



# A8 VENTURES

## **INFORMATION MEMORANDUM**

Activ8 Capital Ventures Pty Ltd ("A8 Ventures")  
ACN 649 208 506

19th July 2021

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## Important Information and Disclaimers

This Information Memorandum (IM) is dated 19th July 2021 and is issued by Activ8 Capital Ventures Pty Ltd ACN 649 208 506 (A8 Ventures or Company). The sole purpose of this IM is to provide information to the person to whom it has been delivered (Potential Investor) solely for that person to consider a potential investment in the Company. It is not to be reproduced or distributed to any other person (other than the Potential Investor's professional advisers)

The Company has appointed Activ8 Capital Management Pty Ltd ACN 650 220 358 (Manager) as the manager of the Company and service provider.

### **DISCLAIMER**

The Manager, Activ8 Capital Management Pty Ltd is a Corporate Authorised Representative (CAR) of Boutique Capital Pty Ltd AFSL 508011, CAR Number 001289506 (BCPL).

This document contains general advice only and has been prepared by the Company for individuals identified as wholesale investors for the purposes of providing a financial product or financial service, under Section 761G or Section 761GA of the Corporations Act 2001 (Cth).

The information herein is presented in summary form, and is therefore, subject to qualification and further explanation. The information in this document is not intended to be relied upon as advice to investors or potential investors and has been prepared without taking into account personal investment objectives, financial circumstances or particular needs. Recipients of this document are advised to consult their own professional advisers about legal, tax, financial or other matters relevant to the suitability of this investment service.

The investment summarised in this document is subject to known and unknown risks, some of which are beyond the control of the Company, CAR and their directors, employees, advisers or agents. The Company and CAR does not guarantee any particular rate of return or the performance of the Company, nor does CAR and its directors personally guarantee the repayment of capital or any particular tax treatment.

The materials contained in this IM represent a general summary of the Company and CAR's current approach to investments. The Company and CAR is not constrained with respect to any investment decision making methodologies or percentage limitations, ranges or guidelines, and may vary from them materially at its sole discretion and without prior notice to investors. Over time, markets change and the Company and CAR will seek to capitalise on attractive opportunities wherever they may be. Depending on conditions and trends in markets and the economy in general, the Company and CAR may pursue other objectives or employ other strategies or techniques considered appropriate and in the best interest of Shareholder returns.

There are some risks involved in relation to investing in the strategy. Understanding and managing risk is fundamental to any successful investment policy. All investments carry some level of risk, and there is typically a direct relationship between risk and return. Generally, the greater the risk, the greater the potential return and the lower the risk, the lower the potential return over the long term. Also, the higher the degree of risk an investment carries, the more its price may fluctuate. The steps the Company and CAR take to mitigate risk (where possible) are described in the Information Memorandum. It is important to note that despite taking such steps, we cannot mitigate risk completely.

This IM was prepared as a private communication to specific Potential Investors and is not intended for public circulation or publication or for the use of any third party, without the approval of the Company and CAR. Whilst this IM is based on information from sources which the Company and CAR considers reliable, its accuracy and completeness cannot be guaranteed. Data is not necessarily audited or independently verified. Any opinions reflect the Company and CAR's judgment at this date and are subject to change. The Company and CAR has no obligation to provide revised assessments in the event of changed circumstances. To the extent permitted by law, BCPL, the Company, CAR and their directors and employees do not accept any liability for the results of any actions taken or not taken on the basis of information in this report, or for any negligent misstatements, errors or omissions.

This document is for informational purposes only and is not a solicitation for shares in the Company. Applications for shares in the Company can only be made via the Application Form as set out in this IM. All information provided herein is qualified in its entirety by reference to all relevant documentation relating to the Company as set out in this IM.

## **NO DISCLOSURE REQUIRED**

This IM is intended to provide Potential Investors with information only and does not, and is not required to constitute a product disclosure statement or other disclosure document required by the Corporations Act 2001 (Cth) (Act). This IM may not contain the same level of disclosure as those documents and has not been lodged with the Australian Securities and Investments Commission (ASIC) or any other government body.

An offer of A Class Shares pursuant to a Subscription Agreement or under any other separate offer is only available to investors to whom an offer can be made without the need for a prospectus or any other disclosure document under the Act.

For the avoidance of doubt, any person who qualifies as wholesale, or sophisticated, or professional, or experienced investor as defined in section 761G(7) or section 708 of the Act are collectively described as “Qualifying Investors” and may apply for A Class Shares in accordance with the requirements outlined in this IM.

Potential Investors should be aware that the Company will not at any time make an offer of shares (or any other securities) in the Company, whether under a Subscription Agreement or under a separate offer, to retail investors as they are Excluded Investors.

The Company will not accept applications for shares, nor issue shares to a person or corporation unless it is satisfied that the person or corporation is a Qualifying Investor.

## **FOREIGN JURISDICTIONS**

This IM does not constitute, and may not be used for the purpose of, an offer or solicitation in any jurisdiction other than Australia or in circumstances in which such offer or solicitation is not authorised. No recipient of this IM in any jurisdiction other than Australia may treat it as constituting an offer to acquire shares in the Company.

In particular, this product has not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold, delivered or transferred in the United States or to, or for the account of, any “US Person” (as defined in Regulation S under the US Securities Act). Neither this IM nor any Application Form or other material relating to this product may be distributed in the United States.

## **NO RESPONSIBILITY FOR CONTENTS OF DOCUMENT**

To the maximum extent permitted by law, neither the Company nor the Manager, nor their respective affiliates, related bodies corporate, directors, officers, employees, representatives or advisors (including financial, accounting and legal advisors) (Specified Persons) make any recommendation in relation to the Company, or make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this IM, and the Company and Manager expressly disclaim any and all liability relating to or resulting from the use of this IM or such other information provided by the Company and/or Manager to the Potential Investors.

This IM does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in the Company. This IM must be read in conjunction with the Company’s Constitution and Shareholders Agreement, a copy of each is available (free of charge) by contacting the Company on [admin@activ8ventures.vc](mailto:admin@activ8ventures.vc) or the Manager on [admin@activ8capital.com](mailto:admin@activ8capital.com). To the extent there are any inconsistencies between the Constitution, or Shareholders Agreement and this IM, the Constitution and/or Shareholders Agreement will prevail.

## **FORWARD-LOOKING STATEMENTS**

This IM includes forward-looking statements that may contain the words “believe”, “intend”, “estimate”, “expect” and words of similar meaning. All statements other than statements of historical facts included in this IM, including, without limitation, those regarding the Company’s financial position and business or investment strategy, plans and objectives are forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

Any forward-looking statements are based on numerous assumptions regarding the Company’s operations and present and future business and investment strategies and the markets in which the Company will operate in the

future. These forward-looking statements are made on the date of this IM. Accordingly, there can be no assurance that such statements, estimates or projections will be realised.

Except to the extent implied by law and which cannot be excluded, no representation or warranty as to the validity, certainty or completeness of any of the assumption or the accuracy of the information, opinions, estimates, forecasts or any other form of forward-looking statements contained in this IM is made by the Company or Manager or their Specified Persons.

### **INDEPENDENT ADVICE RECOMMENDED**

Prospective investors are not to construe the contents of this IM as tax, legal or investment advice. The information contained in this IM is general information only and does not take into account your objectives, financial situations or needs. An investment in the Company should be regarded as speculative and may not be appropriate for all persons or entities. You should seek appropriate professional advice and should conduct your own independent investigation and analysis regarding any information contained in this IM. You should rely on your own enquiries, in particular in obtaining your own legal, investment and tax advice in determining whether or not to invest in the Company.

### **NO GUARANTEE**

An investment in the Company is subject to investment risk, including the loss of the capital invested. Neither the Company nor the Manager, nor any of their Specified Persons guarantee the performance of the Company or any particular rate of return on the shares in the Company, the meeting of the objectives of the Company, nor do they guarantee the repayment of invested capital nor do they make any guarantees about the timing of any potential repayment of invested capital, which may be significantly delayed or not occur at all.

### **COMPANY LIMITATION OF LIABILITY**

The Proposed Investor acknowledges and agrees:

- (a) to the maximum extent permitted by law, none of the Company, the Manager or their Specified Persons accept any responsibility or liability for any loss or damage suffered or incurred by the Potential Investor, or any other person or entity placing any reliance on this IM however caused (including negligence or otherwise) relating in any way to this IM including, without limitation, the information contained in it, any errors, mis-statements or omissions;
- (b) the Potential Investor releases and indemnifies the Company and Manager and their Specified Persons from and against all claims, actions, damages, remedies or other matters, whether in tort, contract, or under law or otherwise arising from or in connection with the provision of, or any purported reliance on, the information in this IM and agrees that no claim or allegations shall be made against the Company or Manager or any of their Specified Persons or any of their associates or affiliates in relation thereto; and
- (c) the Potential Investor expressly waives any right which it may have to rely upon the information in this IM and it will not rely upon the information in this IM to sue or to hold the Company or Manager or any of their Specified Persons liable in any and all respects.

### **DISCLOSURE OF INTERESTS**

The Company, the Manager or their related entities may also acquire A Class Shares on the same terms and with the same rights as other Investors in the Company.

### **CONFIDENTIALITY**

This IM is confidential and is being provided to prospective Investors for them to consider investing in the Company. Its use for any other purpose is not permitted. It may not be reproduced or redistributed, in whole or in part, and its contents may not be disclosed to any person.

### **GLOSSARY**

Certain capitalised words and expressions used in this IM are defined in the Glossary. All references to dollar amounts in this IM are to Australian Dollars (AUD), unless otherwise stated.





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## Directory

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## Business Plan

***Activ8 Capital Ventures Pty Ltd (“A8 Ventures”) is a high conviction growth company incubator and investor, backing inspirational entrepreneurs with the ambition to take on global markets with innovative products and services.***

### OVERVIEW

A8 Ventures is a growth company incubator, whereby our investment, advisory services and operational expertise are deployed in combination to help support companies through high growth phases of their development.

The founder of the Activ8 Group (Activ8 Capital Pty Ltd, Activ8 Capital Advisors Pty Ltd and Activ8 Capital Investors Pty Ltd) has been on both sides of the entrepreneurial fence, having started his career in investment banking, then spending a decade building a global sporting goods design, branding and distribution business, which manufactured products in over 10 countries and sold products in over 50 countries. In 2017 he founded the Activ8 Group in order to advise and create a bridge between high growth businesses, the expertise of well credentialed business operators/advisors and high net worth & professional investors.

The Activ8 Group believes in entrepreneurs who not only believe in themselves, but also have the grit and determination to do what is needed to execute and succeed. If a potential investee company has a great product, a talented & committed core management team, global ambitions and founders with lots of skin in the game, then A8 Ventures may be interested in supporting them to grow their dream.

### ABOUT ACTIV8 CAPITAL PTY LTD AND ACTIV8 CAPITAL ADVISORS PTY LTD

Activ8 Capital Pty Ltd is a boutique investment and advisory group providing investment capital, professional services, management consulting and real world venture expertise to private and publicly listed growth companies. The fully owned subsidiary, Activ8 Capital Advisors, is a boutique capital advisory and management consulting firm, focused on the small and micro cap sectors in both the listed and unlisted markets.

Collectively, the Activ8 Group has been involved with raising close to \$40m for emerging businesses and generating over \$3m of fees, incentives and investment returns since 2017.

The Activ8 Group has extensive experience in financial markets across investment banking, capital raising, financial planning and hedge fund investing. In addition, the founder of the Activ8 Group has over a decade of real world entrepreneurial start-up experience, through establishing a global sporting goods branding and distribution business which designed, manufactured and sold products all over the world. This includes direct experience in capital raising, consumer product marketing, global distribution channel sourcing, product manufacturing, trademarks/patents and consumer brand licensing.

Please note that this is not an offer to invest in Activ8 Capital Pty Ltd or Activ8 Capital Advisors Pty Ltd or any other entity related to the Activ8 Group. These entities are both separate to Activ8 Ventures (see the corporate structure of the Activ8 Group on page 12 of this IM for details relating to ownership).

Any investment you make in Activ8 Ventures (which must be made in accordance with the process set out at pages 29 and 30 of this IM) will not result in you acquiring any interest in Activ8 Capital Pty Ltd or Activ8 Capital Advisors Pty Ltd or any other entity related to the Activ8 Group.

## HOW WILL A8 VENTURES MAKE MONEY?

The A8 Ventures business model will generate revenue and profits through a combination of advisory fees, incentives and capital gains from direct and indirect investment in the companies it advises. Fees from advisory and management services may be in the form of cash, shares, options, warrants or other financial instruments and will be allocated as revenue. Capital gains/losses from investing activities will be allocated as either long term capital gains/losses or trading gains/losses, according to the accounting standards that apply to Activ8 Ventures as appropriate.

In addition to holding ordinary listed or unlisted shares, A8 Ventures will utilise its knowledge and experience with a wide variety of investing structures and instruments to both leverage its investment returns and protect its capital, such as convertible notes, warrants, options, preference shares and other instruments, together with using cash management and other short term money market instruments for its cash holdings.

A8 Ventures will use a number of strategies which give a level of direct or indirect control over the businesses which it is advising and/or investing in, in order to guide the pathway to profits and returns for Shareholders. These strategies will use a combination of funding and expertise to bridge gaps and/or provide solutions to specific challenges that many small and growing businesses face throughout their growth phases, which will offer A8 Ventures significant profit opportunities.

### **Strategy Examples**

**Public listing bridge financing:** Bridging the gap into a public listing, where an existing growth business has the desire to be a listed public company. While the business is strong and growing, it may be capital constrained and also not have the required skills and expertise within the management team to successfully list the company on a suitable public stock exchange. A8 Ventures could fund this bridge, support the listing process and receive fees, advisory incentives and a capital gain with a relatively high level of certainty and risk mitigation.

**Undiscovered gems:** Where a company is already listed and is seeing some success in their business, but has little or no investor awareness (ie: fund managers and brokers are not watching them or tracking their progress). They need funding and support to help them achieve the awareness that drives the share price and assists potential capital raising activities, and management lack the skills, time or connections to help achieve this. A8 Ventures may provide the funding, on a condition that it has a right to appoint a director to the board, the right to appoint the investor relations advisory role and the mandate to support the education of the brokers, professional investors community and other members of the investment community.

**Structured transition management:** A strong cashflow business reaches a pivot point such as a succession planning issue. The owners may be willing to accept a structured deal that provides them short term certainty, while A8 Ventures can secure the medium term upside, by taking a controlling position and then executing a deal to monetise the business over a 12 month or 2 year timeframe. This may be a public listing, sale of business, private equity sell down, merger with another business, etc.

## WHAT IS A8 VENTURES COMPETITIVE EDGE?

The competitive edge of A8 Ventures includes:

- **Deal flow:** The Activ8 Group has been operating for over 4 years and has built an outstanding reputation as a corporate advisory and investment business. As such A8 Ventures is likely to be offered a large number of potential private, pre-IPO, pre-listing, IPO and listed opportunities in the micro-cap sector. In addition, Activ8 Group has a strong network of corporate advisors looking for co-funding and co-advisory opportunities, which will allow A8 Ventures to filter and be selective about which opportunities to pursue.
- **Controlling position within investee companies:** A8 Ventures will typically take an active role in deciding the strategy and operational outcomes of the businesses it invests in. As a result, A8 Ventures can have more control over the potential outcomes, timing and channel to exit that would otherwise be the case. This may include being in control of the deal structure, documentation or other matters on a deal by deal basis.
- **Timing:** Taking advantage of gaps in the capital funding cycle, where companies are struggling to bridge an operational shortfall in funding allows A8 Ventures to secure more attractive entry points and with more attractive terms than may otherwise be achieved.

- **Structuring expertise:** The Manager has expertise in corporate advisory deal structuring, and knows how to utilise a variety of instruments that can provide superior returns and/or reduce the risks through critical stages of a deal cycle. These may include convertible debt instruments, options, warrants and other incentive based fee structures to the benefit of the Shareholders.
- **Fundamental valuation and research analysis:** The core of all of the Manager's and the Activ8 Group's advisory mandates, investment analysis and research opinions are based on a fundamental bottom-up financial analysis, including detailed financial modelling, business analysis and comparative valuation analytics. This method cannot guarantee positive returns, however it is considered by many industry participants to provide an edge in choosing investments and advisory roles.
- **Access to co-investors:** The Manager and the Activ8 Group have a wide network of co-investors with a specific interest and/or mandate for similar investment opportunities that A8 Ventures could consider as potential partners. This includes professional investors (VC, PE, fund managers, incubators), family offices, high net worth investors, financial advisors, crowd funding platforms and other investor channels. This provides A8 Ventures with a better chance of building our incubated companies' share registers with strong supportive investors, which typically improves the chances of a successful outcome.
- **Access to wide broker network:** The Manager and the Activ8 Group have a strong network of stock brokers and financial advisors which specialise in the micro-cap and high growth company sector, where A8 Ventures is expected to focus much of its advisory and investment capital. Having broker support is typically beneficial for businesses seeking to enter the public markets (ie: listing on the NSX or ASX) and having a reputation with those brokers will assist in gaining that support for A8 Ventures backed businesses.
- **Access to public market channels:** The Manager and the Activ8 Group have experience with listed public markets, including the ASX and NSX, having spent many years involved in the public markets in advisory, research analysis and investor relations roles. In particular, the Activ8 Group currently holds a Business Development role with the NSX, which is a Tier 1 licensed stock exchange in Australia. This direct market expertise and understanding of the processes and requirements for listing small companies on the NSX may provide an exit opportunity for A8 Ventures investee businesses.
- **Share of advisory incentives and fees to boost returns:** A8 Ventures will share in fees generated by Activ8 Capital Advisors Pty Ltd and Activ8 Capital Management Pty Ltd on a pro-rated basis where there is a direct investment in each deal by A8 Ventures. Fees will be shared on a pro-rated basis, measured by the rate of contribution by A8 Ventures as a percentage of the total raising in each situation.
- **Strong management consulting/startup/growth expertise:** The Manager and the Activ8 Group have a long history of founding companies, supporting start-up companies, advising growth companies, product development, global distribution networks & building manufacturing supply chains, raising capital, structuring global licensing agreements and supporting the investor communications and investor relations processes within high growth and start-up companies. This direct real world experience will support A8 Ventures and its advisory and investment businesses.

In summary, the Manager will leverage the decades of experience to implement a strategy which it believes reduces risk and increases potential returns. This typically relies on having a long term internal understanding<sup>1</sup> of the potential investment company opportunities via taking on advisory roles that allow deep due diligence that is not otherwise easy to access. This due diligence allows the Manager to understand the true value drivers in both the short and long term for those potential investee companies.

In addition, early stage companies are more willing to offer incentives and opportunistic valuations, in return for securing investors and/or advisors which can bring tangible added value over and above simple financial investment. This may involve the Manager taking a Board position on the investee company, providing advisory services, providing introductions to professional co-investors & broker networks, M&A advisory services and providing introductions to public market participants & stock exchange operators.

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<sup>1</sup> This generally applies to unlisted, non public companies where inside information rules do not apply. In the event that any of the Activ8 group is advising listed public companies, processes for purchasing shares during times legally allowed under the trading policy's of the companies and/or ASIC and/or ASX/NSX, or any other legally acceptable process for buying and selling securities will be followed and documented.

## **WHICH COMPANIES WILL A8 VENTURES TARGET?**

A8 Ventures will have the flexibility to incubate, advise and invest in companies at the Seed, Series A+, pre-listing, pre-IPO, listing/IPO stages and micro-cap listed companies on the ASX and NSX (or other recognised stock exchange). The advisory and investment time horizon will be flexible ranging from weeks to years.

### **OUR GOAL IS TO PROVIDE STRONG RETURNS FOR SHAREHOLDERS AND BUILD THE ASSET BASE**

A8 Ventures has a goal to provide superior risk adjusted profits through the effective implementation of the Business Plan outlined in the IM, in order to grow the asset base and provide dividends or other capital returns for Shareholders on an annual basis.

## CASE STUDY - EXAMPLE DEAL STRUCTURE AND POSSIBLE RETURN SCENARIO

### Background

InvestCo1 is a high growth stage company in the consumer market, manufacturing a leading niche product and selling products across multiple countries, with the USA being the largest market. While it has been constricted due to lack of working capital, the business has been able to grow revenue by approximately 40-50% pa over the last 3 years and customer demand is far outstripping supply capability.

Management have a desire to list on a public stock exchange and they estimate that with adequate funding existing product sales could grow 3 to 5 times over current unit sales over 3 to 4 years, while new product variations which are already in development (but require additional funding) could see revenue grow a further 3 to 5 times over that same 3 to 4 year period.

The business has existing working capital facilities in place which are expensive, costing ~20.0% pa in interest charges. The capital requirement overall is approximately \$1.5m to drive the next leg of growth. This is broken down into a \$300k allocation to fund final R&D for the new product variations, \$200k for the public listing preparation activities, \$500k to refinance a portion of the existing working capital facilities and \$500k to fund the supply chain scale up in the near term.

Valuation expectations are reasonable for a business in their stage of development, and management are open to significant incentives for financiers bridging through this current funding challenge.

### Opportunity for A8 Ventures

A likely deal structure could be a 12-18 month \$1.1m convertible note structure with a 12% coupon (payable in cash monthly), 1% establishment fee, convertible at the lesser of \$10m valuation or a 30% discount to a public listing price, with the company required to list within 12 months. Alongside this structure, call options for a further \$1.0m investment on the same valuation terms, with a 2 year expiry term would be possible. Furthermore, an advisory mandate for "pre-listing" capital raising paying 7% fees and base advisory fee of \$5k per month throughout the first 12 months.

### Capital Raising Metrics and Timing

This scenario assumes \$1.1m investment from A8 Ventures together with \$400k from other investors. Preparation for public listing would commence immediately with expectation of listing on the NSX for \$15m valuation (3x revenue based on comparable listed businesses) by February 2022, which is a 7 month investment time frame. Public listing would be via a direct entry listing, without raising capital upon listing, which means the InvestCo1 will not be required to create a prospectus (IM only).

### Return for A8 Ventures

Assumes A8 Ventures provides \$1.1m of total \$1.5m capital = 73% advisory fee share to A8 Ventures

Potential returns for A8 Ventures under this Scenario:

1% establishment fee on \$1.1m = \$11,000

7 months interest at 12% on \$1.1m = \$77,000

73% of 7% advisory fees on capital raise = \$76,000

73% of \$5k/mth for 12 months = \$44,000

Capital gain on converted \$1.1m con-note (\$15m val vs \$10m conversion) = \$550,000

Capital gain on \$1.0m of call options (\$15m val vs \$10m strike) = \$500,000

- assumes sale of a portion of the initial shares is used to fund option exercise

**12 month profit under this scenario = \$1,258,000**

**\$1.258m profit from a total \$1.1m initial investment = 114.4% ROIC over 12 months \***

\* before tax, management fees and success fees



## Dividend Policy, DRP, Capital Returns and Share Buybacks

### **DIVIDEND POLICY**

Subject to the initial dividend policy described here, the declaration of a dividend will be announced to Shareholders in the Annual Report and will be paid in accordance with the Constitution and Shareholders Agreement.

The Company's dividend policy is subject to change on an annual basis, as approved by the Board of the Company, which will be based on the following guidelines.

- (a) If a dividend is declared, the same dividend rate per share will apply to all shareholders of Ordinary Shares and A Class Shares and each shareholder's share of the dividend will be prorated in proportion to their shareholding in the Company (see page 13 for further detail).
- (b) In the event the Company does not report a profit for the preceding financial year, the Company will not declare a dividend, unless there are excess profits built up from previous years that can be paid to Shareholders, with that decision being at the Board's discretion.
- (c) In the event that the Company reports an annual profit after all operating expenses, Management Fees, Performance Fees and tax in excess of 10% but less than 20% compared to the adjusted NAV at the end of the financial year, the Company will consider declaring a dividend of between 5% and 10% of NAV at the Board's discretion.
- (d) In the event that the Company reports an annual profit after all operating expenses, Management Fees, Performance Fees and tax in excess of 20% but less than 40% compared to the adjusted NAV at the end of the financial year, the Company will consider declaring a dividend of between 10% and 20% of NAV at the Board's discretion.
- (e) In the event that the Company reports an annual profit after all operating expenses, Management Fees, Performance Fees and tax in excess of 40% compared to the adjusted NAV at the end of the financial year, the Company will consider declaring a dividend of between 20% and 50% of NAV at the Board's discretion.
- (f) The Company will endeavour to declare either a fully franked or partly franked dividend where possible, in order to utilise the franking credits to benefit Shareholders.

The above is only intended to be a guideline and may be subject to change at any time by the Board in accordance with the Shareholders Agreement.

### **DIVIDEND REINVESTMENT PLAN (DRP)**

The Board intends to implement a dividend reinvestment plan in the future under which Shareholders will have the right to reinvest any dividends declared by the Board back into the Company via the issue of additional A Class Shares.

The Board may but is not obliged to offer a discount to the share price on any shares issued under the DRP which will be based on the NAV at the end of the financial year for which the Dividend was declared.

Note: The Board is under no obligation to offer a DRP, however if it does implement one, further details will be provided to the Shareholders at that time.



## **SHARE BUYBACKS OR CAPITAL RETURNS**

A8 Ventures may offer to undertake a share buyback, where the Company may offer to buy a portion of the A Class Shares from Shareholders. A share buy back of A Class Shares will be undertaken on a pro-rata basis in accordance with the Act, unless the Company intends to undertake a selective buy back which must be approved by 75% vote of the Shareholders in accordance with the Shareholders Agreement.

In the event that any holder of A Class Shares does not take up the offer, then each of the other holders of the A Class Shares can request to have an additional amount of their shares bought back pro-rata to their shareholding.

The Company may offer a capital return to Shareholders where the Company is in the position to do so and where this may be preferential to declaring a dividend and/or undertaking a share buy back.

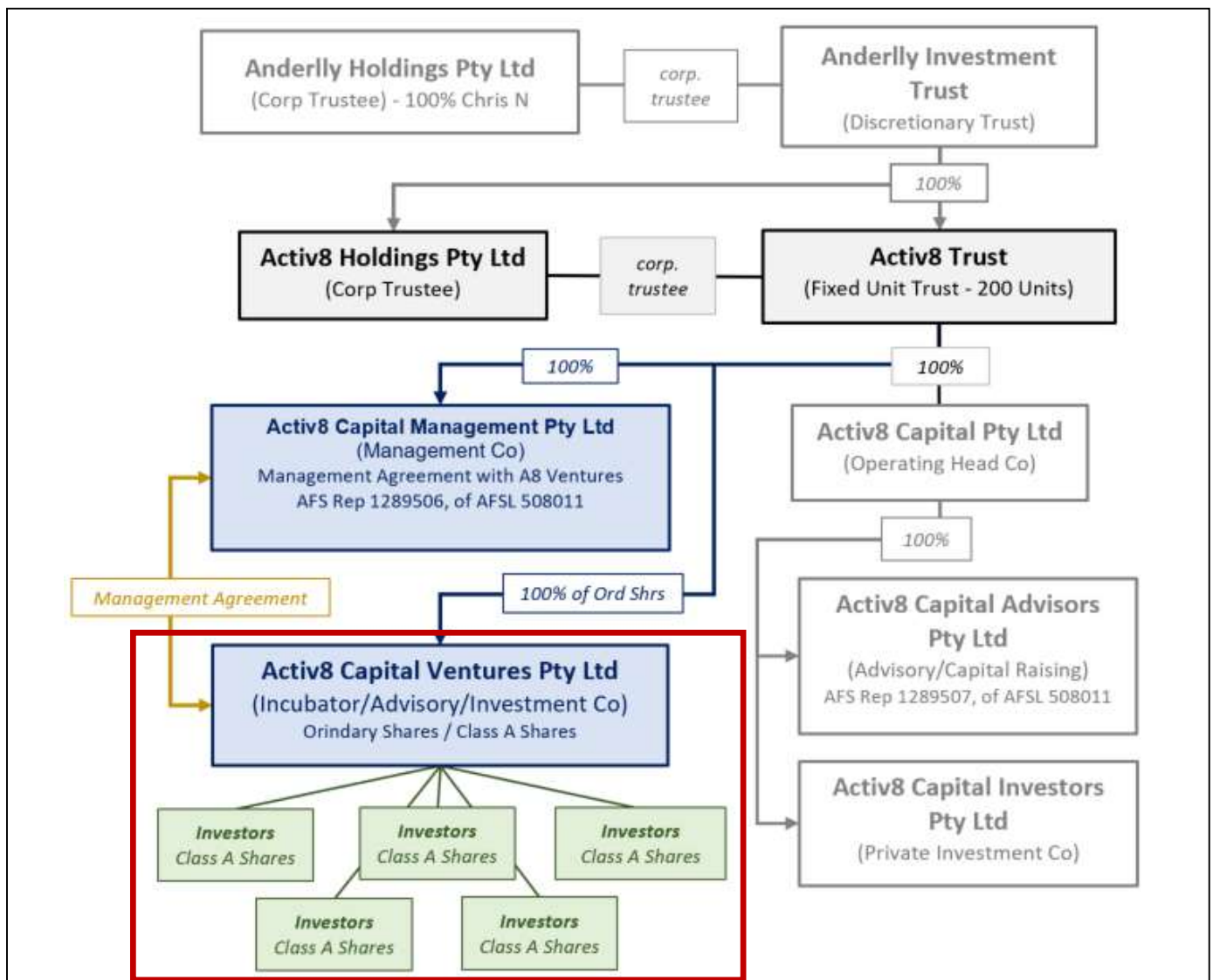
## Corporate Structure and Fees

### CORPORATE STRUCTURE

Activ8 Capital Management Pty Ltd is the Manager of the Company under a Management Agreement with Activ8 Capital Ventures Pty Ltd (**A8 Ventures**) to provide advisory, management and investment advisory services on the terms outlined in the Management Agreement and summarised in this IM. The Manager is the holder of a Corporate Authorised Representative license under an AFS Licensor as set out in this IM.

A8 Ventures is the company in which Shareholders will apply for A Class Shares under this IM, as shown surrounded with a red box in the diagram below. A Class Shares have the rights and restrictions as set out in the Constitution and Shareholders Agreement and summarised in this IM.

As at the date of this IM, A8 Ventures has 10,000 Ordinary Shares on issue which are 100% owned by Activ8 Holdings Pty Ltd as trustee for the Activ8 Trust. The rights and restrictions attaching to the ordinary shares are as outlined in the Constitution and Shareholders Agreement and summarised in the next section of this IM.



## **ORDINARY SHARES vs A CLASS SHARES**

A8 Ventures is made up of two classes of shares:

- Ordinary Shares
- A Class Shares

### ***Ordinary Shares (Not available under this IM)***

The 10,000 Ordinary Shares in the Company are 100% owned by Activ8 Holdings Pty Ltd as trustee for the Activ8 Trust.

Potential Investors should be aware that all holders of both the Ordinary Shares and the A Class Shares will have the right to participate in:

- (a) any dividends and/or distributions declared by the Directors of the Company;
- (b) any surplus assets (upon a capital reduction or winding up of the Company),

which is to be in proportion to each holder's respective shareholding in the Company.

Further details of the rights and restrictions of the A Class Shares are set out below.

### ***Opportunity to apply for A Class Shares***

Potential Investors under this IM may apply for A Class Shares in the Company in accordance with the process set out on pages 29 and 30 of this IM.

The A Class Shares in the Company are described completely in the Constitution. A summary of the rights and restrictions of the A Class Shares are as follows:

- (a) the right to receive notice of and attend all general meetings of the Company in accordance with the Constitution, but no right to vote other than on the matters set out in clause 27.5(a) of the Constitution (which are summarised below);
- (b) upon a reduction of capital or upon a winding up of the Company, the right to participate *pari passu* with the other holders of Ordinary Shares and A Class Shares in any surplus assets of the Company in proportion to each member's respective shareholding;
- (c) the right to receive along with the other holders of ordinary shares and A Class Shares all dividends and distributions declared by the Directors in proportion to each member's respective shareholding in the Company.

For as long as there are only Ordinary Shares and A Class Shares on issue, then each Shareholders' shareholding will be calculated as the proportion which the number of shares held by each Shareholder bears to the total number of issued Ordinary Shares and A Class Shares in the Company at the relevant time the dividend or distribution is declared by the Board of the Company.

Potential Investors should be aware that holders of A Class Shares may only vote on the following matters:

- (a) the amendment of the Constitution or the adoption of a new Constitution;
- (b) the variation of the rights attaching to A Class Shares (only holders of A Class Shares can vote on this matter);
- (c) the approval of a selective buy-back undertaken by the Company or other capital reduction under the Corporations Act requiring a special resolution (other than in circumstances contemplated in the Shareholders Agreement);
- (d) the sale of the whole or substantially all of the business of the Company;
- (e) issuing new shares in the Company other than in accordance with this Constitution or the Shareholders Agreement;
- (f) creating a new class of shares other than in accordance with this Constitution or the Shareholders Agreement;
- (g) granting of an option to subscribe for shares other than in accordance with this Constitution or the Shareholders Agreement; and
- (h) termination of the Shareholders' Agreement.

## **FEES**

### ***Management Fee***

The Manager will be paid a Management Fee equal to 2.0% per annum of the gross Net Asset Value of the Company (including the gross value of the assets of any sub entities, if relevant), payable out of the assets of the Company, subject to a minimum monthly fee of \$4,000 plus GST. This fee is calculated quarterly and payable monthly in advance within 5 Business Days of the start of each calendar month.

### ***Performance Fee***

The Manager will be paid a Performance Fee equal to 20.0% plus GST of the profits (after costs) for each quarter, calculated within 30 days of the end of each calendar quarter, being 31 March, 30 June, 30 September and 31 December. The Performance Fee invoice will be issued by the Manager on the 31<sup>st</sup> day after the end of each quarter and is payable within 5 business days of the issuance of an invoice.

The Performance Fee will be measured using the following methodology:

- (a) Where the NAV at the end of the relevant quarter is higher than the NAV at the beginning of the relevant quarter, a Performance Fee is payable for that relevant quarter; and
- (b) Where the NAV at the end of the relevant quarter is higher than the sum of all the issued capital raised by the Company since being founded after adjusting for any capital returns (Low Watermark).

Calculation of Net Asset Value (NAV):

- (a) Net Asset Value will be calculated within 30 days from the end of each calendar quarter on the following basis, with NAV being calculated using one of the following methods:
  - For assets that are publicly listed on a recognised stock exchange, the Asset Value will be based on the closing price on the last day of the relevant quarter;
  - For unlisted assets, the asset value will be either the price paid for the purchase of the asset, or if there has been a revaluation of the asset based on a third party revaluation undertaken via an arm's length transaction or revaluation (eg: a significant external capital raise to third parties), the third party revaluation will be used (or if there is no third party valuation then the value determined by the Company's accountant at the time at the request of the board of the Company);
    - Where there is any dispute over the value of assets for the purposes of the NAV, the dispute resolution process set out in the Constitution and/or Shareholders Agreement will be utilised to determine the NAV for that particular asset;
  - For cash and other equivalent assets, the value of those assets as set out in a statement or other official record of those assets, adjusted for any interest, income receivable, fees or costs;
- (b) NAV will include the value of any realised investments gains due and receivable, but not yet received into the bank account (eg: interest or other rights not yet paid);
- (c) NAV will include the negative value of all operating expenses due and payable at the end of each quarter, including any management or performance fees payable but not yet paid.

### ***Reinvestment of Performance Fee by Manager (or Nominee)***

The Manager (or it's Nominee) has been granted an optional right to invest up to 100% of the Performance Fee paid to the Manager in each period, in exchange for new A Class Shares in the Company, with such reinvestment not being subject to the pre-emptive rights bestowed on Shareholders included in the Constitution and Shareholders Agreement.

The Manager (or it's Nominee) must notify all Shareholders in writing of its intention to invest part or all of the Performance Fee at the same time as it issues its invoice for each quarter, with the notification including the % and the dollar amount of the investment, and confirmation that the payment will be made to the Company within 5 business days of the receipt of funds from the payment of the invoice. The new shares will not be issued until the payment has been received into the Company's operating bank account.

## **EXECUTIVE DIRECTOR OF THE MANAGER - CHRIS NORTHWOOD**

Chris Northwood is the Executive Director of the Manager and the Activ8 Group. He has over 25 years of experience spread across investment banking, entrepreneurial start-up ventures, capital raising, management consulting, operational business management, branding, product development, sales management, marketing and global product distribution.

Chris is the founder and Executive Director of the Activ8 Group, a boutique investment and equity capital markets advisory firm based in Melbourne. Its wholly owned subsidiary Activ8 Capital Advisors Pty Ltd is Authorised Representative number 001289507, of AFSL 508011. The Activ8 Group was founded in 2017 and has been involved in raising close to \$40m for small and micro-cap growth businesses and has generated over \$3m of fees and incentives. Activ8 Capital Advisors also provides business development advisory services to the National Stock Exchange (NSX), helping small and micro-cap companies prepare suitability for listing submissions to list on that exchange.

Chris was previously the CEO & founder of a global wholesale distribution, branding and marketing company selling action sports hardgoods and streetwear fashion apparel & accessory products to over 50 countries, based in San Diego, USA and with a branch office in Melbourne, Australia. Chris was named as the “inventor” of the world’s first genuine 6/4 titanium skateboard truck hanger.

Chris has 15 years of investment banking & investment analysis experience as senior industrial equities analyst for Canaccord Genuity, hedge fund investment analyst for Merricks Capital and equity research analyst at Merrill Lynch, Credit Suisse and Brierley Investments.

## **EXPENSES PAID BY COMPANY**

The Company will pay and/or reimburse all expenses that relate directly to the day to day operation of the Company including but not limited to, costs associated with the establishment of the Company, accounting fees, bookkeeping fees, preparation of marketing material, shareholder meeting costs, audit fees, government duties & taxes, tax advice fees, license fees, legal advice fees, commissions, brokerage, external experts advice, consultancy fees, independent valuation fees, subscriptions and wind up costs relating to the Company.

The Company and the Manager will endeavour to pass on costs relating directly to investment or advisory opportunities, back onto the businesses that A8 Ventures is advising or investing into.

### ***Capital raising fees to be paid by Company***

The Company will pay a capital raising fee to brokers, the Manager or other suitable advisors of 2.5% of the capital applied for and accepted by the Company.

## Financial Forecast Estimate

**Disclaimer:** These financial forecasts are based on raising the full A\$5,000,000 being sought under this IM. It also assumes that external factors outside of the Company's or the Manager's control, do not hinder the execution of strategies to the detriment of the Company. Potential Investors should read the risks section of this IM.

The forecast is an estimate only and does not constitute a guarantee of potential investment return and Potential Investors should not rely on these forecasts in making their decision to invest in the Company. To the maximum extent permitted by law, no representation or warranty as to the validity, certainty or completeness of any of the assumptions that support this forecast or the accuracy of this forecast or any other form of forward-looking statements contained in this IM is made by the Company or Manager or their Specified Persons.

### ESTIMATED FINANCIAL FORECAST

The Company has a business plan to generate both advisory fee income, incentive based income and capital gains from investments in growth companies, as set out in the Business Plan section of this IM.

The target returns include fee income generation of approximately 5% of NAV per annum and capital gain generation of approximately 40% of NAV per annum. The Business Plan relies on the ability of the Company to deploy a certain percentage of its capital for short term periods (less than 12 months) in order to create profits in the near term, while the remaining capital will be deployed for longer periods in excess of 12 months to provide longer term profits and returns. This strategy should see the Company turn over its capital base at least once per annum, while still being able to maintain the longer term investments, where returns can be substantial but also tie up capital for a longer period of time.

<b>A8 Ventures - Estimates</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
NAV - Beginning	\$5,050,000	\$5,915,389	\$12,544,329
Capital Raised - \$m pa	\$0	\$5,000,000	\$1,000,000
<b>NAV - After raising</b>	<b>\$5,050,000</b>	<b>\$10,915,389</b>	<b>\$13,544,329</b>
Advisory/Fee Share	\$252,500	\$545,769	\$677,216
Assumed Equity Return	40.0%	40.0%	40.0%
Equity Return	\$2,020,000	\$4,366,156	\$5,417,732
<b>Net Profit (before fees, costs &amp; tax)</b>	<b>\$2,272,500</b>	<b>\$4,911,925</b>	<b>\$6,094,948</b>
Management Fees	-\$101,000	-\$218,308	-\$270,887
Other Costs (acct, legal, other)	-\$40,000	-\$42,000	-\$44,100
Success Fees	-\$426,300	-\$930,323	-\$1,155,992
<b>Net Profit Before Tax</b>	<b>\$1,705,200</b>	<b>\$3,721,294</b>	<b>\$4,623,969</b>
Tax - profits @ 27.5%	-\$468,930	-\$1,023,356	-\$1,271,592
<b>Net Profit After Tax</b>	<b>\$1,236,270</b>	<b>\$2,697,938</b>	<b>\$3,352,378</b>
<b>NAV - after fees &amp; tax (b4 divs)</b>	<b>\$6,286,270</b>	<b>\$13,613,327</b>	<b>\$16,896,707</b>
Dividend Declared	\$370,881	\$1,068,998	\$1,754,012
Dividend - A\$/share	\$0.07	\$0.11	\$0.17
Dividend return of NAV	7.3%	9.8%	13.0%
<b>NAV - after fees, tax &amp; divs</b>	<b>\$5,915,389</b>	<b>\$12,544,329</b>	<b>\$15,142,695</b>
Share price - A\$/share	\$1.17	\$1.35	\$1.51

## BALANCE SHEET AS AT THE DATE OF THIS IM

As at the date of this IM, the Company balance sheet (before capital raised under this IM) is set out below.

<b>Balance Sheet Summary</b>	<b>A\$</b>
<u>Assets</u>	
Cash or Equivalents	\$41,850
Accounts Receivable	\$0
Listed Equity Investments	\$0
Unlisted Equity Investments	\$0
Debt/Loan Assets	\$0
Other Assets	\$0
<b>Total Assets</b>	<b>\$41,850</b>
<u>Liabilities</u>	
Accounts Payable	\$22,811
Loan Liabilities	\$0
Other Liabilities	\$0
<b>Total Liabilities</b>	<b>\$22,811</b>
<b>Net Asset Value</b>	<b>\$19,039</b>
<u>Equity</u>	
Issued Shares - All Classes	\$50,100
Retained Earnings	-\$31,061
Other	\$0
<b>Total Equity</b>	<b>\$19,039</b>

### ***A Class Shares issued prior to this IM***

Activ8 Capital Investors Pty Ltd has seeded the startup of the Company via an injection of \$50,000 in return for the issue of 50,000 A Class Shares @ \$1.00/share in the Company.

Activ8 Capital Investors Pty Ltd has advised it has a desire to invest additional amounts of up to \$200,000 by subscribing for additional A Class Shares under this IM.

### ***Liabilities as at the date of this IM***

Accounts payable are legal costs and ASIC costs related to the formation of the Company. In addition, the other liabilities are operating expenses relating to the day to day business in start up phase, including any management fees or other costs in the ordinary course of business.



## Potential Investment Opportunity – A Class Shares

### **INTENTION TO RAISE UP TO FIVE MILLION DOLLARS**

The Company intends to issue a maximum of 5,000,000 new A Class Shares for A\$1.00/share in order to raise up to \$5,000,000 for the purposes of carrying out the Business Plan as set out in this IM. There is no minimum total amount that must be raised by the Company.

Applications to subscribe for A Class Shares will open on 19th July 2021 (Application Open Date) and will remain open until the earlier of such time as the total maximum amount has been raised or 31<sup>st</sup> December 2021 (Application Close Date). The Company may decide to extend the Application Close Date if it considers it necessary in order to raise the maximum subscription amount.

The minimum subscription amount for each applicant is 25,000 A Class Shares at A\$1.00/share (equivalent to A\$25,000) and then in increments of 5,000 A Class Shares (equivalent to A\$5,000 increments) thereafter, unless otherwise agreed in writing.

The maximum subscription amount for each applicant is 500,000 A Class Shares (equivalent to A\$500,000).

For the avoidance of doubt, this IM does not constitute an offer of A Class Shares and any Potential Investor intending to invest in the Company must apply for A Class Shares in accordance with the process set out on pages 29 and 30 of this IM.

### **SHARE PRICE VALUATION BASED ON NET ASSET VALUE (“NAV”)**

The Share Price for this raise is A\$1.00 per A Class Share.

Following the close of this capital raise, the Share Price will be determined as follows:

- (a) Net Asset Value will be calculated within 30 days from the end of each calendar quarter on the following basis, with NAV being calculated using one of the following methods:
  - For assets that are publicly listed on a recognised stock exchange, the Asset Value will be based on the closing price on the last day of the relevant quarter;
  - For unlisted assets, the asset value will be either the price paid for the purchase of the asset, or if there has been a revaluation of the asset based on a third party revaluation undertaken via an arm's length transaction or revaluation (eg: a significant external capital raise to third parties), the third party revaluation will be used (or if there is no third party revaluation then the value determined by the Company's accountant at the time at the request of the board of the Company);
    - Where there is any dispute over the value of assets for the purposes of the NAV, the dispute resolution process set out in the Constitution and/or Shareholders Agreement will be utilised to determine the NAV for that particular asset;
  - For cash and other equivalent assets, the value of those assets as set out in a statement or other official record of those assets, adjusted for any interest, income receivable, fees or costs;
- (b) NAV will include the value of any realised investments gains due and receivable, but not yet received into the bank account (eg: interest or other rights not yet paid);
- (c) NAV will include the negative value of all operating expenses due and payable at the end of each quarter, including any management or performance fees payable but not yet paid
- (d) The Share Price will be calculated by dividing the NAV after all fees by the number of Ordinary and A Class shares on issue at that time.



## FREE 1:1 OPTIONS TO ACQUIRE ADDITIONAL A CLASS SHARES (“INVESTOR OPTIONS”)

Successful Potential Investors that acquire A Class Shares will also be issued with 1 (one) free Investor Option for each 1 (one) A Class Share issued to that Potential Investor by the Company. One Investor Option is exercisable into one A Class Share. The exercise of the Investor Options is at the election of the holder of those options and the Company cannot compel the holder to exercise. If the holder decides not to exercise the Investor Options within the relevant exercise period then the Investor Options will lapse and be forfeited.

Each Investor Option has the following terms:

- (a) Exercise price of A\$1.10/share (10% above the price under this IM)
- (b) Expiry date being on or before 31st December 2022
- (c) Exercise window is at any time between 1st October 2022 and 31st December 2022
- (d) Exercisable in whole or in part with a minimum value exercisable being A\$5,500
- (e) Investor Options are non-transferrable, unless as part of a sale of underlying shares (on pro-rata basis)
- (f) No premium is payable (ie: free)
- (g) The holders of the Investor Options must deliver the Option Exercise Form, plus payment/proof of payment to the Company within the exercise period, as set out in the documentation

## OPTIONS ISSUED TO ACTIV8 CAPITAL INVESTORS PTY LTD (“FOUNDER OPTIONS”)

Activ8 Capital Investors Pty Ltd has been granted Founder Options upon seeding the startup of the Company and as an incentive to provide additional funds to the Company over the first 18 months of operations.

The Founder Options have the following terms:

- 250,000 options exercisable into 250,000 A Class Shares (if fully exercised)
- Expiry date being on or before 31st December 2022
- Exercise window is at any time between 1st October 2022 and 31st December 2022
- A\$1.00/share exercise price (to raise up to A\$250,000)
- Exercisable in whole or in part with a minimum value conversion being A\$5,000
- No premium is payable (ie: free)
- The Founder Options holder must deliver an Exercise Form, plus payment/proof of payment, to the Company within the exercise period, as set out in the documentation

## CAPITAL STRUCTURE - BEFORE AND AFTER THE RAISE

### *Before – Capital Structure*

<b>A8 Ventures - before</b>	<b>Shares</b>	<b>Shrs %</b>
<u>Ordinary Shares</u>		
Activ8 Holdings P/L atf Activ8 Trust	10,000	16.7%
<b>Ordinary Shares</b>	<b>10,000</b>	<b>16.7%</b>
<u>Class A Shares</u>		
Activ8 Capital Investors *	50,000	83.3%
<b>Activ8 Class A Investor Shares</b>	<b>50,000</b>	<b>83.3%</b>
<b>Total - All Shares Classes</b>	<b>60,000</b>	<b>100.0%</b>
 <u>Options for new Class A Shares</u>		
Activ8 Capital Investors @ A\$1.00	250,000	
<b>Total Options</b>	<b>250,000</b>	

## After – Capital Structure

<b>A8 Ventures - after #</b>	<b>Shares</b>	<b>Shrs %</b>
<u>Ordinary Shares</u>		
Ordinary Shares	10,000	0.2%
<b>Ordinary Shares</b>	<b>10,000</b>	<b>0.2%</b>
<u>Class A Shares</u>		
Activ8 Capital Investors	50,000	1.0%
New Shareholders - under this IM	5,000,000	98.8%
<b>Activ8 Class A Investor Shares</b>	<b>5,050,000</b>	<b>99.8%</b>
<b>Total - All Shares Classes</b>	<b>5,060,000</b>	<b>100.0%</b>

### Options for new Class A Shares

Activ8 Capital Investors @ A\$1.00	250,000
New Shareholders - under this IM @ A\$1.10	5,000,000
<b>Total Options</b>	<b>5,250,000</b>

*# assumes fully subscribed raise under this IM*

## FUTURE CAPITAL RAISING INTENTIONS

The Company business plan includes an intention to continue to grow its asset base through capital raising on an annual basis for the first three years if appropriate, with such capital raising likely to be from existing Shareholders subscribing for new shares, Shareholders taking up any DRP offer to reinvest dividends and/or the Manager reinvesting performance fees.

In addition, the Investor Options and Founder Options being exercised will provide additional capital to the Company in year 2.

Shareholders will have the right to enforce their pre-emptive rights on each occasion where applicable, according to the SHA and Constitution.



## Risks

There are a number of risk factors which may affect the performance of the Company. All advisory and investment activities carry risk and the outcome of each activity is not guaranteed. The Company takes measures to mitigate risks as much as is practical, while still allowing it the ability to generate revenue and capital gains from its business model, but Potential Investors should be aware of the risks associated with investing in the Company. Potential Investors acknowledge that they have read the following risks as part of their application.

**The Company recommends Potential Investors obtain financial advice before investing in the Company.**

### **KEY PERSON RISK**

The Manager is operated by a sole Executive Director, which creates a dependency on that person. In the event the Manager cannot continue to manage the Company due to a health impact or other event, this may have an adverse impact on the Company. The Company will put in place a Key Person Insurance Policy in order to help mitigate a potential negative impact, but Potential Investors should be aware that such a policy may not entirely cover the adverse impact of the loss of the key personnel.

### **LIQUIDITY RISK FOR THE COMPANY**

The segment of the market within which the Company plans to operate is primarily (but not limited to) the unlisted, early stage growth, pre-listing, pre-IPO, IPO and listed segments, hence it is likely that capital may be tied up in investments for some time without an easily accessible market for the investments. As a result, capital may be difficult to convert into liquid cash or equivalent assets easily, or in some cases, at all. Businesses operating in that segment and that A8 Ventures may become involved with as either an advisor or investor, also commonly have limited cash reserves and can find it hard to pay for advisory services and fees using cash, which is also a risk for the Company.

In the case where businesses being advised cannot pay in cash, the Company may agree to accept shares or other securities as payment in lieu. These securities may also be illiquid and could take some time to realise the value of or may not be realisable at all. This potential lack of liquidity could adversely impact the earnings of the Company and impact the returns for Shareholders.

### **LIQUIDITY RISK FOR SHAREHOLDERS**

Given the Company is unlisted, there may be little or no liquidity in the shares issued in the Company (including the A Class Shares). This could contribute to the volatility of the shares and /or make it difficult for a Shareholder to sell the A Class Shares.

### **NO GUARANTEED RETURNS**

An investment in the Company should be considered a long term investment, with the original capital invested likely to remain within the business over a period of many years, with no guarantee of a return. While the Company hopes that dividends and/or capital returns may provide returns to Shareholders over time, the declaration of a dividend or other return by the Company may not occur consistently, or at all.

### **CONCENTRATION RISK**

The Company plans to advise, incubate and invest in a small number of businesses. While the Company and the Manager plan to diversify the financial and human capital resources to help reduce risks, the Company could at times have up to 50% of its total resources committed to a single business. This possibility, together with the specific nature of the industries and economic sectors that the Manager specialises in, means that there may be a relatively high level of exposure to the same sector. This may cause the value of the Company's advisory contracts and investments to be more affected by any single adverse economic, political or regulatory event.

## **DERIVATIVE RISK**

The Company may use derivatives, including options, forward contracts and CFDs on rare occasions to either hedge volatility risk, secure tax effective profit positions, or to provide profits for the Company. While it is intended that any net risk exposure would not exceed 10% of the NAV of the Company at any one time, there may be times where fluctuations in the value of those securities may adversely impact earnings of the Company.

## **REGULATION RISK**

There is a risk that regulations may change, which may increase the costs and/or impede the operations of the Company and/or investee businesses or advisory clients. This may include (but is not limited to) changes in tax regulations, licensing or permit requirements and other regulatory requirements imposed by government bodies in the markets where the Company is exposed, which could impact returns to Shareholders.

## **CURRENCY RISK**

The Company will typically deal in Australian Dollars in most instances, and the Company may not undertake currency hedging in part or at all. There is a risk that currency fluctuations may adversely impact the value of businesses it invests in, or that it invoices for advisory services in foreign currency, which could impact returns to Shareholders.

## **ECONOMIC RISK**

Business performance, advisory services demand, investment markets and other factors relating to the Company, its business customers and its investments are affected by a range of economic factors, including changes in interest rates, exchange rates, inflation, general share market conditions, government policies and the general state of the domestic and world economies.

These factors are outside of the Company's or Manager's control and may have an adverse impact on the earnings of the Company and returns for Shareholders.

## **MARKET RISK**

The value of the Company's success based contracts and its investments can fluctuate due to circumstances affecting the macro investment market generally. In particular, when the Company accepts shares or other incentives in lieu of cash (which it expects to do from time to time), those shares or other incentives can be adversely affected if the market generally weakens or fluctuates away from expectations, which may affect profits for the Company and returns for Shareholders.

## **CO-INVESTMENT RISK**

In certain instances the Company may invest in businesses alongside financial, strategic or other co-investors (including, potentially, one or more of the Company's or Manager's affiliates). There is a risk that co-investors may have economic or business interests or objectives that are inconsistent with those of the Company or may be in a position to take actions contrary to the Company's objectives, which may affect profits for the Company and returns for Shareholders.

## **CONFLICTING INVESTOR INTERESTS RISK**

Investors may have conflicting investment tax and other interests with respect to their investments in the Company, including conflicts relating to the structuring of acquisitions and disposals of the Company's assets. Conflicts may arise in connection with decisions made by the Company or the Manager regarding an investment that may be more beneficial to one investor than another, especially with respect to tax matters or the potential to provide co-investment opportunities, as described in this IM.

In structuring, acquiring and disposing of investments, the Company and the Manager may consider the investment and tax objectives of the Company and its Shareholders as a whole, not the investment, tax, or other objectives of any Shareholder individually.

## **TAXATION RISK**

Neither the Manager nor the Company provide financial or tax advice, nor have they obtained taxation advice specific to a potential investment in the Company which is the subject of this IM. As such, this IM cannot and does not address all of the taxation issues which may be relevant to the Potential Investor or successful applicants. Potential Investors must take full and sole responsibility for their investment in the Company, the associated taxation implications arising from that investment (including but not limited to the acquisition and disposal of the A Class Shares) and any changes in those taxation implications during the course of the investment.

Before investing in the Company, you should obtain your own independent tax advice, which takes into account your own circumstances. In particular, you should seek advice on income tax and interest withholding tax liabilities that may arise out of the investment.



## Summary of Important Documents

The following is a summary of material documents relevant to the Company.

The material documents are:

- (a) Constitution
- (b) Shareholders Agreement (SHA)
- (c) Management Services Agreement

You should consider whether it is necessary to obtain independent advice on any of the documents.

### CONSTITUTION

The Constitution document governs the relationship between the Investors and the Company and should be read in conjunction with the Shareholders Agreement.

The Constitution contains extensive provisions about the manner in which the Company is to be governed, decision making of the Board and the Shareholders, and the legal obligations, rights and powers of the Shareholders, directors and the Company itself.

The rights and restrictions attaching to A Class Shares is set out in clause 27.5 of the Constitution (and which is also summarised at page 13 of this IM).

The Company can amend the Constitution without Investors' approval if the Company reasonably considers the changes will not adversely affect Investors' rights.

A copy of the Constitution is available free of charge by contacting the Manager on [admin@activ8capital.com](mailto:admin@activ8capital.com)

### SHAREHOLDERS AGREEMENT (SHA)

The Shareholders Agreement is the primary document which governs the relationship between the Shareholders and the Company and should be read in conjunction with the Constitution. In the event where there is a conflict between the Constitution and the Shareholders Agreement, the Shareholders Agreement will prevail. The Constitution expressly states which of the clauses overlap with the Shareholders Agreement and which clauses may not apply (for as long as the Shareholders Agreement is in place).

The following is a summary of some of the key provisions of the Shareholders Agreement as it applies to the A Class Shareholders:

- (a) **Drag and tag along:** If a Shareholder or group of Shareholders holding at least 90% or more of the shares in the Company wish to sell some or all of their shares to any third party, then that Shareholder or group of Shareholders may require the remaining Shareholders to sell their shares on a pro rata basis to the third party and on the same terms and conditions. If the remaining Shareholders are not dragged along, then they can elect to tag along on the sale to the third party on a pro rata basis and on the same terms and conditions.
- (b) **Right to attend Annual General Meetings:** An annual general meeting will be held at least once in each financial year. Each Shareholder that holds an A Class Share has the right to receive notice of and attend a general meeting, but is only permitted to vote on the limited number of matters as set out in the Constitution and Shareholders Agreement.
- (c) **Access to Company records:** Each Shareholder is entitled to access the Company's books of account each quarter by giving the board of the Company notice of at least 10 business days in advance of the inspection.

- (d) **Pre-emptive rights on issue of new shares and transfers:** Any Shareholder that intends to sell its shares must first offer them to the existing Shareholders on a pro rata basis (unless the transfer is an excluded transfer). Excluded transfers include transfers to affiliates, transfers approved by all the other Shareholders or transfers in conjunction with an IPO. If the Company decides to issue new shares to a third party, then it must first offer those new shares to the existing Shareholders on a pro rata basis (other than in respect of excluded issues). Excluded issues include issues under an employee share option plan, issue of A Class Shares to the Manager upon conversion of the performance fee, issue in conjunction with an IPO, issue pursuant to a reinvestment of dividends or any subdivision or consolidation or reorganisation or reconstruction of shares where the Company neither pays nor receives cash.
- (e) **Event of Default:** If a Shareholder commits an event of default (see definition of Event of Default in the Shareholders Agreement) then it must sell its shares to the non-defaulting shareholders on a pro rata basis at fair market value or at a 15% discount of fair market value (depending on the nature of the default) and, if any shares are not taken up by the non-defaulting Shareholders, then the Company may buy back those shares.
- (i) **Confidentiality:** The Shareholders Agreement and all information belonging to the Company and its business is confidential and each Shareholder covenants that it will not use or disclose the confidential information for as long as the Shareholders Agreement is in place and at any time after it is terminated.

The above is only a summary of some of the key provisions of the Shareholders Agreement, and we recommend that you engage your own professional advisors to review the Shareholders Agreement (as well as this IM and all other documents provided by the Company) in detail.

## **MANAGEMENT SERVICES AGREEMENT**

The Management Agreement is between the Manager and the Company under which the Manager provides management and advisory services to the Company.

The Management Agreement contains provisions dealing with matters such as the Manager's obligations to report to the Company and its Shareholders, and the agreement sets out the fees payable to the Manager for its services, a summary of which is included in the Fees sub-section of this IM.

The Manager will charge the Company the management fee and performance fee (as set out on page 14).

The Management Agreement will remain in force until the Company is wound up, or unless the agreement is terminated earlier in accordance with its provisions. The agreement can be terminated by the Company if the Manager is in material breach of the agreement, and that breach has not been remedied after a certain time. There are also provisions allowing the Company to terminate if, for example, the Manager becomes insolvent.

The Manager is permitted to terminate the agreement in certain circumstances as set out in the agreement.

A copy of the Management Agreement is available free of charge by contacting the Manager on [admin@activ8capital.com](mailto:admin@activ8capital.com)

### ***Manager's Corporate Authorised Representative Appointment***

The Manager is a corporate authorised representative, being AFS Representative 1289506 of Boutique Capital Pty Ltd (ACN 621 697 621), Suite 211, 3 Eden Street, North Sydney, NSW 2060, the holder of AFS Licence number 508011.

The Manager's authorisation is limited to its role as a manager and does not extend to any other business that the Manager conducts, or services that the Manager provides.

## **RELATED PARTY TRANSACTIONS & CONFLICT OF INTERESTS POLICY**

The Company and/or Manager may from time-to-time face conflicts between its duties to the Company as Manager and its interests in other companies or investments.

The Company will manage any conflicts in accordance with its conflicts of interest policy, the Constitution, ASIC policy and the law.

The Manager is not a related party of the Company.

The contractual arrangements between the Company and the Manager are negotiated at arm's length between the parties.

The Company may from time-to-time enter into transactions with related entities. All transactions will be effected at market rates or at no charge.

In the event that entities associated with the Activ8 Group are paid fees as a direct result of investment funding or provision of services directly by the Company as part of a funding transaction, then a share of those fees will be paid to the Company pro-rated for the proportion of investment funds and/or services provision provided by the Company as a share of the total funds raised or services rendered in that specific transaction.





## Reporting and Meetings

### REPORTING

A8 Ventures will provide Shareholders with the following regular reports:

- (a) A Quarterly Report to be issued via email within 30 days of the end of each calendar quarter (Mar, June, Sept, Dec), providing the following information:
- NAV of the Company and the calculated share price
  - Management accounts summary showing summary of P&L and B/S
  - Summary of advisory fees and/or incentives earned in the period, including any major contracts or agreements which may provide future fee income
  - Summary of key assets/investments by value (being more than 5% of NAV)
  - Written narrative of major assets (over 10% of NAV) describing the performance of the individual investment during the period
  - Disclosure of the Management Fee and Performance Fee payable for the period, including any adjustment from the previous period(s)
  - Disclosure of any agreements between the manager and the investments (to disclose any potential conflicts) and any fees shared by A8 Ventures
  - Expected cost of operations for the upcoming quarter and declaration of ability to fund costs
  - The intention or not of the Manager to re-invest part or all of the performance fees without the requirement for pre-emptive rights process
- (b) A Half-Yearly Report to be provided via email within 30 days of the end of each calendar half (Jun and Dec) providing the following information:
- NAV of the Company and the calculated share price
  - Management accounts summary showing summary of P&L and B/S
  - Summary of advisory fees and/or incentives earned in the period, including any major contracts or agreements which may provide future fee income
  - Summary of key assets/investments by value (being more than 5% of NAV)
  - Written narrative of major assets (over 10% of NAV) describing the performance of the individual investment during the period
  - Disclosure of the Management Fee and Performance Fee payable for the period, including any adjustment from the previous period(s)
  - Disclosure of any agreements between the manager and the investments (to disclose any potential conflicts) and any fees shared by A8 Ventures
  - Expected cost of operations for the upcoming half year and declaration of ability to fund costs
  - The intention or not of the Manager to re-invest part or all of the performance fees without the requirement for pre-emptive rights process
- (c) An Annual Report to be provided via email within 120 days of the end of each financial year (Jun).
- NAV of the Company and the calculated share price
  - Management accounts summary showing summary of P&L and B/S
  - Summary of advisory fees and/or incentives earned in the period, including any major contracts or agreements which may provide future fee income

- Summary of key assets/investments by value (being more than 5% of NAV)
- Written narrative of major assets (over 10% of NAV) describing the performance of the individual investment during the period
- Disclosure of the Management Fee and Performance Fee payable for the period, including any adjustment from the previous period(s)
- Disclosure of any agreements between the manager and the investments (to disclose any potential conflicts) and any fees shared by A8 Ventures
- Expected cost of operations for the upcoming year and declaration of ability to fund costs
- Estimate of expected taxation liability and the allocation of funds to satisfy that liability
- The intention or not of the Company to declare a dividend for the Shareholders
- The terms of any dividend reinvestment plan and timing for acceptance of that plan
- The intention or not of the Company to undertake a capital return
- The intention or not of the Manager to re-invest part or all of the performance fees without the requirement for pre-emptive rights process
- The intention or not of the Company to undertake a capital raising activity and terms for exercising the pre-emptive rights

Note: These reports may be provided either individually, or where the reports are due at the same time (eg: quarterly and half year), then the report may be combined into one report covering all aspects required for the periods.

## **MEETINGS**

The Company has a policy to hold the following meetings each year:

- (a) Half Year Shareholders meeting within 60 days of the end of each financial half year (Dec half year)
  - Notice to be given at least 14 days prior to the meeting via email, to be held via a video conference service such as Zoom
- (b) Annual General Meeting within 120 days of the end of each financial year (Jun year end)
  - Notice to be given at least 30 days prior to the meeting via email, to be held in person at a suitable meeting or conference room either in the Melbourne CBD or a location within 30 minutes of the CBD



## How to Apply for A Class Shares

**Before completing the Subscription Agreement, you should read this IM carefully.**

**Potential Investors should ensure that you qualify as a wholesale, or sophisticated, or professional, or experienced investor as defined in section 761G(7) or section 708 of the Act (“Qualifying Investor”).**

Pay particular attention to all of the risk factors set out in the Risks section of this IM. The risks should be considered in light of your own investment situation, and it is recommended that you consult a financial, taxation or other professional advisor before deciding whether or not to invest in the Company.

### INSTRUCTIONS

To apply for A Class Shares in the Company, you must provide the following items to the Company either in hard copy to Level 31, 120 Collins Street, Melbourne VIC 3000 or via email to [admin@activ8ventures.vc](mailto:admin@activ8ventures.vc)

- 1) A duly signed copy of the Subscription Agreement signed by the Potential Investor (or, subject to approval by the Company, its nominated entity);
- 2) A duly signed copy of the Investor Option Agreement signed by the Potential Investor (or, subject to approval by the Company, its nominated entity);
- 3) A signed Shareholders Agreement or deed of accession under which you agree to be bound by the shareholders agreement (whichever is relevant);
- 4) A copy of appropriate government issued identification;
- 5) Proof of meeting the requirements to be considered a Qualifying Investor in the form of a certificate, letter or other written document from a suitably qualified accountant, financial advisor or lawyer, and;
- 6) Application Money in the form of a cheque or proof of a direct debit payment.

You can pay the Application Money by providing a cheque for the proposed investment amount or by providing evidence that the Application Money has been transferred by electronic funds transfer to the Company bank account as set out in the Subscription Agreement.

Cheques should be either bank cheques or drawn on an account in the name of the applicant and made payable to “Activ8 Capital Ventures Pty Ltd”.

The Subscription Agreement must be entered into by the Potential Investor in the name(s) of natural person(s) or in the form of a company or other legal entities acceptable to the Company. At least one full given name and the surname are required for each natural person.

The Subscription Agreement must be signed by the relevant applicant. If the shares are to be held jointly by more than one entity then all applicants must sign. If signed by the applicant’s attorney, a certified copy of the power of attorney must be attached to the Subscription Agreement. If executed by a company, then the form must be executed in accordance with the applicant’s constitution and the Act.

Pursuant to the Subscription Agreement, the Company is not required to, and will not, issue any A Class Shares in the Company unless and until you have signed and returned a copy of the Shareholders Agreement or a deed of accession under which you agree to be bound by the Shareholders Agreement (whichever is applicable).

The Company has the sole discretion whether to accept or reject an application by a Potential Investor to subscribe for A Class Shares and is under no obligation to enter into the Subscription Agreement or the Investor Option Agreement. If your application is rejected, wholly or in part, then the Company will notify you in writing and arrange the return of your Application Money to you. If your application to invest in the Company is accepted, then interest earned on your Application Money will be retained by the Company. If your application to invest in the Company is not accepted, then your Application Money will be returned to you (without interest).

**By sending a duly executed Subscription Agreement, you are making an irrevocable offer to subscribe for the relevant amount of A Class Shares and agree to be legally bound by the Constitution and the Shareholders Agreement and the terms of this IM.**

**The issue of A Class Shares in the Company to you is conditional on you executing a Shareholders Agreement or deed of accession under which you agree to be bound by the Shareholders Agreement.**

**The Company is under no obligation to accept your application to subscribe for A Class Shares.**

**A summary of the Constitution and Shareholders Agreement is included in this IM and a full digital version of both can be provided to Potential Investors and their authorised professional advisors upon request.**

## Glossary

A Class Shares	A Class Shares in the Company with the rights and obligations attaching to those Shares as set out in the Constitution of the Company.
Act	Corporations Act 2001 (Cth) for the time being in force together with the regulations of the Corporations Act 2001 (Cth).
AFS Licence	Australian Financial Services Licence.
AFS Representative	An authorised representative or a corporate authorised representative (CAR) of a AFS License holder.
Application	Application to subscribe for A Class Shares made by a Potential Investor in accordance with the process set out on pages 29 and 30 of this IM.
Application Form	The application form to invest in the Company as included in this IM.
Application Money	The money paid by an applicant for A Class Shares.
Application Open Date	The date Applications open, being 19th July 2021.
Application Close Date	The date Applications close, being the earlier of such time as the total maximum amount being offered has been raised or 31st December 2021.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange
Business Day	A day on which banks are open for business in Melbourne, except a Saturday, Sunday or public holiday.
Cash Investments	An investment in a term deposit with Australian banks and at-call cash management accounts with Australian ADIs, and Australian managed investment schemes which invest in these types of cash investments.
Company	Activ8 Capital Ventures Pty Ltd (ACN 649 208 506) (or also referred to as 'A8 Ventures' in this IM).
Constitution	The constitution of the Company.
Excluded Investor	An applicant that does not meet the requirements of a Qualifying Investor, or cannot provide the required documentation to prove the applicant can meet the requirements of a Qualifying Investor.
Founder Options	Options which have been issued to Activ8 Capital Investors Pty Ltd, exercisable in whole or part into A Class Shares with an A\$1.00/share exercise price and an exercise window being at any time between 1st October 2022 and 31st December 2022.
IM	This information memorandum.
Investor	A holder of A Class Shares in the Company.

Investor Option Agreement	The options agreement for the issue of Investor Options to the relevant Potential Investors.
Investor Options	Options issued to successful applicants under this IM, issued on a 1:1 basis, with an exercise price of A\$1.10/share and an exercise window being at any time between 1st October 2022 and 31st December 2022.
Key Person Insurance Policy	Insurance policy or policies covering the Key Person for Death and TPD to the value of \$500,000, with the Company being the beneficiary.
Liquid Investments	Financial products with high liquidity, such as stocks and securities listed on the ASX, NSX, or on another internationally recognised stock exchange, and managed investment schemes which invest in these types of investments and provide regular market pricing and liquidity within a time frame being less than 20 business days.
Loan Investments	Loans made by the Company secured by Real Property Mortgages (whether registered or unregistered).
Management Agreement	The investment management agreement between the Company and the Manager dated on or about the date of this IM.
Management Fee	The fee payable to the Manager as set out in the Management Agreement.
Manager	Activ8 Capital Management Pty Ltd (ACN 650 220 358)
NSX	National Stock Exchange of Australia
Ordinary Shares	Ordinary shares as set out in the Constitution of the Company
Performance Fee	The performance fee payable to the Manager as set out in the Management Agreement.
Qualifying Investor	An investor that meets the criteria of a professional, wholesale, sophisticated or experienced investors as defined within the meaning of Section 708(10) and/or Section 761GA of the Corporations Act 2001 (Cth)
Sale Event	When an Investment is sold.
Shareholder	A holder of a share or shares in the Company.
Shareholder Agreement	The Shareholder Agreement which Shareholders agree to be bound by when they subscribe for shares in the Company.
Subscription Agreement	A subscription agreement to be entered into between the Company and a Potential Investor under which the Subscriber subscribes for A Class Shares in the Company.
Wind Up Event	The sale of the assets of the Company for the purposes of winding up the Company.





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CAPITAL MANAGEMENT

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