angels through which the Fund will capitalise on the deal origination, deal evaluation and deal management processes of Sydney Angels to access high growth potential early stage investment opportunities. The Fund will co-invest in those opportunities together with experienced Sydney Angels' members provided the investment opportunity meets the Threshold Criteria.

The Fund will be at the vanguard of a potentially valuable, yet immature and idiosyncratic, asset class - angel capital.

The Fund will:

- ◆ provide wholesale investors with unique access to high growth early stage businesses;
- ◆ facilitate investment returns that are tax exempt;
- ◆ achieve portfolio diversification from traditional equity and fixed income investments; and
- ◆ support entrepreneurs, job creation, innovation, new business ventures and economic growth.

### Accelerated Entrepreneurship:

- Successful start-ups are typically more scalable than established businesses. They can potentially grow rapidly with limited investment of capital, labour or land.
- Due to technology (e.g. low-cost hardware, open-source software) and the internet (e.g. search engine marketing), businesses can now be developed for a much lower cost and get to market or internationalise in a fraction of the time compared with just a few years ago.
- Businesses therefore develop sooner and grow faster with less capital.
- The Sydney Angels Sidecar Fund is well positioned to take advantage of this changing dynamic - to invest earlier and in smaller amounts in high growth businesses.

### By Investing in the Fund Investors will:

|   |   |
|---|---|
| 1 | Gain unique access to high growth early stage businesses.                                   |
| 2 | Receive tax-free investment returns   |
| 3 | Achieve portfolio diversification away from traditional equity and fixed income investments |
| 4 | Support entrepreneurs, job creation, innovation, new business ventures and economic growth. |

Investors will have **NO** tax liability on income or capital gains received from the fund.



- The Fund (as a registered ESVCLP) receives flow through tax treatment (i.e. it is not a taxing point).
- Limited partners (investors) have no tax liability on income or capital gains they receive from the ESVCLP.

## 1.2 THE FUND

The Fund is being formed in Australia as an unlisted Early Stage Venture Capital Limited Partnership to raise total committed capital of at least \$10 million.

The Fund Manager is Proto Investment Partners Pty Ltd, a company co-owned by Boab Capital Management Pty Ltd (a wholly-owned subsidiary of Artesian Capital Management (Australia) Pty Limited) and SAM GP Pty Ltd (a related body corporate of Sydney Angels Pty Limited). The Fund Manager is an authorised representative of Boab Capital Management Pty Ltd under its Australian Financial Services License No.284492.

### 1.3 ESVCLPs

The Fund is structured as a limited partnership that will be registered as an ESVCLP with Innovation Australia. The ESVCLP program is a federal government initiative designed to stimulate investment into Australia's early stage venture capital sector by allowing generous tax concessions to investors in funds that meet the registration and investment criteria set out in the Venture Capital Act 2002 (Cth). For investors, income and capital gains received from an investment in the Fund will be tax exempt.

| Capital Invested  |                              | Return Comparison: <b>ESVCLP Fund versus non tax free Fund</b> |            |                                   |                                   |                             |                                   |   |
|-------------------|------------------------------|--|------------|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------------|---|
| Investment period |                              | 5 years  |            |                                   |                                   |                             |                                   |   |
| Fund IRR          | Untaxed Amount after 5 years | Profit   | CGT Amount | Non tax free fund post-tax profit | Non tax free fund post-tax Amount | ESVCLP fund post-tax return | Non tax free fund post-tax return | Additional return on investment through ESVCLP fund |
| 15%               | \$201,136                    | \$101,136  | -\$23,514  | \$77,622                          | \$177,622                         | 101%                        | 78%                               | 24%   |
| 20%               | \$248,832                    | \$148,832  | -\$34,603  | \$114,229                         | \$214,229                         | 149%                        | 114%                              | 35%   |
| 25%               | \$305,176                    | \$205,176  | -\$47,703  | \$157,472                         | \$257,472                         | 205%                        | 157%                              | 48%   |
| 50%               | \$759,375                    | \$659,375  | -\$153,305 | \$506,070                         | \$606,070                         | 659%                        | 506%                              | 153%  |

### 1.4 INVESTMENT OBJECTIVE AND STRATEGY

The investment strategy of the Fund is to gain exposure to high quality early stage investment opportunities that have been selected, screened and invested in, by members of the Sydney Angels.

The Fund is targeting an annualised return of >20% over 7-10 years by deploying the substantial experience of its own investment management team combined with Sydney Angels' members in making, building and realising seed and early-stage investments.

The Fund expects to invest in approximately 25-30 early stage companies over the next five years. The Fund plans to make investments ranging in size from \$100,000 to \$500,000.

Generally, the Fund will invest the same amount into an Opportunity as do the Sydney Angels' members. In certain cases, the Fund may invest more or less than the amount that Sydney Angels' members invest but this is not expected to be commonplace and is subject to certain limitations. Please see sections 4.3 and 4.5 of this Information Memorandum for more detail.

A strategic portfolio priority will be to commence delivering successful exits and returns within four to five years. Return of capital to Investors by way of distributions following asset realisations is a priority for the Fund.

### 1.5 THE INVESTMENT MANAGEMENT TEAM

The Fund Manager's investment management team is detailed in the table below. Note that Vivian Stewart and Richard Dale are also directors of Sydney Angels Pty Ltd and members of the Sydney Angels Committee.

|  |   |
|--|---|
| <b>JEREMY COLLESS</b><br>Managing Director | <ul style="list-style-type: none"> <li>◆ CEO/CIO of Artesian Capital Management which he co-founded in 2004.</li> <li>◆ Co-founder of PIP.</li> <li>◆ Bachelor of Science (Physics) and Bachelor of Arts (Psychology) from the University of Melbourne.</li> </ul>  |
| <b>TIM HEASLEY</b><br>Director             | <ul style="list-style-type: none"> <li>◆ COO of Artesian Capital Management.</li> <li>◆ Co-founder of PIP</li> <li>◆ Masters of Banking and Financial Services from the University of Melbourne</li> <li>◆ Bachelor of Laws and Bachelor of Science (Biology) from The University of Canterbury New Zealand.</li> </ul> |

|  |   |
|--|---|
| <b>VIVIAN STEWART</b><br>Director                        | <ul style="list-style-type: none"> <li>♦ Vivian is a Director of corporate advisory firm Hall Capital</li> <li>♦ Co-founder of PIP.</li> <li>♦ Co-founder of Sydney Angels and Tinshed Angels.</li> <li>♦ Bachelor of Arts (Honours) from the University of Sydney and eMBA from the Australian Graduate School of Management.</li> </ul>   |
| <b>RICHARD DALE</b><br>Investment<br>Committee<br>Member | <ul style="list-style-type: none"> <li>♦ Owner of Argo Partners a licensed advisory firm focussed on early stage tech ventures.</li> <li>♦ Co-founder of PIP</li> <li>♦ Co-founder of Sydney Angels.</li> <li>♦ Member of the working group furthering the mission of the Australian Association of Angel Investors.</li> <li>♦ Bachelor of Engineering (Mech) Hons 1 from the University of Western Australia and an MBA from London Business School.</li> </ul> |

The following table provides an overview of the Fund and the roles played in its investment process by Sydney Angels and the Fund Manager, Proto Investment Partners Pty Ltd:

| The Fund  | Sydney Angels   | Proto Investment Partners  |
|---|---|--|
| <ul style="list-style-type: none"> <li>● Sydney Angels Sidecar Fund (the "Fund") provides investors with access to a unique flow of early stage (angel) business investments sourced, screened and selected by Sydney Angels.</li> <li>● The Fund has exclusive external access to all Sydney Angel deals – but will not invest in businesses not permitted by the ESVCIP legislation.</li> <li>● The Fund only invests in deals in which Sydney Angels have material investments.</li> <li>● The Fund will be a registered Early Stage Venture Capital Partnership. This registration entitles the Fund to flow-through tax treatment and its investors (whether resident or non-resident) receive a complete tax exemption on their share of the fund's income (both revenue and capital).</li> <li>● The Fund is targeting an annualised return of &gt;20% over a 7-10 year time frame.</li> </ul> | <ul style="list-style-type: none"> <li>● Sydney Angels ("SA") is a formal angel investment group focused on the needs and successes of its members as angel investors.</li> <li>● SA was launched in 2008 to bring investors/entrepreneurs together, by associates of the Australian Association of Angel Investors.</li> <li>● This not-for-profit organisation supports and encourages the development of formal angel investment groups Australia-wide.</li> <li>● SA provides the Fund with proprietary deal flow, industry insight/ relationships, and the operational expertise needed to enable companies to reach their ultimate potential.</li> <li>● SA source and evaluate potential investments, negotiate investment terms/conditions and monitor the performance of the companies in which it invests.</li> <li>● SA utilises its broad network of connections to effect successful exits.</li> </ul> | <ul style="list-style-type: none"> <li>● Proto Investment Partners Pty Ltd ("PIP") is the investment manager for the Fund.</li> <li>● PIP is a specialised alternative investment management firm focused on seed capital and angel investments.</li> <li>● An entity affiliated with PIP is contributing \$2 million of committed capital for the Fund.</li> <li>● PIP provides investment management, regulatory, compliance, performance reporting and back office support to the fund.</li> <li>● The PIP investment committee approves each Fund investment based upon procedural checks of the Sydney Angels due diligence and investment process.</li> <li>● The PIP investment committee independently monitors all investee companies, approves second round investments and participates directly in exit negotiations.</li> </ul> |

## 1.6 CAPITAL RAISING

The Fund Manager is seeking to raise a minimum of \$10 million, but may exercise its discretion to accept up to \$15 million, from institutional and high net worth Wholesale Clients. An interest in the Fund will only be issued to Wholesale Clients. If an application is made jointly, each joint investor must qualify as a Wholesale Client.

An entity associated with the Fund Manager, Hand in Glove Management Pty Ltd ACN 134 909 756, will commit \$2 million toward the total amount sought to be raised. In circumstances where the Fund Manager has received commitments of \$15 million and the Fund is over-subscribed, however, the Fund Manager's associate may, in its discretion, decide to reduce its capital commitment to accommodate additional investment by independent investors.

The minimum capital commitment is \$100,000. The Fund Manager may, however, in its absolute discretion accept smaller capital commitments. Commitments will be called over a 5 year period with approximately 20% of each investor's commitment being applied each year.

The Fund Manager may decline to extend, or may withdraw, an invitation to invest in the Fund at any time. Neither the Fund Manager nor any other person accepts any liability to any recipient of this Information Memorandum for costs incurred or losses suffered if an invitation is withdrawn for any reason or if an application is refused in whole or in part. The Fund Manager reserves the right to accept or reject any applications in its absolute discretion.



## 1.7 FIRST CLOSING

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A First Closing will take place upon receipt of commitments totalling \$10 million. The Fund Manager may, in its absolute discretion, continue to accept commitments up to \$15 million.

## 1.8 HOW TO PARTICIPATE

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Investors admitted after the First Closing will be required to contribute to the Fund as if they had been admitted at the First Closing, plus the time value of money on that amount calculated at 12% per annum. To participate in the Fund, please complete:

- ♦ the Application Form at section 10; and
- ♦ the Deed of Accession to the Partnership Deed at section 11.

Before an application will be accepted, the Fund Manager will first assess the eligibility of potential investors. Applicants may be required to produce evidence that they qualify as Wholesale Clients.

The Fund Manager will hold all cheques received from prospective investors in an account with an authorised deposit-taking institution pending registration of the Fund as an ESVCLP. If the Fund does not attract a minimum total of \$10 million committed capital and become unconditionally registered as an ESVCLP within 180 days after the Fund Manager receives the first application, the Fund Manager will repay all payments made by prospective investors adjusted for any interest earned, or loss made, on the holding of the payment.

## 2 ANGELS AND EARLY STAGE VENTURE CAPITAL

*This section discusses Angels and Angel Groups, their history and rationale. An understanding of Angels and Angel Groups is important in understanding the investment mandate of the Fund and the remaining sections of this Information Memorandum.*

### 2.1 EARLY STAGE VENTURE CAPITAL

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Enterprises typically move through the following stages of development before reaching a level of maturity that would enable finance to be obtained through traditional commercial lenders:

- ◆ Seed
- ◆ Start-up
- ◆ Early Expansion
- ◆ Expansion

An overview of these stages is set out in the table on the following page.

The earlier an enterprise is in its stage of development, the higher the risk of failure since many aspects of the business including customer relationships, pricing strategy, talent, and other key factors are unclear.

Of those early stage enterprises that are successful, however, the level of scalability and the resultant increase in value tends to be significantly higher than those of more mature enterprises.

Investors at the seed and start-up stages of growth are typically the founder, family and friends. Although it is usually difficult to raise more than a few hundred thousand dollars from these investors, most traditional venture capital funds will not consider investments under \$1–2 million when an enterprise is typically in its later expansion stage.

An opportunity therefore exists, to provide funding for unlisted private enterprises in the seed, start-up and early expansion stages in return for equity at modest enterprise valuations.

Angel capital fills the gap in start-up financing between 'founder, friends and family' funding and the funding provided by formal venture capital firms. Thus, Angel investment is a common second round of financing for high-growth start-ups, and, in the US, accounts in total for almost as much money invested annually as all venture capital funds combined, but into more than 10 times as many companies.

Unless a person is an Angel or a member of an Angel Group, the opportunity to invest in high growth potential enterprises that are in their seed, start-up or early-expansion stages is practically non-existent.

The Fund will provide an opportunity for passive investors to invest in this difficult to access, private asset class along side an established Angel network.

(See diagram - Stages of Development of an Australian Entrepreneurial Firm - on following pages)

### 2.2 WHAT IS AN ANGEL?

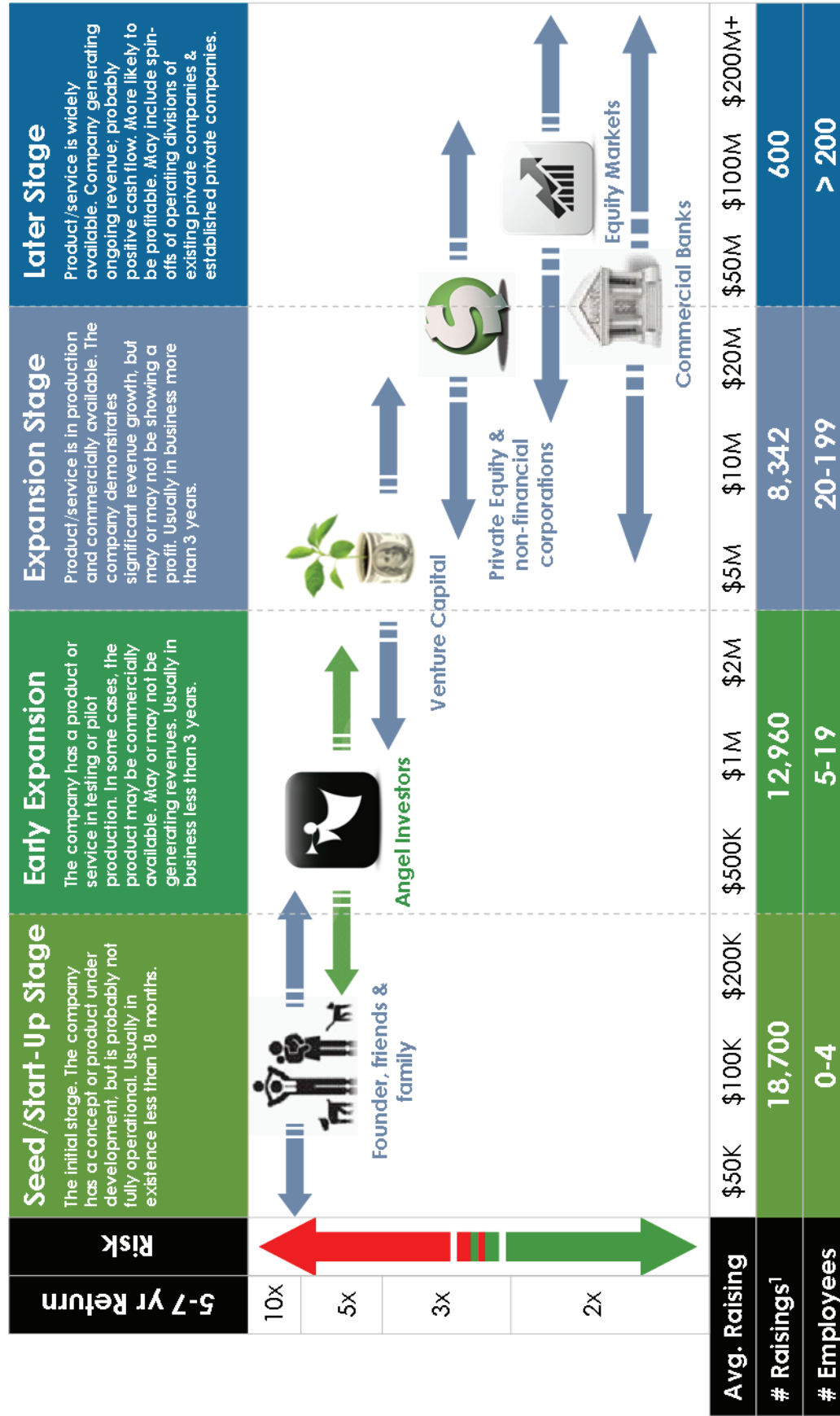
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An Angel is typically a high net worth individual who invests directly into promising entrepreneurial businesses that are in the early stages of their business life cycle in exchange for shares or convertible debt. Many Angels are entrepreneurs themselves, as well as corporate leaders and business professionals.

In contrast to venture capital firms, Angels usually invest their own funds rather than manage the pooled money of others through a fund. Angels also typically invest earlier in the life cycle of an emerging business than would a venture capital firm. The characteristics of the early stages of venture capital investment are set out in the table below.

Angel investments typically reflect the investment judgment of an individual, or group of individuals, although the entity that provides the funding on behalf of an Angel or Angel Group may be a trust, company or an investment fund.

(See diagram - Characteristics of Early Investment Stages - on following pages)



Notes: 1. No. of businesses that sought debtor equity finance to expand business (Source: ABS Selected Characteristics of Australian Businesses 2007-2008).

|         | Seed  |  | Start-up   | Early Expansion  | Expansion   |
|---------|---|--|--|--|---|
| Source  | Founder, Angels   |  | Angels   | Angel, VC  | VC, Private Equity  |
| Demand  | \$0-100K  |  | \$100K-\$500K  | \$500K-\$2M  | >\$2M   |
| Venture | <ul style="list-style-type: none"> <li>Ideas or concepts only</li> <li>No management – founders/technicians only</li> <li>Prototype not developed/tested</li> </ul>   |  | <ul style="list-style-type: none"> <li>Business plan &amp; market analysis completed</li> <li>Prototype under evaluation/beta testing</li> <li>Management team incomplete</li> <li>Product ready to market, some initial sales</li> </ul>  | <ul style="list-style-type: none"> <li>Market receptive, some orders/sales</li> <li>Marketing push needed</li> <li>Full management team needed</li> <li>Ramp-up in manufacturing needed</li> <li>Prototype ready</li> </ul>  | <ul style="list-style-type: none"> <li>Significant sales &amp; orders</li> <li>Increasing sales/broaden market</li> <li>(Near) break-even or profitable</li> <li>Seasoned management completed/revamped</li> <li>Established product</li> </ul>   |
| Goals   | <ul style="list-style-type: none"> <li>Develop &amp; prove concept</li> <li>Produce working prototype</li> <li>Market assessment</li> <li>Assemble management team and structure company</li> <li>Develop detailed business plan</li> </ul>   |  | <ul style="list-style-type: none"> <li>Complete beta testing/get product ready to market</li> <li>Make initial sales, verify demand</li> <li>Establish manufacturing feasibility</li> <li>Build management organization</li> </ul>   | <ul style="list-style-type: none"> <li>Achieve market penetration &amp; sales goals</li> <li>Reach break-even/profitability</li> <li>Increase production capacity/reduce unit cost</li> <li>Build sales force/distribution systems</li> </ul>  | <ul style="list-style-type: none"> <li>Increase sales, growth, market share targets</li> <li>Need to window dress for IPO, buyout or merger</li> <li>Increase cash flow break-even, profitability</li> <li>Diversify products</li> <li>Begin major expansion</li> </ul>                               |
| Risks   | <ul style="list-style-type: none"> <li>Workable prototype cannot be produced</li> <li>Potential market not large enough</li> <li>Development delayed, funds run out</li> <li>Product cannot be produced at a competitive cost</li> <li>Founder cannot manage development</li> </ul> |  | <ul style="list-style-type: none"> <li>Beta test unsatisfactory</li> <li>Founders cannot attract/manage key management</li> <li>Potential market share/size not feasible</li> <li>Cash used up, inability to attract additional funding</li> <li>Inadequate marketing/sales volume</li> <li>Product not cost competitive</li> <li>Unanticipated delays in product development</li> <li>Competition develops first</li> </ul> | <ul style="list-style-type: none"> <li>Founders are poor managers/inadequate management team</li> <li>Product not sufficiently competitive in the market</li> <li>Manufacturing costs too high/inadequate profit margin</li> <li>Market not as big as projected/slow market growth</li> <li>Marketing strategy wrong/inadequate distribution</li> <li>Excessive burn rate/inadequate financial controls</li> </ul> | <ul style="list-style-type: none"> <li>Inadequate management/loss of key management</li> <li>Inadequate sales/market share</li> <li>Unanticipated competition</li> <li>IPO window shuts/no exit vehicle</li> <li>Cannot achieve adequate profit margin</li> <li>Technological obsolescence</li> </ul> |

Source: "An overview of research on early stage venture capital" – Annaleena Parthakangas

## 2.3 THE ROLE OF ANGELS IN EARLY STAGE VENTURES

Importantly, Angels help build early stage businesses. In addition to providing capital, Angels mentor and coach companies in which they invest, providing structure and guidance that assists those companies on their road to success. Angels will often invest in fields related to their own expertise and thus can introduce entrepreneurs to potential customers and investors, assist with potential problem areas and help the businesses gain credibility in their sector.

As most Angels are entrepreneurs or executives with proven successes of their own, they provide:

- ◆ crucial growth capital for expansion or marketing by innovative job-creating companies;
- ◆ invaluable management support, industry-specific advice and contacts; and
- ◆ vital experience in the building of high-growth companies.



Angel investors are not a new phenomenon. With a long heritage, angel investors have provided seed capital and advice to would be entrepreneurs for as long as people have collaborated to form commercial enterprises. Prior to the development of joint stock companies and then public markets, most commercial enterprises relied on rich and knowledgeable people for their initial funding.

### Key Seed Funding Source

- Angels have become an increasingly important source of equity finance over the last decade due to the proliferation of Angel Groups which can accommodate, via resource sharing, a large number of small deals with their attendant due diligence and oversight needs. Angels are now prominent co-investment partners in the early-stage market.
- In the Angel Group model, Angels come together to work collaboratively although investments are done individually and are therefore not generally diversified.

### Encouraging Innovation

- Entrepreneurship plays a key role in driving business innovation.
- While entrepreneurs face several common challenges, often their greatest challenge is raising capital.
- Angel investors are wealthy individuals with business or technology backgrounds who provide entrepreneurs with capital, connections, and guidance.
- They provide early-stage financing in a space once occupied by venture capitalists, who now invest primarily in larger deals and more mature companies.

### Economic/Societal Benefits

- Development and commercialization of innovation are central to an economy's competitiveness.
- Entrepreneurs who engage in these activities are major contributors to growth in the country's productivity, wealth and jobs.
- Angel investors provide an important source of local investment capital, often in the same industries pursued by a region or states' economic growth strategies.
- By supporting early-stage ventures, angels provide investment opportunities for VC firms and improve the prospects of developing a regional VC industry.

## 2.4 ANGEL GROUPS

In the latter half of the twentieth century, most Angel activity was undertaken by individuals who occasionally, on a case-by-case basis, syndicated their investments. The benefits of individual Angel investing can, however, be limited by the following dynamics:

- ◆ an inconsistent flow of good quality deals, with individual Angels seeing only what they come across through their own contacts;
- ◆ a limited capability to conduct the breadth of due diligence that an early stage investment demands leading to decisions based more on intuition than on fact;
- ◆ limited negotiating leverage in relation to valuations and other investment terms and conditions; and
- ◆ a limited breadth of capability and networks to assist companies to grow, and thereby increase the return to the Angel's investment, post-investment.

With the rise of the dot com bubble, a new pattern emerged and Angels started to form groups. An Angel Group is a group of Angels who network to share deal-flow, conduct due diligence together, negotiate investment terms as a group and work together to bring their combined capabilities and network to rapidly grow the companies in which they have invested. Angel Groups give their members access to deeper financial resources and broader scope for investment. The sharing of experience, expertise, deal-flow, networks and time meant that Angel Groups could consider a broader range of investments and a greater number of investments, achieving the significant benefits of diversification

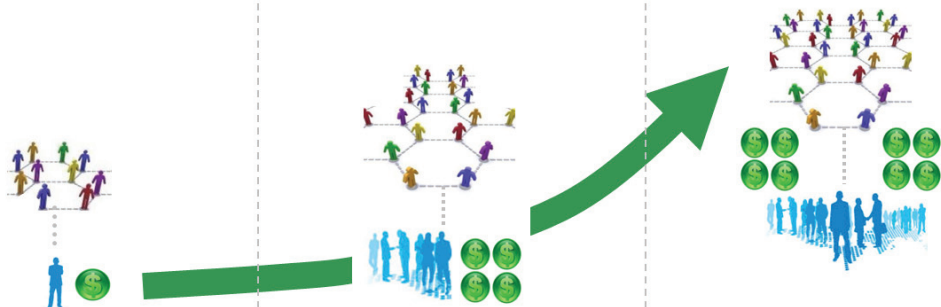
The success of Angel Groups was evident in Europe, Canada and the USA and the resilience of a group became obvious as the dot com bubble burst. The benefits of collective action and shared resources attracted more Angels. The growth of Angel investment, in turn, encouraged governments to seek ways to facilitate this important flow of private capital into high growth enterprises, widely considered

to be the engine room of their economies. The 2 government initiatives that have proved effective and sustainable offshore have been:

- ◆ concessional tax treatment; and
- ◆ the establishment of government sponsored co-investment funds.

In Australia the ESVCLP fund structure and associated taxation concessions have been introduced to support pooled investment into early stage venture capital. Section 6 of this Information Memorandum sets out the advantages and requirements of ESVCLPs in further detail.

Unlike New Zealand, which has a relatively advanced government sponsored co-investment fund for Angel investment, the Australian Federal government does not have a co-investment fund. The Fund is an example of the effective privatising of this opportunity.

|                           | Individual Angel  | Angel Group  | Angel Group + Sidecar Fund   |
|---------------------------|---|--|--|
| Characteristics           | <ul style="list-style-type: none"> <li>Small business network &amp; deal flow.</li> <li>Concentrated exposure.</li> <li>Limited resources available for due diligence, mentoring, monitoring.</li> <li>Do not have the negotiating leverage to set ideal valuations, terms &amp; conditions.</li> <li>Notwithstanding these challenges, the vast majority of angel investing is undertaken by lone angels.</li> </ul> | <ul style="list-style-type: none"> <li>Large business network &amp; deal flow.</li> <li>In this model, angels work collaboratively, although investments are done individually and are therefore not generally diversified.</li> <li>Share deal flow, due diligence, negotiate as a group and employ combined capabilities and network to rapidly grow companies in which they have invested.</li> </ul> | <ul style="list-style-type: none"> <li>Sidecar fund investors benefit from the contacts, deal flow and resources of the Angel Group while mitigating investment risk by pursuing a diversified portfolio investment strategy.</li> <li>In the Sydney Angels Sidecar Fund, the Limited Partners have no tax liability due to the ESVCLP structure.</li> </ul> |
| Portfolio Diversification |    |  |  |
|                           | Resources: Capital / Deal Flow / Network / Due Diligence / Mentoring / Monitoring   |  |  |

## 2.5 SIDECAR FUNDS

A 'sidecar fund' is a committed source of capital that "rides" or invests alongside an Angel Group. The fund manager of a sidecar fund co-invests on behalf of the sidecar fund in deals that are screened, negotiated and invested in by members of an aligned Angel Group. The investors in a sidecar fund benefit from the contacts, deal flow and established investment processes of the Angel Group while mitigating investment risk by pursuing a diversified portfolio investment strategy.

## 2.6 ANGELS VERSUS VENTURE CAPITAL

Generally, Angel investment benefits from exposure to a greater number of early stage investment opportunities, providing greater portfolio diversification, requiring less overall financial investment and offering a greater range of potential exit options than the typical venture capital or private equity model. The examples on the following page demonstrates this difference.



## Later Stage VC/PE Equity Funds

- To give a VC/PE fund's investors a 20% annual return, the fund needs to make 3x the money raised within a 6 year period, For a \$200 million fund, that means returning \$600 million to investors.
- Assuming 10% of the ventures fail, the successful ventures have to increase in value by an average 3.33x
- If a VC/PE fund invests \$20 million in 10 companies (each with valuation of \$100 million assuming VC does not want to own more than 20% of a company) they have to help build 9 of these companies (assuming a 10% failure rate) to an average market capitalization of \$333 million within 6 years.
- Currently in Australia there are only 194 public companies with a market cap of > \$333 million (source: [www.DigitalLook.com](http://www.DigitalLook.com) ASX 200)

Later stage VC firms in Australia (& overseas) have also found it very difficult to meet their targeted returns due to the paucity of opportunity/exits relative to the size of the funds.

The Sydney Angel Fund mitigates this risk by targeting much smaller, early stage venture opportunities where there are a far greater number of potential exit strategies.

## Angel/Early Stage VC Funds

- To give an Angel fund's investors a 30% annual return, the fund needs to make 4.8x the money raised within a 6 year period, For a \$15 million fund, that means returning \$72 million to investors.
- Assuming that 40% of the start-ups fail, the successful start-ups have to increase in value by an average of 8x.
- If an Angel fund invests \$500K in 30 companies (each with a valuation of \$1M assuming Angel does not want to own more than 50% of a company) they have to help build 18 of these companies (assuming a 40% failure rate) to an average valuation of \$8 million within 6 years.
- Currently in Australia (assuming valuation as 4 x turnover) there are approximately 150,000 companies with annual turnover of >\$2 million per year or an implied valuation of \$8 million (source: ABS Counts of Australian Business 2003-2007)

Companies can now be developed for a fraction of the cost than they could just a few years ago and get to market in a fraction of the time.

The impact of this dynamic is that companies develop sooner and grow faster with less capital. Early stage venture capital firms are perfectly positioned to take advantage of this changing dynamic - to invest earlier and in smaller amounts.

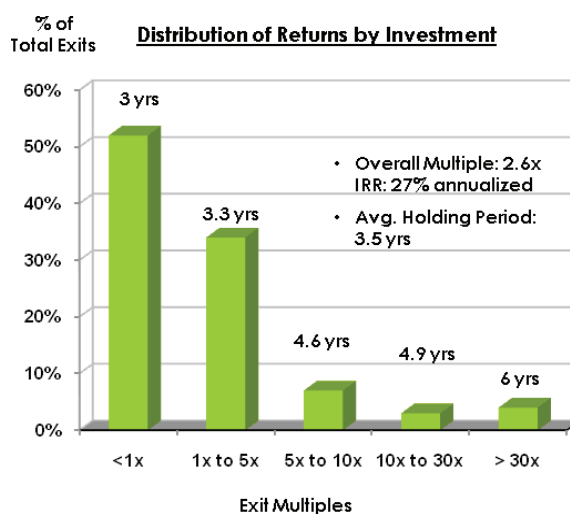
## 2.7 MITIGATING ANGEL INVESTMENT RISK

Angel investing is risky. A US academic study of Angel investments in November 2007<sup>1</sup> found that Angels lose some or all of their money in 52% of their investments because the early stage companies go out of business. Also, Angel investments are usually subject to dilution from future investment rounds. As such, they require a high return on investment. The chart (at right - Source: "Returns to Angel Investors in Groups"- Wiltbank & Boeker) shows the skew in the distribution of returns.

To balance these risks, Angels diversify their investment portfolios by making at least 10 investments and counting on only 1 or 2 to provide nearly all of their return. Experienced Angels seek investments that have the potential to return at least 10 or more times their original investment within 5 years, through a defined exit strategy, such as an initial public offering or an acquisition. This portfolio approach to investment is similar to that used by venture capital funds. Current best practices suggest that Angels may do better by setting their sights even higher and looking for companies that will have the potential to provide a 20x-30x return over a 5 - 7 holding period.

After taking into account the need to cover failed investments and the multi-year holding time for the successful investments, however, the actual effective internal rate of return for a typical successful portfolio of Angel investments is, in reality, typically 20-30%. While investors' need for high rates of return on any given investment can make Angel financing an expensive source of funds, cheaper sources of capital, such as bank financing, are usually not available for most early-stage ventures, which may be too small or young to qualify for traditional loans.

This portfolio approach to early stage venture capital investment is central to the Fund's investment strategy. Section 4 of this Information Memorandum contains further details of the investment objective, strategy and process of the Fund.



<sup>1</sup> "Returns to Angel Investors in Groups" by Wiltbank & Boeker

## 2.8 THE OFFSHORE EXPERIENCE

The US, Canada and certain European countries have the most extensive and developed Angel Groups. While this type of investing is not yet as developed in Australia, we believe this area will grow strongly over coming years and provides the opportunity on which the Fund is founded.

### The United States Experience:

In the US, Angel investment is a common second round of financing for high-growth start-ups, and accounts in total for almost as much money invested annually as all venture capital funds combined, but into more than 10 times as many companies (US\$26 billion vs. \$30.69 billion in the US in 2007, into 57,000 companies vs. 3,918 companies).

It is estimated that there are more than 270 Angel Groups or networks (see chart below) and 250,000 individual Angels in the United States.<sup>2</sup> Of the US companies that received Angel funding in 2007, the average capital raised was approximately US\$450,000. There is no set investment amount, however, for Angels, the amount invested can range from a few thousand to a few million dollars.

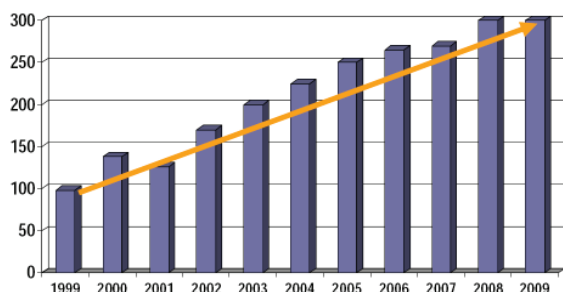
Software accounted for the largest share of Angel investments (27% of total Angel investments in 2007), followed by healthcare services, and medical devices and equipment (19%) and biotech (12%). The remaining investments were approximately equally weighted across high-tech sectors.

A US study on exits from 539 Angels who had experienced 1,137 exits revealed that the average internal rate of return was approximately 27%.<sup>3</sup> The study noted that "the distribution of returns for this type of investment is quite varied. Like venture capital, average return may not describe the performance of most Angels in the study".

The analysis identified a wide range of performance for the investment exits in the study:

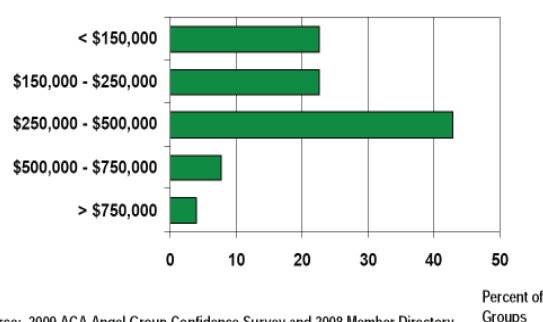
- ◆ 52% of all of the exits returned less than the capital the Angel had invested in the venture.
- ◆ 7% of the exits achieved returns of more than 10 times the money invested, accounting for 75% of the total investment dollar returns.

**Growth in Number of American Angel Groups**



Sources: Center for Venture Research (pre 03 data) and Kauffman Foundation/ACEF (04-09 data)

**Average Preferred Investment Per Round - 2008**



Source: 2009 ACA Angel Group Confidence Survey and 2008 Member Directory

### The European Experience:

The European Angel investment community, although not as large as the US, is also growing strongly. It is estimated that there are more than 290 Angel Groups and 75,000 individual Angels in Europe. In Europe in 2007, it was estimated that €4 billion was invested in seed or early stage companies.<sup>4</sup>

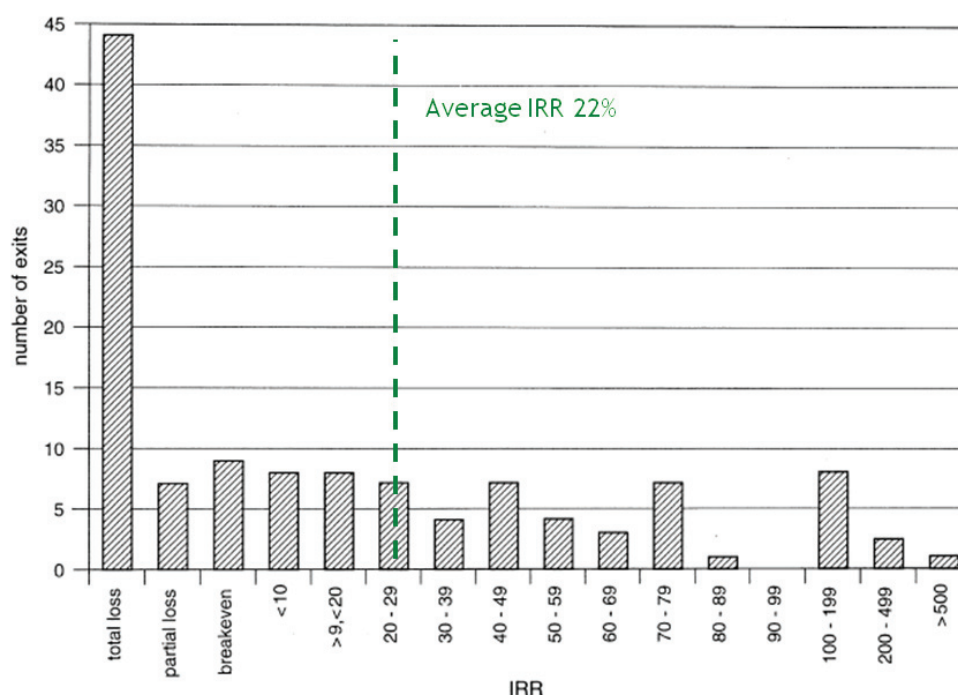
In the UK, a study by National Endowment for Science Technology and the Arts in 2009 estimated there were between 4,000 and 6,000 Angels in the UK with an average investment size of £42,000 per investment. In terms of returns, 35% of investments produced returns of between 1 - 5 times the initial investment, while 9% produced returns of multiples of 10 times or more. The mean return, however, was 2.2 times investment in 3.6 years and an approximate internal rate of return of 22% gross (see following chart).

<sup>2</sup> UNH Center for Venture Research and PricewaterhouseCoopers USA Money Tree Survey

<sup>3</sup> "Returns to US Angel Investors in Groups" by Wiltbank and Boeker - November 2007

<sup>4</sup> "The European Angel Investing Market, Facts and Figures" - Claire Munck





An earlier UK study using data on 128 exited investments from a survey of 127 Angels found that the distribution of returns is highly skewed, with 34% of exits at a total loss, 13% at a partial loss or break-even, but with 23% showing an internal rate of return of 50% or above. The median time to exit for successful investments was 4 years.<sup>5</sup>

5 "Is it worth it? The rates of return from informal venture capital investments" by Mason and Harrison, 2002

## 2.9 AUSTRALIAN ANGEL GROUPS

While Angel investing has been undertaken in Australia for many years on an ad hoc basis, the development of formal Angel Groups is relatively recent.

Australian Angel Groups first formed in Melbourne in the late 1980s. At the time, Angel investment was poorly understood by the Australian business community and there was little popular support. As elsewhere, the dot com bubble at the turn of the century changed the local scene and a small number of Angel Groups were formed in the late 1990s and early 2000s.

The Australian Association of Angel Investors Limited (**AAAI**) the national, not-for-profit, peak body for Australian Angels, was formed in 2007 to drive the growth, success and sustainability of Angel investing as a professional practice of private capital in Australia.

A key tenet of the AAAI is to identify, describe and promote best practice. A hallmark of best practice Angel investment the world over has been the trend to collaborate into Angel Groups.

While working to establish the AAAI, the founding team was responsible for fostering the formation of new Angel Groups in Brisbane, the Gold Coast and Melbourne. After its inception, the AAAI commenced fostering new Angel Groups in Sydney, Adelaide, Hobart, Launceston and Perth.

In 2008, in the midst of the global financial crisis, there were 16,100 active Australian Angels who collectively invested \$1.69 billion in more than 5000 companies, creating approximately 35,000 Australian jobs.<sup>6</sup>

Most of these investments were in seed and start up companies with a heavy focus on biotechnology and information technology. Angels were also active investors in other industries including communications, manufacturing and web-based software.

The number of Angel Groups in Australia is increasing. Four years ago, there were 3 Angel Groups while at the end of 2009, there were 12.<sup>7</sup>

6 Australian Association of Angel Investors 2008 National Angel Survey dated 18 February 2009.

7 Australian Association of Angel Investors 2009 National Angel Survey dated 17 February 2010.

## 3 SYDNEY ANGELS

*This section provides an overview of the Sydney Angels group, its investment processes, management, membership and collaboration partners. An understanding of the operations of Sydney Angels is important in understanding the investment strategy and processes of the Fund.*

### 3.1 OVERVIEW

---

Sydney Angels was launched in 2008 by Vivian Stewart, a former director, and several associates, of AAI to bring together Sydney-based investors and entrepreneurs.

Sydney Angels is a formal Angel Group focused on the needs and successes of its Angel members. It is a potential source of capital for innovative, high-growth, early stage businesses based in and around Sydney.

### 3.2 TARGET INVESTMENTS

---

Sydney Angels seeks businesses that meet its investment criteria, are globally scalable, have high growth potential, address large markets, have strong competitive advantages, clear IP ownership, entrepreneurial management and the potential to generate high capital gains.

The current investment criteria are:

- ◆ businesses seeking \$100k - \$1m equity capital
- ◆ angels expect >10% equity
- ◆ deals that are fresh and have not been widely shopped around.

Suitable deals are then subject to a disciplined deal evaluation process. Those assessed as suitable are invited to present at a Sydney Angels members-only meeting.

Sections 3.3 and 3.4 set out further details of Sydney Angels' deal origination and evaluation processes.

### 3.3 DEAL ORIGATION

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Sydney Angels continually seeks new Opportunities for its monthly screening and members' meetings. Sydney Angels carries out ongoing marketing activities through a number of channels to ensure good Opportunities are seen by Sydney Angels first. In addition, Sydney Angels' members, associates and alliance partners regularly refer Opportunities from their own private networks. These networks are extensive and extend into all parts of the early-stage ecosystem.

All new Opportunities must apply using the Sydney Angels' online application form available through the Sydney Angels' website. The application form, which is a mandatory executive summary template, captures a consistent set of information to allow initial evaluation of an Opportunity's investment merit and its fit with Sydney Angels' investment criteria.

The terms of the application form also require the applicant to consent to the Fund having the right (but not the obligation) to co-invest in the Opportunity.

### 3.4 DEAL EVALUATION

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The Sydney Angels Committee reviews all new applications to determine those that are suitable to invite to present to a deal screening meeting. Section 3.6 lists details of the Sydney Angels Committee members.

Screening meetings are held every second month with a screening panel of 10-15 Sydney Angels' members, Committee members and invited guests.

At the deal screening meeting, once the screening panel has heard the pitch presentations, and the question and answer session is complete, the screening panel votes to select generally the best 3 Opportunities from those who have presented. Those 3 Opportunities are invited to present at the next Sydney Angels members' meeting (held in the alternate months to the screening meetings).

Members' meetings are typically attended by 40 Sydney Angels' members, associates and invited guests. Sydney Angels' members unable to attend a meeting can review Opportunities online. At the members' meeting, each invited Opportunity presents and is given the chance to interact with the audience to attract interest and follow-up enquiries. During the course of the meeting, if no deal leader

or advocate is associated with the Opportunity, a member of the Sydney Angels' Committee plays the role of interim deal leader. The deal leader identifies and keeps track of people expressing interest so that follow-up discussions can be arranged, with a view to convening a meeting of interested members to form a syndicate and choose a deal leader from among them.

The syndicate members and deal leader discuss their perspectives on the Opportunity and agree on an initial focus for due diligence activities, typically including on-site meetings with the Opportunity's management team, product demonstrations, reference checks with customers etc. These activities continue until the syndicate members and deal leader are satisfied there is an Opportunity worth pursuing, or decide the Opportunity is no longer of interest.

Sydney Angels strongly encourages its syndicate deal leaders and members to use good due diligence practices and checklists, such as those included in the Angel Capital Education Foundation "Power of Angel Investing" Due Diligence training program. Sydney Angels also strongly encourages due diligence information and findings and other Opportunity news to be progressively published, updated and shared in the private dealroom on Angelsoft, the Opportunity management platform Sydney Angels and its members use to efficiently share and collaborate on deals.

While each Opportunity will have its unique issues and risks that should be focused on, due diligence will generally test the following areas:

(a) **Management**

Integrity, track record, market driven vision and growth objectives, commitment and commercial orientation via their:

- ◆ depth of understanding of the underlying market and customers for their company's products or services;
- ◆ ability to clearly articulate their business plan and business model;
- ◆ ability to evaluate and react to risk and changing competitive forces; and
- ◆ ability to build strong management teams and perform to agreed targets.

(b) **Product and Market**

Overall market opportunity, market penetration strategy, industry sector, size, structure, drivers and trends.

- ◆ product differentiation and pricing.
- ◆ competitive strengths.
- ◆ customer needs.
- ◆ key success factors, goals and objectives.
- ◆ business model.
- ◆ intellectual property protection strategy.
- ◆ risk factors.
- ◆ expected return of the business.

(c) **Valuation**

Projections on future revenue, profitability and exit opportunities, together with future financial, human and time capital requirements to achieve targets.

(d) **Corporate issues**

Depending on the size and the nature of the Opportunity, Sydney Angels may conduct formal legal, accounting and tax due diligence with the assistance of third party advisors, appropriate to the individual investment.

## 3.5 MEMBERS

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Sydney Angels is growing a diverse and richly experienced membership of Angels, many of whom are successful former entrepreneurs. These people and their networks cover the early-stage ecosystem in Australia and extend to many overseas markets.

Sydney Angels offers membership to experienced and aspiring Angels seeking quality early-stage deals and who are in a position to invest in high risk companies with no guarantee of return on investment, and provides the support of fellow Angels in an organized investment group. The benefits of Sydney Angels' membership include:

- ◆ seeing quality deals first and early;
- ◆ access to the expertise of fellow members and the opportunity to assess and share deals in an organised process; and

- ♦ access to best practice education, training and tools related to Angel investment.

Sydney Angels recently completed a survey of its members and potential members who actively participate in Sydney Angels' meetings. Some highlights of the survey data from the 32 respondents were:

- ♦ 47% are former business founders/owners, and the rest have executive or professional backgrounds.
- ♦ 63% would prefer to invest up to \$50K per deal.
- ♦ 37% would prefer to invest over \$100K per deal.
- ♦ 63% have made Angel investments.
- ♦ Respondents had invested in 6 Opportunities on average.
- ♦ The average investment has been \$116K per Opportunity.
- ♦ 75% have achieved one or more exits from their investments.
- ♦ 47% of these exits have produced positive returns.

### 3.6 THE SYDNEY ANGELS COMMITTEE

Sydney Angels is managed by the Sydney Angels Committee comprising (at the date of this Information Memorandum):

- ♦ Vivian Stewart, who is also a director of the Fund Manager and sits on the Fund's Investment Committee (see profile at section 5.2);
- ♦ Richard Dale, who also sits on the Fund's Investment Committee (see profile at section 5.2);
- ♦ representatives from Sydney Angels' collaboration partners; and
- ♦ the management team set out below.

|                        |  |
|------------------------|--|
| <b>HAMISH HAWTHORN</b> | <p>As well as being a Committee Member of Sydney Angels, Hamish Hawthorn is the CEO of Australian Technology Park Innovations, Australia's leading technology business incubator. ATP Innovations is located in Sydney and has a portfolio of over 50 companies in the IT, engineering, and life sciences sectors. He is the Executive Director of bizCapital Pty Ltd, the seed investment fund of ATP Innovations, and currently serves on the board of a number of ATP Innovations' portfolio companies.</p> <p>Recently Hamish has been involved in a number of commercialisation projects within the biotech sector including the structuring of investments and strategic business development. He is a member of the Australian Industry Group's Technology Industry Development Council and is a Visiting Fellow with the Entrepreneurs in Science program at the University of New South Wales.</p>                          |
| <b>MATHIAS KOPP</b>    | <p>Mathias has over 14 years strategy and operational consulting experience in Europe, Asia and Australia. Mathias was most recently a Director at Crescendo Partners where he provided consulting services in areas including financial services, telecommunications and manufacturing with a focus on innovation management.</p> <p>Mathias started his career in financial services at Deutsche Bank and investment bank IKB Deutsche Industriebank in Germany and France. Mathias has been a strategy consultant with strong implementation focus to large businesses for more than 15 years. Mathias has worked for consulting firms including DaimlerChrysler's former consulting arm Diebold (Europe and Singapore), Fujitsu Consulting (Australia) and Droege &amp; Comp., the 2nd largest German consultancy (Germany and Australia). Mathias was a co-founder and director of CK Corporate Consulting based in Sydney.</p> |

|                        |   |
|------------------------|---|
| <b>ANDREW STEAD</b>    | <p>Andrew has worked with more than 80 early-stage technology businesses in his role as the Director, Business Development at ATP Innovations. He has 15 years experience in the information technology sector in senior operational and strategic roles and served on several boards. Andrew has been involved in a wide range of capital raisings, license negotiations and merger and acquisition transactions. Prior to his current role at ATP Innovations, Andrew was responsible for commercialising technologies at University of New South Wales. One of the key achievements was selling a search technology to Google in 2006. Previously he held management consulting roles at UXC and Telstra. Andrew began his career serving as an officer in the British Army.</p> <p>Andrew has a Bachelor of Science (Hons) from the University of Sydney and an MBA from the Macquarie Graduate School of Management.</p> |
| <b>PETER MCWILLIAM</b> | <p>Peter's formal qualifications include being a member of the Institute of Chartered Accountants as well as being a Bachelor of Business Graduate (Marketing Major) with Queensland University of Technology. He has over 8 years of professional experience in Accounting and Finance with marketing leading firms and investment banks PricewaterhouseCoopers, Goldman Sachs and the Royal Bank of Scotland.</p> <p>For the last 24 months Peter has helped a number of companies struggling through the financial crisis to improve profitability, through business re engineering and cost cutting, and to securing working and growth capital through debt or equity solutions.</p>   |

### 3.7 COLLABORATION PARTNERS

Sydney Angels' collaboration partners, together with an overview of their respective roles, is set out below.

|   |   |
|---|---|
|  | <p>PricewaterhouseCoopers (<b>PwC</b>) is Australia's leading professional services firm and provides industry-focused assurance, tax, advisory and legal services to build public trust and enhance value for clients and their stakeholders. PwC is the principal founding sponsor and exclusive sponsor of Sydney Angels from the legal and accounting professions. The initial term of the sponsorship agreement is for 3 years, with an ability to extend the agreement. PwC provides legal, tax and advisory services to Sydney Angels as requested by Sydney Angels as part of the sponsorship agreement. The sponsorship agreement also provides Sydney Angels members with access to PwC services at discounted rates.</p> <p>As part of the sponsorship agreement PwC supports the Sydney Angels management committee by providing assistance from senior staff members skilled and experienced in working with high growth, high potential businesses. The sponsorship agreement also provides opportunities for Sydney Angels and PwC to work together to provide informational, training and support sessions to Angels and early stage companies.</p> |
|---|---|

|   |  |
|---|--|
|    | <p>ATP Innovations Pty Limited (<b>ATPi</b>) is Australia's leading technology business incubator. Based at the Australian Technology Park, ATPi has a portfolio of over 50 companies in the IT, engineering, and life sciences sectors. The company works with early-stage entrepreneurs to build value and accelerate their success, providing access to facilities, a connected network, and targeted guidance and advice from the executive team at ATPi.</p> <p>ATPi has been a founding supporter of Sydney Angels since the group's inception in 2008, hosting the management team and screening meetings, as well as providing back office support to the group. As important components of the entrepreneurial ecosystem in Australia, Sydney Angels and ATPi enjoy significant synergies. Deal flow for Sydney Angels is provided in part by the pipeline of companies currently working with ATPi, as well as those companies at an earlier stage seeking seed investment. ATPi also provides a focal point for experienced Angels, as well as investors new to Angel investing to engage with Sydney Angels. ATPi has also been a key contributor to the professional development activities of Sydney Angels, drawing on the company's skills and expertise in structuring early stage investments to lead and champion best practice in Angel investing for the group.</p> |
|    | <p>Griffith Hack (<b>GH</b>) is a major Australian Intellectual Property firm, comprising patent and trade mark attorneys, IP lawyers and information services. GH provides a full range of comprehensive IP services to many of Australia's leading companies. GH also acts for many overseas corporates, including many from the United States and Europe.</p> <p>GH assists Sydney Angels with technology and IP review in order to facilitate screening of prospective investment opportunities. GH are involved in the Sydney Angels management team and deal screening meetings. Sydney Angels is also an opportunity for GH clients to obtain funding at an early stage of their ventures.</p>  |
|  | <p>Davies Collison Cave (<b>DCC</b>) combines one of Australia's leading patent and trade mark attorney firms and Davies Collison Cave Law, the associated intellectual property legal practice. DCC is an integrated national firm with offices in Sydney, Melbourne, Brisbane, Newcastle and Canberra.</p> <p>DCC specialises in the procuring, licensing, exploitation and enforcement of intellectual property rights, including patents, trade marks, designs, trade secrets, copyright, licensing and litigation. DCC advises a full range of innovators from individuals or SMEs to major Australian and international companies. Intellectual property can be extremely valuable and DCC assists where appropriate in the activities of Sydney Angels.</p>   |
|  | <p>Sydney Angels has engaged with the NSW State Government since inception to build understanding and knowledge of the role of the Angel sector in creating investment and job opportunities. On a number of occasions, Sydney Angels management committee members and Sydney Angels members themselves, have met NSW State government staff and spoken at a number of NSW State Government sponsored events and programs.</p> <p>Sydney Angels received an offer from Industry and Investment NSW to provide funding for the engagement of a Sydney Angels part-time administrator for a period of 12 months to support the expansion of the Sydney Angels network to increase Angel funding of early stage companies. Sydney Angels will support and participate in 2 workshops funded by Industry and Innovation NSW, targeted at companies involved in the Australian Technology Showcase and Pathways programs.</p>   |



## 4 INVESTMENT OBJECTIVE, STRATEGY AND PROCESS

*This section outlines the Fund's investment objective and describes how that objective will be pursued.*

### 4.1 INVESTMENT OBJECTIVE

The Fund is targeting an annualised return of >20% over 7-10 years by deploying the substantial experience of its own investment management team together with the Sydney Angels Committee and Sydney Angels' members in making, building and realising seed, start-up and early expansion investments.

The Fund expects to invest in approximately 25-30 early stage companies over the next 5 years. The Fund plans to make investments ranging in size from \$100,000 to \$500,000.

A strategic portfolio priority will be to commence delivering successful exits and returns within 4 - 5 years. Return of capital to Investors by way of distributions following asset realisations is a priority for the Fund.

### 4.2 INVESTMENT STRATEGY

The investment strategy of the Fund is to gain exposure to high quality early stage investment opportunities that are available to Sydney Angels' members.

The Fund will capitalise on the deal origination, deal evaluation and deal management processes of Sydney Angels to access high quality early stage investment Opportunities, and will co-invest in Opportunities with experienced Sydney Angels' members provided the Opportunity meets the Threshold Criteria. The Threshold Criteria are set out in section 4.5.

Once invested, the Fund will benefit from the active mentoring, monitoring and strategic assistance given to the Investees by the Sydney Angels' investor syndicate associated with the deal.

The Fund Manager will have full information rights, broad observer rights and will reserve all other rights necessary for it to make independent decisions and take independent action to protect and enhance its investments if required. In making such decisions, the Fund Manager will be advised by the Fund's Investment Committee.

The Fund Manager and the Sydney Angels investor syndicate in each case will collaborate to identify suitable growth strategies and exit opportunities, and will use their extensive collective investment community networks to facilitate exits.

The Fund Manager and the Sydney Angels investor syndicate in each case will collaborate to identify suitable growth strategies and exit opportunities, and will use their extensive collective investment community networks to facilitate exits.

|                                 |  |
|---------------------------------|--|
| <b>Target fund size:</b>        | A\$10 – 15 million   |
| <b>Proposed portfolio size:</b> | 25 - 30 early stage companies  |
| <b>Target return:</b>           | >20% annualised return over 7-10 years   |
| <b>Target sectors:</b>          | All sectors permitted by the Venture Capital Act 2002 (Cth) will be considered |
| <b>Stage of investment:</b>     | Seed, start-up and early expansion   |
| <b>Fund investment period:</b>  | 5 years  |
| <b>Exit period:</b>             | 4 – 7 years  |
| <b>Fund termination:</b>        | Ten (10) years, unless a longer term is approved by 75% or more of Investors   |

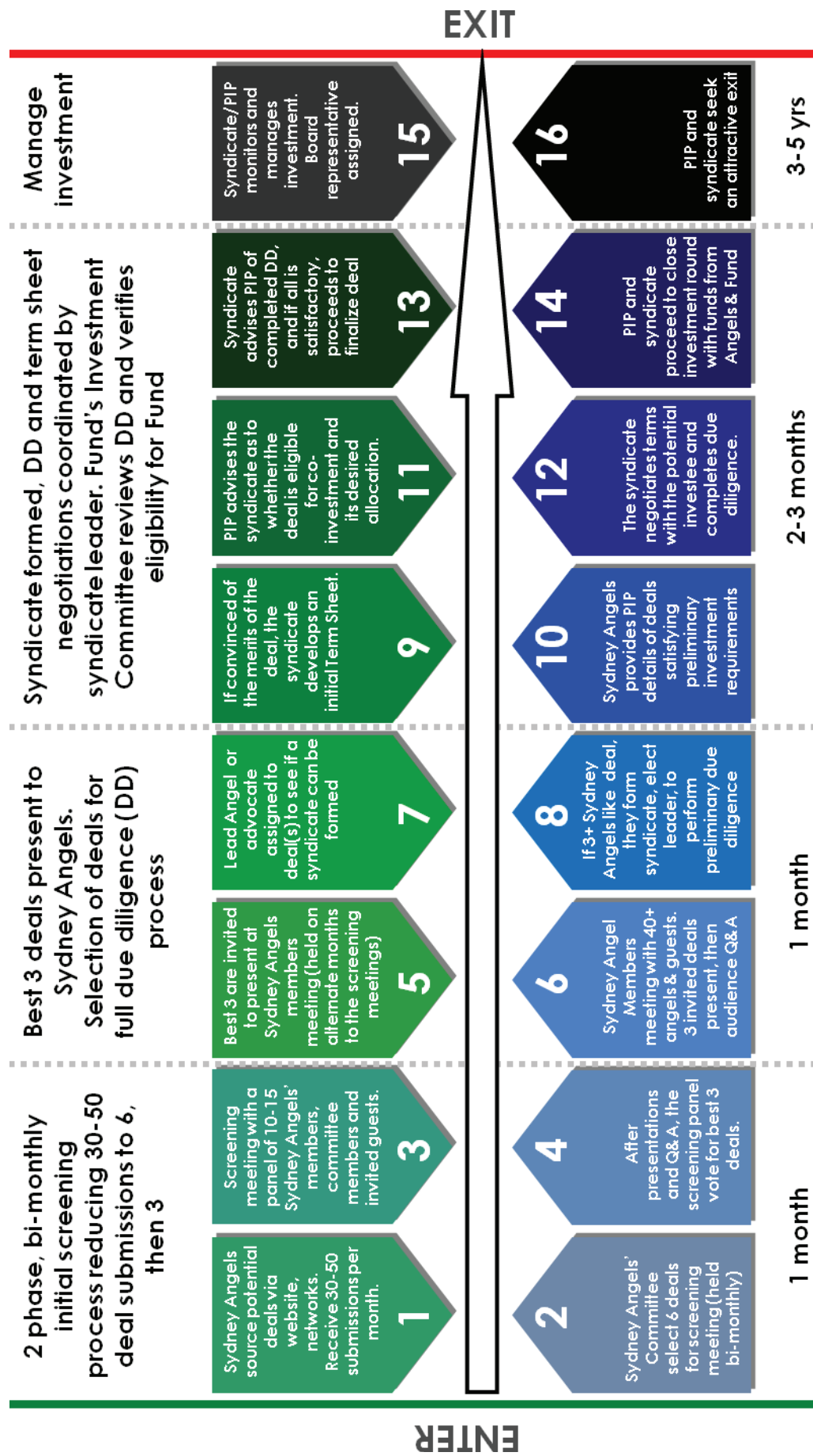
## 4.3 INVESTMENT PROCESS

The Fund's investment process will leverage the established investment processes of Sydney Angels and the skills and experience of its members. Changes to the investment processes of Sydney Angels will necessarily alter the mandate of the Fund. A summary of the current investment process is as follows

|                |   |
|----------------|---|
| <b>Step A:</b> | Sydney Angels sources a potential investment Opportunity.   |
| <b>Step B:</b> | The Opportunity progresses through Sydney Angels' two stage screening process and is invited to present at a Sydney Angels' members meeting.  |
| <b>Step C:</b> | If 3 or more Sydney Angels' members are interested in investing in the Opportunity, they form a syndicate to perform preliminary due diligence on it.   |
| <b>Step D:</b> | If the syndicate is convinced of the merits of the Opportunity, the syndicate develops an initial Term Sheet.   |
| <b>Step E:</b> | Sydney Angels notifies the Fund's Investment Committee of: <ul style="list-style-type: none"><li>◆ the Opportunity and the syndicate leading it; and</li><li>◆ satisfaction of the Fund's preliminary investment requirements.</li></ul>  |
| <b>Step F:</b> | The Fund's Investment Committee: <ul style="list-style-type: none"><li>◆ considers the adequacy of the due diligence conducted in relation to the Opportunity and the experience of the members of the syndicate leading it; and</li><li>◆ advises the syndicate as to whether the Opportunity is eligible for co-investment by the Fund and of the Fund's desired allocation.</li></ul>  |
| <b>Step G:</b> | The syndicate negotiates terms with the potential Investee and completes due diligence. The syndicate advises the Fund's Investment Committee of outcomes of the due diligence and the term sheet negotiation. If the Fund's Investment Committee considers those outcomes to be satisfactory, the syndicate proceeds to close the investment round with funds committed by syndicate members and the Fund.   |
| <b>Step H:</b> | The Fund will commit to match the investment of Sydney Angels' members if the Fund's Investment Committee is satisfied that the Opportunity meets the Fund's Threshold Criteria. In certain cases, the Fund may commit to invest less than the amount that Sydney Angels' members commit to investing (if the overall size of the Opportunity is restricted) or the Fund may commit to invest more than the amount that Sydney Angels' members commit to investing (where the Fund's Investment Committee is satisfied that the Opportunity warrants a larger investment). See section 4.5 for details of the Threshold Criteria. |

(See diagram - Deal Screening, Investment, Management and Exit Process - on following pages)





## 4.4 TERM SHEET NEGOTIATION

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If the syndicate decides to pursue the Opportunity, a draft Term Sheet is developed, based on a template that Sydney Angels provides to its members. The Term Sheet can be customised for the Opportunity and to make provision for potential co-investment by the Fund.

The template Term Sheet will reserve rights of pre-emption, tag along, drag along, anti-dilution, liquidity preference and set out critical business matters requiring special majorities, information rights, observer rights, board seat and right to force an exit after a maximum period of time.

In most cases, Sydney Angels will seek equity instruments that offer a preferred return as well as clear distribution waterfalls and anti-dilution protection. The form of such instruments must comply with the relevant requirements of the legislation applicable to ESVCLPs.

The Sydney Angels' syndicate deal leader will prepare an investment report that:

- ◆ describes the Opportunity;
- ◆ lists the Sydney Angels' syndicate members interested in the Opportunity;
- ◆ lists the indicative investment amounts;
- ◆ outlines the preliminary due diligence findings; and
- ◆ includes the draft Term Sheet.

The Sydney Angels' syndicate deal leader will send the investment report to the Fund's Investment Committee for review.

## 4.5 THRESHOLD CRITERIA

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The Threshold Criteria required to be met before the Fund will make an initial investment in an Opportunity are as follows:

- ◆ the Opportunity is an Eligible Venture Capital Investment under relevant legislation; and
- ◆ the committed total initial investment in the Opportunity by a Sydney Angels member syndicate exceeds \$50,000 (**Angel Investment Amount**); and
- ◆ at least 3 Sydney Angels members (**Investing Members**) commit to investing in the Opportunity; and
- ◆ each Investing Member's commitment is at least the lesser of \$25,000 or 10% of the Angel Investment Amount; and
- ◆ the proposed investment in the Opportunity will be made based on a Term Sheet that includes mandated minimum terms to protect the interests of the Fund and that has been reviewed and approved by the Fund's Investment Committee. The investment will be of a size that is appropriate, taking into account the quantum of the total investment opportunity; and
- ◆ the Fund's Investment Committee considers that the Investing Members:
  - (A) have carried out sufficient due diligence on the Opportunity; and
  - (B) have followed investment practices broadly consistent with those usually followed by Sydney Angels; and
  - (C) will have the ability to provide sufficient time and skill to manage the investment in the Opportunity through to an exit.

## 4.6 MANAGING INVESTMENTS

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The Fund will primarily rely on Sydney Angels' members, with whom it has co-invested, to work closely with the Investee's management team through the course of each investment. The Fund's Investment Committee will, however, take a proactive stance to protect and enhance the value of each investment the Fund makes.

(a) **Board Insider**

The Fund Manager will secure permanent observer rights at Investee board meetings as well as the best available rights to current information from the Investee on a regular and ad hoc basis. The Fund Manager will also endeavour to negotiate the right to appoint a director at any future time to the Investee's board, in conjunction with Sydney Angels.

(b) **Other Influence**

The Fund Manager will endeavour to protect the interests of the Fund by influencing major decisions of Investees through a range of mechanisms including regular access to internal management reports, rights of veto on major decisions, the ability to limit additional funding in circumstances of un-met performance goals and pre-emptive rights in respect of the issue of new shares or the transfer of existing shares.

(c) **Offshore Expansion**

The Fund Manager will utilise, where appropriate, Boab's offshore business development experience and network of contacts to grow Investees in larger offshore markets.

(d) **Fund Raising**

Where appropriate, the Fund Manager will assist Investees with the pricing, structuring and placing of future fund raising rounds.

(e) **Follow-on Investments**

Follow-on investments will be made, contingent on Investee performance and market conditions.

Follow-on investments will not be made in circumstances of under-performance unless the making of the follow-on investment is accompanied by material change delivering better opportunity to generate value.

In making initial investments, the Fund Manager will set aside adequate reserves earmarked for follow-on investments.




## 4.7 EXIT PROGRAM

A strategic portfolio priority will be to commence delivering successful exits and returns within 4 - 5 years. Return of capital to Investors by way of distributions following asset realizations is a priority for the Fund.

Investment opportunities which have the potential to be sold, merged or listed on a recognised stock exchange within 3 - 5 years of the Fund making an initial investment are preferred. In particular, those which have the potential to be acquired by a multinational corporation or relocate to higher growth and higher valuation environments will be actively sought.

## 4.8 EXAMPLES OF SYDNEY ANGELS INVESTMENT OPPORTUNITIES

The following are examples of Opportunities in which Sydney Angels members have invested or, in the case of Ecozean, are in the advanced stages of due diligence.

|   |   |   |   |
|---|---|---|---|
| <b>1</b>  | <br><b>DriveMyCar</b><br>RENTALS | <b>2</b>  | <br><b>Posse</b><br>POWER TO THE POSSE   |
| <p>DriveMyCar is an online rental marketplace that facilitates private car rentals for a weekend, a week, a month or even a year. Unlike regular car rental companies that have a large fixed cost asset base of autos,</p> <p>DriveMyCar rental market offer rental rates up to 60% cheaper. DriveMyCar is aimed at longer term rentals 1-2 weeks at least where the inconvenience of pick-up/drop-off is well and truly offset by the cost savings versus equivalent traditional car rental company rates.</p>                              |   | <p>Posse enables fans of events, entertainment and products to become 'official online promoters' of what they love and earn commissions in the process. Posse is a simple system that benefits everyone involved.</p> <p>Bands empower their fans, fans are rewarded for doing what they already do; promoters save advertising dollars; and purchasers buy from someone they know and whose taste they trust. The model also works for sports tickets, merchandising, gaming and a host of other services and products.</p>   |   |
| <b>3</b>  | <br><b>HEARD</b><br>systems      | <b>4</b>  | <br><b>ECOZEAN</b><br>Environmentally sustainable<br>marine anti-fouling solutions |
| <p>HEARD Systems is developing and commercialising a handheld device suitable for farmers or contractors to pregnancy test cows on farm. The final product will incorporate a radio frequency identification reader for electronic ear tags, and integrate with farm software and websites to provide useful and timely reproductive data.</p> <p>Development and productisation is well underway, with field prototypes validating accuracy now in use, beta products planned for 2010, and final product commercially available in 2011</p> |   | <p>Ecozean is commercializing a proprietary, environmentally friendly, marine anti-fouling coating developed at UNSW. The coating, a wax-based formulation, inhibits the growth of seaweed, tube worms, mussels and other marine fouling on surfaces immersed in the sea.</p> <p>Key advantages include high efficacy, cost effective materials, adaptable application, easy use, risk mitigation and safety. The coating technology has been proven in lab and field trials. Further research will deliver refinement and improved efficacy, durability and expanded applications.</p> |   |

## 5 THE FUND

*This section provides an overview of the Fund's structure and details of the members of the Fund's investment management team.*

### 5.1 FUND STRUCTURE

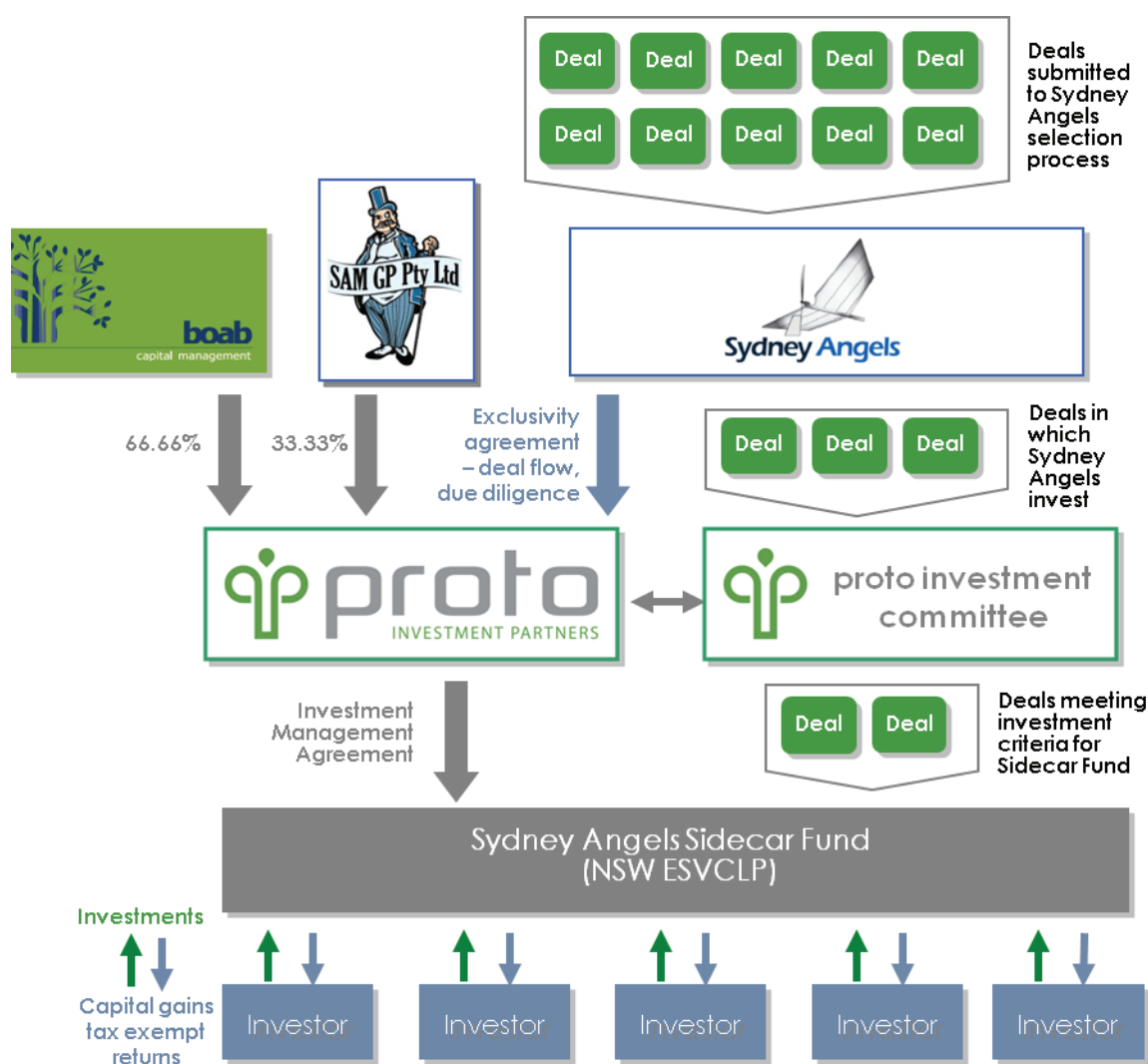
The Fund is being formed in Australia as an unlisted Early Stage Venture Capital Limited Partnership.

The general partner of the Fund is required to be an Australian Venture Capital Management Partnership (**VCMP**). The VCMP of the Fund is PIP Venture Management, An Incorporated Limited Partnership.

The VCMP's general partner (who is also the Fund Manager) is Proto Investment Partners Pty Ltd. The Fund Manager is co-owned by Boab Capital Management Pty Ltd and SAM GP Pty Ltd and is an authorised representative of Boab Capital Management Pty Ltd under its Australian Financial Services License No.284492.

The directors of the Fund Manager are Jeremy Colless, Tim Heasley and Vivian Stewart. Further details of the investment management team are set out in section 5.2.

The Fund Manager has entered into an exclusive co-investment agreement with Sydney Angels Pty Ltd to secure its exclusive co-investment rights. A diagrammatic representation of the business and Fund structure is shown below.



## 5.2 INVESTMENT MANAGEMENT TEAM

The Fund Manager's investment team comprises the following people.

|  |   |
|--|---|
| <p><b>JEREMY COLLESS</b><br/>Managing Director</p>         | <p>Jeremy is the Managing Director of Proto Investment Partners Pty Ltd and will be responsible for the management of the business and will chair the Fund's Investment Committee. Jeremy is also the CEO/CIO of Artesian Capital Management which he co-founded in 2004. Artesian Capital Management is a global alternative investment management firm focused on credit trading, managed futures, private equity and early stage venture capital.</p> <p>Jeremy was previously Global Head Securities Trading and Institutional Sales at ANZ from 1997 to 2004. Jeremy has over 25 years experience in the financial markets since joining ANZ for the first time in 1984. He left ANZ in 1986 and worked at Deutsche Bank, SG Warburg, Lehman Brothers and Macquarie Bank, trading government bonds and credit products, before returning to ANZ. His international experience has included 6 years in NY, with SG Warburg and Lehman Brothers, and 2 years in Hong Kong, also with Lehman Brothers.</p> <p><i>Jeremy has a Bachelor of Science (Physics) &amp; a Bachelor of Arts (Psychology) from the University of Melbourne.</i></p> |
| <p><b>TIM HEASLEY</b><br/>Director</p>                     | <p>Tim is a director of Proto Investment Partners Pty Ltd and sits on the Fund's Investment Committee. Tim is also the COO of Artesian Capital Management. Before joining Artesian, Tim ran ANZ's Alternative Asset Management business, which built the infrastructure for the Artesian's first Fund.</p> <p>Tim was previously Head of Legal &amp; Compliance for ANZ Investment Bank focusing on financial markets and alternative asset funds management. Tim has over 20 years' experience working as a banking and finance lawyer in Australia and New Zealand.</p> <p><i>Tim has a Masters of Banking and Financial Services from the University of Melbourne, a Bachelor of Laws and a Bachelor of Science (Biology) from The University of Canterbury, New Zealand.</i></p>  |
| <p><b>VIVIAN STEWART</b><br/>Director</p>                  | <p>Vivian is a director of Proto Investment Partners Pty Ltd and sits on the Fund's Investment Committee. Vivian is a director of corporate advisory firm Hall Capital and a co-founder of Sydney Angels. Prior to Hall Capital, Vivian was a Commercialisation Manager at the University of Technology, Sydney. In 1999, Vivian co-founded early-stage investment group TiNSHED, which specialised in the internet, media and telecommunication sectors. Between 1996 and 1999, Vivian worked in Hong Kong for Intel Corporation where he managed multiple marketing programs and online brands throughout the Asia-Pacific region.</p> <p>In 1993, Vivian co-founded pioneering Australian Internet Service Provider - Magna Data. Magna Data led business internet access in Australia. In 1999 Magna Data was sold to publicly listed Davnet.</p> <p><i>Vivian has a Bachelor of Arts (Honours) from The University of Sydney and an MBA from the Australian Graduate School of Management.</i></p>   |
| <p><b>RICHARD DALE</b><br/>Investment Committee Member</p> | <p>Richard sits on the Fund's Investment Committee and is the owner of Argo Partners, a licensed advisory firm focused on early stage tech ventures. He is a co-founder of Sydney Angels and a member of the working group furthering the mission of the Australian Association of Angel Investors. At Argo Partners he is responsible for its COMET Business Adviser services and Commercialisation Australia Case Manager services.</p> <p>He was previously Investment Director Amwin Innovation Fund (\$42M early-stage VC fund in the CHAMP group), Senior Associate Booz, Allen &amp; Hamilton Strategy Practice, Management Consultant KPMG (London), Investment Consultant Electra Innvotech Fund (London) and Design Engineer with two entrepreneurial early-stage tech firms.</p> <p><i>Richard has a Bachelor of Engineering (Mech) Hons 1 from the University of WA and an MBA from London Business School.</i></p>   |

## 6 EARLY STAGE VENTURE CAPITAL LIMITED PARTNERSHIPS

*The Fund will be registered as an ESVCLP. This section discusses the advantages/requirements of the ESVCLP legislation.*

### 6.1 GENERAL

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### 6.2 TAX IMPLICATIONS OF ESVCLPs

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A venture capital fund registered as an ESVCLP will have flow-through tax treatment - that is, the ESVCLP will not be taxed at the partnership level.

For investors:

- ♦ capital gains or profits from the disposal or realisation of an investment by the Fund is exempt from Australian income tax if the Fund owned the investment for at least 12 months.
- ♦ income derived from an investment of the Fund (such as dividends paid by an Investee) is exempt from Australian income tax.
- ♦ losses from the disposal or realisation of investments by the Fund are not deductible for Australian income tax purposes.

Investors should note that any interest incurred by an investor on funds borrowed to invest in the Fund will not be deductible for Australian income tax purposes.

### 6.3 REGISTRATION REQUIREMENTS

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An ESVCLP must be registered with Innovation Australia and have its investment plan and partnership agreement approved before it commence its investment activities. Further details on the requirements of the Fund's investment plan are set out in section 6.5.

There are also a number of registration requirements which must be met in order for an ESVCLP to maintain its registration. These registration requirements include:

- ♦ an ESVCLP must not invest more than 30% of its total committed capital in one company/unit trust and any associate or other member of the same wholly owned group of that company/unit trust. This ensures a minimum level of portfolio diversification.
- ♦ the size of the ESVCLP fund must be at least \$10 million and not greater than \$100 million.
- ♦ investments made by an ESVCLP are required to be Eligible Venture Capital Investments. Further details on what constitutes an Eligible Venture Capital Investment are set out in section 6.4.

The relevant legislation also contains a divestiture requirement in relation to Eligible Venture Capital Investments held by the Fund. If the value of the Investee's assets (and any connected entities' assets) exceeds \$250 million at the end of the Fund's income year, the Fund must divest its interest in the Investee.

### 6.4 ELIGIBLE VENTURE CAPITAL INVESTMENTS

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An ESVCLP must only acquire Eligible Venture Capital Investments. The criteria for an Eligible Venture Capital Investment include:

- ♦ an ESVCLP must not invest in entities with total assets that exceed \$50 million.
- ♦ an ESVCLP may only invest in entities whose predominant activities do not include property development, land ownership, banking, providing capital to others, leasing, factoring, securitisation, insurance, construction or acquisition of infrastructure or related facilities, and making investments directed at deriving income in the nature of interest, rents, dividends, royalties or lease payments.
- ♦ the investment must be in shares, options, units or convertible notes<sup>8</sup> that are held at risk in an Investee.
- ♦ the Investee must meet certain Australian nexus requirements at the time of investment. However, up to a maximum of 20% of the ESVCLP's committed capital may be invested in nonresident entities.
- ♦ no single partner's interest in an ESVCLP may exceed 30% of the total committed capital. There are exceptions to this rule, which include superannuation funds, authorised deposit taking institutions

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8 Other than convertible notes that are debt interests.



and life insurance companies. If the Investee is a company, the shares of that company must not be listed for quotation when the investment in that Investee is made. The ESVCLP may retain its investment if the company is subsequently listed, however secondary investments in the Investee made after the Investee is listed will not benefit from the taxation concessions referred to in section 6.2.

- ◆ investments will normally involve an allotment of new securities by the Investee, but in certain limited circumstances, the Fund may acquire “pre-owned” securities.
- ◆ the Investee must have a registered auditor at the end of the financial year in which the investment occurs.

## **6.5 INVESTMENT PLAN**

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As part of the registration process, the Fund must submit an investment plan for approval by Innovation Australia. In determining whether to approve the Fund's investment plan, Innovation Australia must consider the extent to which the Fund focuses on early stage venture capital. In doing so, Innovation Australia must have regard to:

- ◆ the stages of development of the Investees in which the Fund proposes to invest;
- ◆ the levels of cash flow of the Investees;
- ◆ the levels of technology of the Investees;
- ◆ the proportions of intellectual property to total assets of the Investees;
- ◆ the levels of risk and return of the Investees;
- ◆ the amount of tangible assets and collateral of the Investees against which borrowings may be secured;
- ◆ the manner in which the Fund will make and hold investments;
- ◆ whether the Fund's committed capital can only be used in relation to early stage venture capital, and whether it can be transferred to other entities;
- ◆ whether the Fund's investment plan is connected with other plans for investment that, if combined, would lead to the Fund exceeding the \$100 million fund limit; and
- ◆ any additional matters specified in a guideline which may be issued.

If the Fund does not act in accordance with its approved investment plan, Innovation Australia can revoke its registration. The Fund would then be taxed as an ordinary limited partnership at the corporate tax rate.

The Fund Manager intends that the Fund will always act in accordance with its approved investment plan.

## **6.6 REPORTING TO INNOVATION AUSTRALIA**

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The Fund is required to report to Innovation Australia on its investment activities and other matters quarterly and annually.

Innovation Australia will monitor compliance through examining relevant documents including both the Fund's quarterly and annual reports. Innovation Australia may also ask for additional information it considers necessary for the purposes of administering the program. Compliance assessment is also undertaken by the Australian Taxation Office which receives copies of all Fund reports submitted to Innovation Australia and may undertake risk assessment activities to ensure compliance with the legislation under its administration.

## 7 KEY TERMS

*This section contains a summary of the key terms and conditions of an investment in the Fund.*

The Partnership Deed contains detailed information concerning the rights and obligations of an investor of the Fund, the powers and functions of the General Partner and the manner in which the Fund will be managed.

Prospective investors should review, and seek independent legal advice in respect of, the Partnership Deed before making any application to invest in the Fund.

The following section highlights the key terms of the Partnership Deed.

|  |  |
|--|--|
| <b>Capital Calls:</b>                                    | Investors must comply with a call for capital within 10 business days.   |
| <b>Cornerstone Investor and initial Limited Partner:</b> | An associate of the Fund Manager, Hand in Glove Management Pty Ltd ACN 134 909 756, has committed \$2 million to the Fund. If the Fund Manager receives commitments of \$15 million and the Fund is over-subscribed, the Fund Manager may, in its discretion, decide to reduce its capital commitment.   |
| <b>Distributions and Carried Interest:</b>               | Distributions will be made in the following order: (1) to each limited partner, until each limited partner has been repaid its capital contribution; and (2) to the general partner and the limited partners in the proportions 20% and 80% respectively. The net cash proceeds (including any non-transaction liabilities which may need to be met) from divestments will be distributed to the Fund's investors promptly in accordance with distribution entitlements. Unless all Investors agree otherwise, the Fund Manager is responsible for converting any proceeds of divestment or liquidation into cash before distribution. Proceeds of investment realisations will not be available for re-investment but may be applied to payment of current and future Fund liabilities. |
| <b>Early Termination of Fund:</b>                        | By special resolution, the Fund may be terminated before its full term but not earlier than the date that is five years after the date on which the Fund is registered as an ESVCLP.   |
| <b>Eligible Investors:</b>                               | An interest in the Fund will only be issued to investors who qualify as Wholesale Clients as defined in the Corporations Act 2001 (Cth).   |
| <b>Establishment Costs:</b>                              | The Fund will reimburse the General Partner for all costs properly incurred by the General Partner and the Fund Manager in the establishment of the Fund to a maximum of \$200,000 (excluding GST).  |
| <b>Expenses:</b>   | The Fund will reimburse PIP for all out-of-pocket expenses incurred in connection with the management of the affairs of the Fund, including, but not limited to, legal, audit, accounting and valuation fees, introduction and similar fees, external consultants' fees, the cost of printing and circulating reports and notices, and any third party professional costs which are associated with an existing or prospective investment and divestment which are not borne by the relevant Investee, and any taxes, fees or other government charges levied against the Fund.  |
| <b>Fund's Tax Year:</b>                                  | 30 June  |
| <b>General Partner:</b>                                  | The General Partner of the Fund is PIP Venture Management, ILP.  |
| <b>Investing after the First Closing:</b>                | Investors admitted after the First Closing will be required to contribute to the Fund as if they had been admitted at the First Closing, plus the time value of money on that amount calculated at 12% per annum.  |
| <b>Investment Limits:</b>                                | The Fund may not invest more than 30% of total capital commitments in any one Investee (or its associates).  |
| <b>Investment Period:</b>                                | 5 years after the Final Closing. The only investments permitted after that date are follow-on investments that the Fund has contingent obligations to make and investments that are at term sheet stage or which have otherwise been approved but not yet completed.   |



|  |  |
|--|--|
| <b>Liability and Indemnities:</b>            | <p>The General Partner is not personally liable for the return of a Capital Contribution paid by a Limited Partner and is not liable for any claim, loss, damage or outgoing paid, <b>(Claim)</b> suffered or incurred by the Fund or a Limited Partner except to the extent that the liability arises under a partnership act in force in any jurisdiction (provided the relevant partnership act applies to the Fund or the Partners) or the Claim results from a material breach of an obligation of the General Partner under the Partnership Deed which is either without a belief by it in good faith that it performed the obligation or gross negligence by it, a material breach of fiduciary duty by the General Partner or fraud or dishonesty by the General Partner.</p> <p>In addition to any indemnity at law, the General Partner has the right to be indemnified out of the assets of the Partnership in respect of any loss, damage or outgoing of:</p> <ol style="list-style-type: none"> <li>1. in respect of any loss, damage or outgoing of: <ol style="list-style-type: none"> <li>(a) the General Partner in relation to the role, rights, powers and obligations of the General Partner under the Partnership Deed or in relation to the Fund; or</li> <li>(b) the Fund payable under the Partnership Deed to the General Partner; and</li> </ol> </li> <li>2. against all actions, proceedings, claims and demands brought against the current or former General Partner in its capacity as General Partner in respect of any matter or thing done or omitted, except to the extent the current or former General Partner is not under excluded from liability for the loss, damage, outgoing, action, proceeding, claim or demand under the terms of the Partnership Deed.</li> </ol> |
| <b>Management Fee:</b>                       | <p>For the first 5 years of the Fund: 2% p.a. (exclusive of GST) of the total committed capital, payable quarterly in advance; and</p> <p>On and from year 6 of the Fund: 2% per annum (exclusive of GST) of invested capital payable quarterly in advance.</p>  |
| <b>Paid up Portion of Committed Capital:</b> | <p>The initial paid up proportion on the committed capital of each limited partner will be 20%. The General Partner will increase the paid up proportion on the committed capital of each limited partner from time to time so that at least a 10% buffer is maintained at all times during the investment period until such time as the Paid Up Proportion of each partner is 100%.</p>   |
| <b>Replacement of General Partner:</b>       | <p>The General Partner must retire as the General Partner of the Fund in any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. the General Partner ceases to carry on business;</li> <li>2. an insolvency event occurs in respect of the General Partner;</li> <li>3. under or as a result of the any applicable laws of Australia: <ol style="list-style-type: none"> <li>(a) the General Partner is prohibited from being a general partner of the Fund;</li> <li>(b) the General Partner is prohibited from taking part in the management of the business of the Fund; or</li> <li>(c) the partnership will suffer a material penalty under an applicable law as a result of the General Partner continuing to be the General Partner of the Fund.</li> </ol> </li> </ol> <p>However, the General Partner is not required to retire under 1, 2 or 3(c) if the continuation of the General Partner as the General Partner is approved by Special Resolution.</p>   |
| <b>Reporting:</b>                            | <p>The Fund Manager will report to investors each quarter, or more frequently as required.</p>   |
| <b>Term:</b>                                 | <p>10 years, unless extended by at least 75% of the voting rights.</p>   |
| <b>Transfer of Fund Investments:</b>         | <p>Transfers or other forms of dealing with a limited partnership interest are subject to a pre-emptive rights process, as well as a vetting process for incoming investors. Certain permitted transfers are exempted from the pre-emptive rights process. There is no ability to redeem Fund Interests or otherwise withdraw capital from the Fund.</p>   |
| <b>Valuation:</b>                            | <p>Fund assets will not be subject to a valuation process other than when they are sold.</p>   |

## 8 RISK FACTORS

*This section highlights some of the risks of an investment in the Fund including economic and regulatory risks, general investment risks and risks specific to the Fund.*

### 8.1 OVERVIEW

An investment in the Fund involves a number of significant risks that relate to investments in funds generally, and that relate to the structure and investment objective, approach and strategies of the Fund in particular. Some of those risks are set out below.

The risk factors set out in this section should not be taken as exhaustive of the risks faced by the Fund or its Investors. They, and other risks not specifically referred to, may in the future materially affect the financial performance of the Fund, the value of Fund and the return to Investors. The Fund Manager gives no assurance or guarantee of future profitability, payment of distributions, return of capital or performance of the Fund or its investments.

While the Fund Manager intends on using its investment experience, strategy and procedures to mitigate risk where possible, there are risk factors which will be outside the control of the Fund Manager and cannot be mitigated against.

Potential Investors should assess their appetite for such risks independently and consult with their own advisors before making a decision to invest in the Fund.

### 8.2 ECONOMIC AND REGULATORY RISKS

|                                    |   |
|------------------------------------|---|
| <b>Deal Flow</b>                   | Deal flow may not be available to PIP to the extent that it has been available to PIP's shareholders in the past.   |
| <b>General Economic Conditions</b> | General economic conditions (including interest rates, exchange rates and underlying inflation in Australia and internationally) may affect the Fund's activities. These may impact on financing costs (both in respect of the operation of companies and to potential purchasers of the companies) and the state of the market for stock exchange floats. Downturns in economies usually have a negative effect on the earnings of companies and the availability of suitably valued exits.  |
| <b>Regulatory Changes</b>          | Regulatory changes to the ESVCLP regime may affect optimum investment decision making by PIP. The actions of governments and regulators have a significant influence on the outlook for companies and the returns to investors. At the date of this Information Memorandum, PIP is not aware of any imminent regulatory changes that will affect the Fund's operations, however, prospective investors should be aware that the consequences of regulatory change or additional regulation on the Fund's operations or the liquidity and functioning of the markets in which the Fund invests (and, possibly, on the Fund itself) may have adverse consequences for the Fund. |
| <b>Tax Changes</b>                 | Changes to legislation may impair the tax status of the Fund, the net proceeds of sale of investments or the tax concessions that are currently available to investors as a result of an investment in the Fund.  |

### 8.3 GENERAL INVESTMENT RISKS

|   |   |
|---|---|
| <b>Competition and Conflict of Interest</b> | The Fund will compete with other funds (possibly including other investment entities managed by PIP and its affiliates), other Angel groups, individual Angels and institutional investors for the same or similar investment opportunities. In addition, the availability of investment opportunities is subject to change, and there is no assurance that PIP will be able to identify opportunities that are sufficient to achieve its investment objective. |
| <b>Concentration and Diversification</b>    | The Fund aims to maintain a diversified portfolio of investments. PIP cannot guarantee that the Fund will perform with any degree of non-correlation to an Investor's other investments. The Fund may lack diversification by investing in only a few select investments and/or countries, which increases the risk of loss in the event an investment decision does not move in the desired direction.   |

|  |   |
|--|---|
| <b>No Assurance of Investment Return</b> | No assurance of investment return can be given to investors. The return on investment will depend on the success of the Fund's specific investments which cannot accurately be forecast at the date of this Information Memorandum. Returns to Investors, if any, should not be expected in the short term or at regular intervals. Investors may not receive any return on their investment in the Fund and may lose the amount of capital invested in the Fund. |
| <b>Speculative Investment</b>            | Investment in the Fund should be regarded as speculative, involves a high level of risk and is subject to the conflicts of interest described in this Information Memorandum. Investments should be considered only by sophisticated or professional investors able to sustain a loss of all or part of the sum invested and who do not require certain or predictable income flows or liquidity in their investments.  |

## 8.4 RISKS SPECIFIC TO THE FUND

|                                   |  |
|-----------------------------------|--|
| <b>Borrowing</b>                  | The Fund does not intend to borrow, but does have the authority to do so should circumstances change. If the Fund is required to borrow, assets of the Fund may be used as security against the loan.  |
| <b>Conflicts of Interest</b>      | <p>PIP and its affiliates expect to advise other clients and funds, whose accounts may purchase or sell similar investments as the Fund. In addition, PIP and its affiliates may manage other funds that may purchase or sell similar investments as the Fund. In managing the investments of these funds, conflicts of interest may arise.</p> <p>Neither PIP nor its affiliates are required to devote all or any specified portion of its or their time to managing the Fund's affairs, but need only devote so much of its or their time to the Fund's affairs as it or they reasonably believe necessary in good faith. There is nothing to prohibit PIP or its affiliates from engaging in any other existing or future business, and PIP and its affiliates may provide investment management services to other clients. The Fund may have limited or no interest in such other investment activities.</p> <p>The Fund and PIP are represented by the same counsel. Therefore, the terms of this investment opportunity relating to those parties were not negotiated at arm's length. In addition, no independent due diligence has been conducted with respect to this investment opportunity.</p> <p>Other present and future activities of PIP and its respective affiliates may give rise to additional conflicts of interest. In the event that a conflict of interest arises, PIP will attempt to minimise or resolve such conflict, to the extent feasible, in a fair and equitable manner.</p> |
| <b>Defaults on Calls</b>          | Failure of any Investor of the Fund to pay calls may result in the cancellation of the Fund Interests of that Investor, or sale at the cost of the defaulting Investor.  |
| <b>Development Costs</b>          | Capital provided to Investees may be absorbed by development costs, leaving little available for sales and marketing of their products and services.   |
| <b>Distribution in-Kind</b>       | Although, under normal circumstances, the Fund intends to make distributions in cash upon redemption of Fund Interests, it is possible that, under certain circumstances (including the liquidation of the Fund), distributions may be made in-kind and could consist of securities or other investments for which there is no readily available public market.  |
| <b>Extra Funding</b>              | Investees may be forced to seek extra funding in return for equity participation. This would require the Fund to provide extra financial support or dilute the equity stake of the Fund. The price of any new equity participation in the Investees may be cheaper than the price which was available to the Fund, thereby favouring new investors, to the detriment of the Fund.  |
| <b>Heavy Reliance on Founders</b> | The success of a private enterprise is often due to the efforts of the founders or a small management team. Their continued good performance and commitment to the enterprise is highly important for its future success. Therefore, the Fund is reliant on the management team of the enterprises in which the Fund invests.  |

|  |   |
|--|---|
| <b>Inconsistency</b>                         | PIP may invest in non-controlling investments and/or co-investments that require decision making to be shared with other funds or investors, who may not have investment objectives that are consistent with those of the Fund.   |
| <b>Investments in Early Stage Businesses</b> | The Fund will invest in early-stage and expanding companies that may not have consistent sales or income. They may also have difficulty attracting management and employees with the right mix of skills and expertise, especially at the various stages in their life cycles when different abilities are required. These Investees may have a high risk of business failure. It is possible that a proportion of these investments will fail and the Fund will experience losses. |
| <b>Lack of Management Control</b>            | Investors have no right to control the operations of the Fund, and with limited exceptions, are precluded from participation in the Fund's management. Investors must rely on PIP to manage the affairs of the Fund. PIP has wide latitude in making investment decisions.  |
| <b>Liquidity Risk</b>                        | There is no requirement for any person to redeem or buy back or facilitate the sale or transfer of an interest in the Fund.   |
| <b>No Liquidity</b>                          | An Investor cannot withdraw any money invested in the Fund and may only receive distributions made following the divestment of the investments of the Fund.   |
| <b>No Operating History</b>                  | The Fund is a new enterprise with no operating history. There can be no assurances that PIP will achieve the Fund's investment objective. It is possible that an Investor could suffer a complete loss as a result of an investment in the Fund.  |
| <b>Performance Fee</b>                       | The fact that PIP's carried interest is based on the performance experienced by each Investor may create an incentive for PIP to make investments that are riskier or more speculative than would otherwise be the case in the absence of such fee.   |
| <b>Product Risk</b>                          | Investees may experience the often short and unpredictable life cycle of technology-based products and services and some of their products may take a long time to reach the market. Any developed products may be difficult or expensive to manufacture or distribute.   |
| <b>Reliance on PIP</b>                       | The success of the Fund's investments is partly dependent upon the ability of PIP to develop and implement investment strategies that achieve the Fund's investment objective. If PIP, or its key executives, cease to be involved in the management of the Fund, the Fund could be adversely affected. There is no prohibition on PIP resigning upon due notice to the Fund.   |
| <b>Reliance on Sydney Angels</b>             | The success of the Fund's investments is dependent upon the ability of Sydney Angels to attract, and properly scrutinise, Opportunities. The Fund could be adversely affected if Sydney Angels ceases to operate, if Sydney Angels materially changes the manner in which it currently operates or if the members of the Sydney Angels Committee cease to be involved with Sydney Angels.   |

## 8.5 SUMMARY

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### Angel Investing is Risky

- Angel investing is risky. A US academic study of Angel investments in November, 2007 ("Returns to Angel Investors in Groups" – Willbank & Boeker) found that Angels lose some or all of their money in 52 % of their investments because the companies go out of business.
- The most sophisticated Angels make at least ten investments in order to make a return on their investment, counting on one or two to provide nearly all of their return. This structure of portfolio returns is similar to that experienced by venture capital funds.
- Angel investments bear high risk and are usually subject to dilution from future investment rounds. As such, they require a high return on investment.
- Since a large percentage of Angel investments are lost completely when early stage companies fail, experienced Angel investors seek investments that have the potential to return at least 10 or more times their original investment within 5 years, through a defined exit strategy, such as plans for an initial public offering or an acquisition.

### General Risks

- No assurance of investment return can be given to Investors. The return on investment will depend on the success of the Fund's investments and there can be no assurance that any or all of the Fund's investments will be successful in generating the target returns.
- The Fund will invest in early-stage and expanding companies that may not have consistent sales or income. They may also have difficulty attracting management and employees with the right mix of skills and expertise, especially at the various stages in their life cycles when different abilities are required.
- General economic conditions (including interest rates, exchange rates and underlying inflation in Australia and internationally) may affect the Fund's activities. These may impact on financing costs (both in respect of the operation of companies and to potential purchasers of the companies) and the state of the market for stock exchange floats.
- Investments should be considered only by sophisticated or professional investors who understand the nature and extent of the risk.

### Risk Mitigation

- Proto Investment Partners employs a number of risk mitigation techniques including:
  - Leveraging the deal screening and processing capabilities and broad industry experience of the Sydney Angels.
  - Standardising term sheets
  - Board representation on investee companies or observer rights .
  - Process driven investment process.
  - Angelsoft's deal-flow and portfolio management tools for accepting, tracking and collaborating on early-stage investments.
  - Investment committee investment review and potential veto.
  - Pro-rata rights for future investment rounds
  - Portfolio diversification with 25-30 investee companies ranging across size and sector.
  - Spreading investment timing of deals over 5 year period.

## 9 GLOSSARY AND DEFINITIONS

*In this Information Memorandum, unless the contrary is clearly indicated or the context requires a meaning to the contrary, capitalised terms have the meanings attributed to them below.*

| Term or Abbreviation                       | Meaning   |
|--|---|
| <b>AAAI</b>                                | The Australian Association of Angel Investors Limited, the national, not-for-profit peak body for Australian Angels and Angel Groups.   |
| <b>Additional Angel Investment Amount</b>  | The aggregate additional amount committed to an Opportunity by Investing Members in a second or subsequent Round.   |
| <b>Angel</b>                               | An individual investor who personally invests his or her own capital and time directly into start-up and early stage businesses in exchange for shares or convertible debt.   |
| <b>Angel Group</b>                         | A group or network of Angels who come together to view and share investment opportunities, collaborate and pool investment capital.   |
| <b>Angel Investment Amount</b>             | The committed total initial investment in an Opportunity by a Sydney Angels syndicate being an amount between \$50,000 and \$500,000.   |
| <b>ATO</b>                                 | Australian Taxation Office  |
| <b>Boab</b>                                | Boab Capital Management Pty Ltd (ACN 112 089 488), owner of two-thirds of the share capital in PIP and a wholly owned subsidiary of Artesian Capital Management (Australia) Pty Ltd.  |
| <b>Corporations Act</b>                    | Corporations Act 2001 (Cth)   |
| <b>Eligible Venture Capital Investment</b> | Has the meaning given in the Income Tax Assessment Act 1997 (Cth).  |
| <b>ESVCLP</b>                              | An Early Stage Venture Capital Limited Partnership registered with Innovation Australia as such.  |
| <b>Final Closing</b>                       | The final date on which the Fund will accept subscriptions for Fund Interests.  |
| <b>First Closing</b>                       | The date on which subscriptions of at least \$10 million are committed and accepted by the Fund Manager.  |
| <b>Fund</b>                                | The Sydney Angels Sidecar Fund, ILP, an unlisted ESVCLP registered as such with Innovation Australia.   |
| <b>Fund Interest</b>                       | An Investor's interest in the Fund as a limited partner of the ESVCLP. The relative proportion of each Investor's Fund Interest will be determined by the pro rata proportion which that Investor's Capital Commitment Amount to the Fund bears to the Total Capital Commitments. |
| <b>Fund Manager</b>                        | Proto Investment Partners Pty Ltd (ACN 143 267 270), the investment manager of the Fund. Also known as "PIP".   |
| <b>General Partner</b>                     | PIP Venture Management, ILP.  |
| <b>Information Memorandum</b>              | This information memorandum.  |
| <b>Innovation Australia</b>                | An independent statutory body established to assist with the administration of the Australian Government's innovation and venture capital programs (including the ESVCLP program) designed to support industry innovation.  |
| <b>Investee</b>                            | An early stage enterprise in which an investment is made.   |
| <b>Investing Members</b>                   | The Sydney Angels' members who commit to investing in an Opportunity.   |
| <b>Investment Committee</b>                | The Fund's investment committee.  |
| <b>Limited Partner</b>                     | A limited partner of the ESCVLP. An investor in the Fund.   |
| <b>Opportunity</b>                         | A potential investment opportunity considered by an Angel, an Angel Group or the Fund.  |
| <b>Partnership Deed</b>                    | The early stage venture capital limited partnership deed between PIP Venture Management, ILP (as general partner) and Hand in Glove Management Pty Ltd (as initial limited partner) dated on or about the date of this Information Memorandum.                                    |



|                                |   |
|--------------------------------|---|
| <b>PIP</b>                     | Proto Investment Partners Pty Ltd (ACN 143 267 270), the investment manager of the Fund. Also known as the "Fund Manager".  |
| <b>PwC</b>                     | PricewaterhouseCoopers.   |
| <b>SAM GP</b>                  | SAM GP Pty Limited (ACN 143 573 602), owner of one-third of the capital of PIP. The owners of SAM GP are the founders of Sydney Angels and members of its management committee.   |
| <b>Sidecar fund</b>            | A fund that co-invests with an Angel Group.   |
| <b>Sydney Angels</b>           | The Sydney-based Angel investment group known as 'Sydney Angels' which is operated by Sydney Angels Pty Ltd and is described further in section 3.  |
| <b>Sydney Angels Committee</b> | The management committee appointed by Sydney Angels Pty Ltd to run the affairs of Sydney Angels.  |
| <b>Term Sheet</b>              | A summary of the principal terms of a proposed investment typically detailing pricing to achieve a return commensurate with the risk; structuring to protect capital, to maintain influence and to deliver liquidity; and the principal terms of the equity instrument and other documents. |
| <b>Threshold Criteria</b>      | As described in section 4.5.  |
| <b>Total Committed Capital</b> | The aggregate of all committed capital amounts from time to time.   |
| <b>VCMP</b>                    | A Venture Capital Management Partnership, as defined in the Venture Capital Act 2002 (Cth).   |
| <b>Wholesale Client</b>        | Has the meaning ascribed to that term in Chapter 7 of the Corporations Act.   |

Application Form &  
Deed of Accession





## 10 APPLICATION FORM

**TO: Proto Investment Partners Pty Ltd ACN 143 267 270, an authorised representative of Boab Capital Management Pty Ltd ACN 112 089 488 under Australian Financial Services License No.284492.**

This Application Form is distributed together with the Information Memorandum dated 7 July 2010 (**Information Memorandum**) for the Sydney Angels Sidecar Fund (**Fund**). This Application Form is personal to the recipient of the Information Memorandum and must not be passed on to third parties.

Unless the context expressly requires a meaning to the contrary, all capitalised words or terms in this Application Form have the meaning given in the Information Memorandum. For sections A to J, refer to attached guide. Please use BLOCK LETTERS.

### A. COMPLETE FULL NAME DETAILS

|  |
|--|
| Individual, Trustee Name (state also name of trust) or Company Name (including Australian Business Number (ABN), if applicable or Australian Company Number (ACN)) |
| (The "Applicant")  |

**B. ENTER TAX FILE NUMBER (TFN) OR EXEMPTION CODE** (Not required if ABN provided.)

I / We authorise Proto Investment Partners Pty Ltd to apply this TFN or exemption code to all my / our investments in the Sydney Angels Sidecar Fund.

|  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|

### C. INVESTMENT

|                                 |  |
|---------------------------------|--|
| <b>Total Capital Commitment</b> | <b>First Instalment*</b>   |
| Minimum of \$100,000            | * 20% Total Capital Commitment payable on application (make cheque payable to Proto Investment Partners Pty Ltd) |
| A\$                             | A\$  |

#### D. ADDRESS

| Complete Address          |           |
|---------------------------|-----------|
| Level, Number and Street: |           |
| Suburb, City or Town:     |           |
| State:                    | Postcode: |

## E. CONTACT

| Contact Details    |                    |
|--------------------|--------------------|
| Contact Name:      |                    |
| Direct: (        ) | Mobile: (        ) |
| Email:             |                    |

## F. PRIVACY ACKNOWLEDGEMENT

By completing the Application Form attached you agree to us collecting, holding and using information about you to process your application, and to administer and manage our obligations to you. You need not give us any personal information requested in the Application Form or in any other document or communication relating to the Fund. However, without this information, we may not be able to process your application or properly carry out our obligations to you under the Partnership Deed.

We may disclose your personal information if:

- (a) acting in good faith, we believe that the law requires or permits us to do so; or
- (b) if you consent.

We may use your personal information to offer other investment opportunities that may be of interest to you unless you request us not to.

Under the Privacy Act 1988 (Cth), you may request access to your personal information that we hold. You can contact us to make such a request or for any other reason relating to the privacy of your personal information by telephoning us at +61 3 9667 0555 or writing to us at Proto Investment Partners, Level 7, Alcaston House, 2 Collins Street, Melbourne, Victoria 3000.

**Please tick the box to acknowledge that you have read and understood the privacy statement above and agree to the information about you being collected, used and disclosed in accordance with the privacy statement.**

☐

## G. DISTRIBUTIONS

Please credit all distributions on the holdings as registered in the above name(s) to the following financial institution account. This instruction is only applicable to banks, building societies and credit unions within Australia. If no account details are provided, amounts will be sent by cheque to the above address.

| Account Details                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Name of Financial Institution:        |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Branch (full address):                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| BSB Number:                           | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |                      |                      |                      |                      |                      |                      |
| Account Number:                       | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Name(s) in which the Account is held: |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |

**The account may only be in the name(s) of the investor(s).**

|                  |
|------------------|
| Type of Account: |
|------------------|

## H. DECLARATION

The / Each Applicant acknowledges that investments in the Fund pursuant to the Information Memorandum are not deposits with or other liabilities of the Fund and are subject to investment risk including, but not limited to, those set out in the Information Memorandum.



## I. EXECUTION

For execution by an individual:

**SIGNED** by the Applicant in the presence of:

| Signature of Witness | Signature of Applicant |
|----------------------|------------------------|
|                      |                        |
| Name of Witness      | Name of Applicant      |
|                      |                        |

For execution by a corporate entity:

**SIGNED** by the Applicant by two directors or a director and a secretary in accordance with section 127 of the Corporations Act:

| Signature of Director | Signature of Director/Secretary*<br>(* Delete whichever does not apply) |
|-----------------------|---|
|                       |   |
| Print Name            | Print Name  |
|                       |   |

## J. ACCOUNTANT'S CERTIFICATE

If your total capital commitment is less than \$500,000 and you are not otherwise a Wholesale Client, you must have a qualified accountant\* complete the accountant's certificate below. The definition of qualified accountant is provided on the certificate:

I, \_\_\_\_\_ of \_\_\_\_\_

being a qualified accountant\* certify that \_\_\_\_\_  
(the Applicant)

- (a) has net assets in excess of \$2.5 million; or  
(b) had a gross income in excess of \$250,000 per annum for each of the last two financial years.

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_ Accountant's Qualification(s): \_\_\_\_\_

### \*Qualified accountant means:

- ♦ any member of the CPA Australia (CPA) who is entitled to use the post-nominals "CPA" or "ASA" and is subject to and complies with the CAP's continuing professional development requirements;
- ♦ any member of The Institute of Chartered Accountants in Australia (ICAA) who is entitled to use the post-nominals "CA" or "FCA" and is subject to and complies with the ICAA's continuing professional education requirements; and
- ♦ any member of the National Institute of Accountants (NIA) who is entitled to use the post-nominals "MNIA" or "FNIA" and is subject to and complies with the NIA's continuing professional education requirements.

**OFFICE USE ONLY**

| Investor No. | Account No. | Reference No. | Opening Date |
|--------------|-------------|---------------|--------------|
|              |             |               |              |

**K. APPLICATION FORM - GUIDE**

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

If you have any queries concerning the completion of the Application Form, please call:

**Tim Heasley**

Phone: +613 9667 0555

Email: tim@protoinvest.com

|          |   |
|----------|---|
| <b>A</b> | Write the full name you wish to appear in the partnership register of the Fund.   |
| <b>B</b> | Enter your TFN or exemption codes. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and failure to do so will not affect your application.  |
| <b>C</b> | Write the amount you wish to invest and the amount of your first instalment.  |
| <b>D</b> | Please enter your postal address for all correspondence. All communication to you from the Fund will be directed to the contact person in section E at the address in section D of the Application Form.  |
| <b>E</b> | Please enter the phone number(s), email address and the name of the person responsible for day-to-day contact with the Fund Manager.  |
| <b>F</b> | Please tick the box acknowledging that you have read the Privacy Statement at the end of this Application Form.   |
| <b>G</b> | Please provide details of the financial institution account in Australia into which your distributions will be directly credited.   |
| <b>H</b> | You must read the declaration before signing the Application Form. If you do not understand the declaration, seek legal advice before signing the Application Form.   |
| <b>I</b> | The Application Form is not validly completed unless signed by the Applicant(s) and witnessed if the Applicant is an individual. All parties must sign joint applications.  |
| <b>J</b> | The purpose of the accountant's certificate is to ensure an investor is eligible to participate in the offer to acquire an interest in the Fund which is an offer that does not require a prospectus or disclosure document under the Corporations Act. |

**Please return the completed Application Form together with the completed Deed of Accession in section 11 of this Information Memorandum and a cheque in the amount of the First Instalment to:**

**Proto Investment Partners**  
Level 7, Alcaston House  
2 Collins Street  
Melbourne VIC 3000  
Attention: Tim Heasley



## 11 DEED OF ACCESSION

|                   |
|-------------------|
| <b>APPLICANT:</b> |
| I/We:             |
| Of:               |

|   |                   |
|---|-------------------|
| <b>AS TRUSTEE/CUSTODIAN/SUB-CUSTODIAN/NOMINEE* OF :</b> | <b>ABN NUMBER</b> |
| (*Delete whichever does not apply):                     |                   |
|   |                   |

(Applicant) make this deed poll in favour of the Partners and agree as follows:

|   |
|---|
| <b>A. DEFINITIONS</b>   |
| In this deed poll the definitions and interpretations contained in clause 1 of the Sydney Angels Sidecar Fund Early Stage Venture Capital Limited Partnership Deed (Partnership Deed) define the terms used in this deed poll and set out in the rules of interpretation which apply to this deed poll. |
| <b>B. APPLICATIONS</b>  |
| The Applicant applies to the General Partner to be admitted as a Limited Partner.   |
| <b>C. COVENANT</b>  |
| The Applicant covenants to be bound by and comply with the provisions of the Partnership Deed as a Limited Partner as and from the admission of the Applicant as a Limited Partner.   |

|  |
|--|
| <b>D. TOTAL CAPITAL COMMITMENT</b><br>(Minimum of \$100,000) |
| <b>A\$</b>   |

|  |
|--|
| <b>NAME/ADDRESS OF THE AGENT FOR SERVICE OF THE APPLICANT FOR THE PURPOSES OF THE PARTNERSHIP DEED IS:</b> |
| <b>Name:</b>   |
| <b>Level, Number and Street:</b>   |
| <b>Suburb, City or Town:</b>   |

**EXECUTED as a deed poll**

For execution by an individual:

**SIGNED, SEALED AND DELIVERED** by the Applicant in the presence of:

| SIGNATURE OF WITNESS | SIGNATURE OF APPLICANT |
|----------------------|------------------------|
|                      |                        |
| NAME OF WITNESS      | NAME OF APPLICANT      |
|                      |                        |

For execution by a corporate entity:

**SIGNED** by the Applicant by two directors or a director and a secretary in accordance with section 127 of the Corporations Act:

| SIGNATURE OF DIRECTOR | SIGNATURE OF DIRECTOR/SECRETARY*    |
|-----------------------|-------------------------------------|
|                       | (* Delete whichever does not apply) |
|                       |                                     |
| PRINT NAME            | PRINT NAME                          |
|                       |                                     |



[www.protoinvest.com](http://www.protoinvest.com)

**contact**

Jeremy Colless  
Managing Director



+612 9037 4144  
[jeremy@protoinvest.com](mailto:jeremy@protoinvest.com)

