



EQUITY VENTURE PARTNERS

# EVP FUND II LP

Information Memorandum

June 2018

**EVP Management Pty Ltd**

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# Important notices

## Issuer

This Information Memorandum dated 4 June 2018 (**IM**) has been prepared and issued by EVP Management Pty Ltd ACN 625 495 990 (**EVP, Fund Manager, us, we or our**) to provide background information for persons considering applying for interests in the EVP Fund II, LP (**Fund**). No persons other than the Fund Manager have caused or authorised the issue of this IM nor do they take any responsibility for its preparation.

## The Fund

The Fund is an incorporated limited partnership registered in New South Wales (ILP1800018), EVP VCMP II, LP is the general partner of the Fund (**General Partner** or **VCMP**). The VCMP's general partner is EVP GP Pty Ltd ACN 625 494 448. The General Partner has appointed EVP as the manager of the Fund, and as manager, EVP will source and present investment opportunities to the Fund. Persons who successfully subscribe to the Fund will become limited partners of the Fund. EVP and the general partner of the VCMP are authorised representatives (No 001264665 and 001264662 respectively) of One Investment Administration Limited ACN 072 899 060, holder of AFSL Number 225064. The GP or the Manager may in the future obtain its own AFSL. Offers of Partnership Interests under this IM will be made under an arrangement between the Fund and EVP as an authorised intermediary. The Fund has authorised EVP to make offers to arrange for the issue of Partnership Interests.

## Important information

This IM should be read in its entirety before making a decision to invest in the Fund. An investment in the Fund is subject to the terms of the Investment Documents. This IM is not a comprehensive statement of the Partnership Deed or of all of the terms applicable to an investment in the Fund. A copy of the Fund's Partnership Deed can be obtained by contacting EVP.

An application to invest in the Fund is an application for Partnership Interests based on the Investment Documents. Information in this IM is subject to change from time to time. We intend to issue a supplementary or replacement IM if any material changes are made. No person is authorised to provide information or to make a representation in connection with the Fund that is not contained in this IM. Any information or representation in connection with the Fund that is not contained in this IM may not be relied upon as having been authorised by the Fund Manager. No representation or warranty is made as to the achievement or reasonableness of any plans, financial returns or forward looking statements.

Investments in the Fund will be by invitation only. The offer contained within this IM is only available in Australia to Wholesale Clients (as defined in the Corporations Act). This IM does not constitute an offer or invitation in any place or to any person in or outside of Australia where it would be unlawful to make such an offer or invitation. The offer is not available in the United States of America (**US**) or to US Persons (as defined in the relevant US securities law) unless otherwise approved by the Fund Manager. No public offer of Interests in the Fund will be made. This IM is not a Product Disclosure Statement for the purposes of Part 7.9 of the Corporations Act. The level of disclosure in this IM is less than that of a Product Disclosure Statement, prospectus or similar disclosure document. A copy of this IM does not need to be and has not been lodged with the Australian Securities and Investments Commission (**ASIC**).

The information in this IM is general advice and does not constitute personal advice or investment advice. In preparing this IM, EVP has not taken into account the investment objectives, financial situation or particular needs of individual investors. EVP strongly recommends that potential investors read this IM

in its entirety and seek independent professional advice as to the financial, taxation, and other implications of investing in the Fund and the material contained in this IM.

No person guarantees the performance of, or rate of return from, the Fund nor the repayment of capital from the Fund. Investments in the Fund are not deposits with or liabilities of the Fund Manager or any associated company and are subject to investment and other risks, including possible delays in repayment and loss of income or principal invested. Recipients of this IM should ensure they are fully aware of all these risks before investing in the Fund. As with any investment, there are inherent risks in investing in the Fund, including the risk that an investment in the Fund is speculative, that the investment may result in a reduction in or loss of the capital value of the investment, loss of income and returns that are less than expected or delays in repayment of capital.

Investing 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. Please refer to Section 6 on investment risks.

To the maximum extent permitted by law, none of the Fund Manager, its associated entities, nor any of their respective officers, directors, advisers or associates provide any representations or warranties in relation to this IM or the Fund and they disclaim all responsibility in relation to the IM and the Fund. The Fund Manager does not make any representation or warranty as to the accuracy or truth of the contents of this IM.

Any information or representations not contained in this IM may not be relied upon as having been authorised by the Fund Manager and should be disregarded. This IM supersedes all previous representations and communications (including investor presentations) in respect of the Fund. The Fund Manager may vary the offer without notice at any time, including to close the offer at any time, accept late subscriptions, or to increase or decrease the size or timing of the offer, without notice.

Any forward looking statements in this IM (including statements of intention, projections and expectations of investment opportunities and rates of return) are made only at the date of this IM based on current expectations and beliefs but involve risks, contingencies, uncertainties and other factors beyond the control of the Fund Manager which may cause actual outcomes to be materially different. Assumptions underlying such statements involve judgements which may be difficult to accurately predict. Therefore, such forward looking statements included in this IM may prove to be inaccurate and should not be relied upon as indicative of future matters.

All amounts in this IM are stated in Australian currency, unless specifically stated. Fees and costs in this IM are disclosed exclusive of Goods and Services Tax (GST). Applications to invest in the Fund may only be made on the application form attached to or accompanying this IM. The General Partner is not obliged to accept applications and reserves absolute discretion in limiting or refusing any application in whole or in part.

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# 1. Key Terms

Set out below is a summary of the key terms of the Fund. Refer to the Investment Documents for the complete terms which will supersede and prevail to the extent of any inconsistencies with this IM.

Fund	EVP Fund II, LP an incorporated limited partnership registered in New South Wales (ILP1800018).
General Partner	EVP VCMP II, LP an incorporated limited partnership registered in New South Wales (IPL1800017).
Fund Manager	EVP Management Pty Ltd ACN 625 495 990.
Investment Strategy	The Fund will seek to invest in disruptive early stage technology businesses with potential to deliver exceptional revenue growth over the long term.
Target Return	The Fund will target returns equivalent to an IRR of 25% per year over a 7 year period. <b>This is a target and may not be achieved.</b>
Eligible Investors	Applications are restricted to Wholesale Clients.
First Closing Date	A date to be determined by the General Partner.
Final Closing Date	A date determined by the General Partner which is not more than 24 months after the First Closing Date or as otherwise approved under the Partnership Deed.
Minimum Investment	\$200,000 unless otherwise approved by the General Partner.
Target Fund Size	The Fund is seeking to raise total capital of approximately \$50 million. The General Partner may accept commitments in excess of this amount.
Maximum Establishment Costs	\$200,000 plus GST.
Fund Manager Commitment	The Fund Manager, its associates, any of their employees and members of the Investment Committee and their associates will together invest a minimum of \$4 million of Committed Capital.
Management Fee	An amount equal to 2% per annum (plus GST): (a) of aggregate Committed Capital during the Investment Period; and (b) thereafter, of Invested Capital until the completion of winding up of the Fund.
Investment Period	Commencing on the Initial Closing Date and ending on the fourth anniversary of the First Closing Date unless otherwise adjusted under the Partnership Deed.
Term	3 years from the end of the Investment Period, unless:

	<ul style="list-style-type: none"> <li>(a) terminated earlier by the General Partner in accordance with the Partnership Deed;</li> <li>(b) extended by the General Partner for successive additional periods, up to a maximum of 3 years in aggregate, by notice to Investors;</li> <li>(c) terminated earlier by Special Resolution (but no earlier than 5 years following registration as an ESVCLP); or</li> <li>(d) extended by Special Resolution.</li> </ul>
Preferred Return	8% IRR (in accordance with the Partnership Deed).
Distributions	<p><i>Distributions will be made in the following priority:</i></p> <p><i>Return of capital and preferred return:</i> 100% to Limited Partners until they have each received (including tax credits) under this provision the sum of their Capital Contributions and Preferred Return (on a Whole of Fund Basis) as at the record date for the distribution.</p> <p><i>Catch Up:</i> 100% to the General Partner by way of Carried Interest until it has received 20% of the sum of the aggregate Preferred Return of Limited Partners (on a Whole of Fund Basis) and the amounts distributed under this Catch Up.</p> <p><i>Split:</i> In the ratio of 80% to Limited Partners as distributions and 20% to the General Partner as Carried Interest.</p>
Distributions In Specie	In specie distributions of marketable securities can be made at the discretion of the General Partner.
Redraw	The Fund Manager may recall up to 30% of amounts distributed for up to 3 years after distribution from the Fund to Investors in connection with a particular investment where the Fund has a legally binding obligation to pay such amounts (e.g. a warranty claim) in respect of that investment and for which the Fund Manager is duly indemnified for out of the Fund and such indemnity has not been reduced or extinguished. In such circumstances, the Fund Manager will give notice to Investors at the time of the distribution that a portion of the distribution may be withdrawn.
Clawback of Distributions	Calculation to determine if there is a clawback of the Carried Interest to be undertaken at the termination of the Fund, termination of the General Partner, or Fund Manager (as applicable), or a redraw. Clawback amount is where the General Partner has received in excess of its aggregate entitlement to all Carried Interest distributed under the waterfall.
Investment Committee	Howard Leibman, Les Szekely, Craig Butcher, Justin Lipman and Daniel Szekely.

## 2. Fund Overview

### 2.1 The Fund

EVP Fund II, LP is the second venture capital fund managed by the Investment Team. The Fund will seek to invest in unlisted, early stage technology companies.

EVP is a specialist venture capital fund manager. Its principals have a track record of identifying highly prospective early stage technology companies and of investing successfully in the sector.<sup>1</sup>

The Fund is seeking to raise total capital of approximately \$50 million, with a minimum of \$10 million. The General Partner may accept commitments in excess of this amount. The minimum investment in the Fund is \$200,000. The Fund Manager may in its absolute discretion accept smaller amounts. Capital contributions need to be paid in full when called in accordance with the Partnership Deed, and Partnership Interests issued to Investors may be forfeited if capital calls are not met within the time frame set out in a call notice.

The Fund is an incorporated limited partnership and, subject to approval by Innovation and Science Australia, will be registered as an Early Stage Venture Capital Limited Partnership (**ESVCLP**). The Fund is not listed on any stock exchange. The term of the Fund is 3 years from the end of the Investment Period. The term may be extended by the General Partner for successive periods of up to 3 years in aggregate by notice to Investors or by Special Resolution (subject to the ESVCLP Rules whilst the Fund is an ESVCLP).

### 2.2 Investment Objective and Strategy

The objective of the Fund is to deliver returns to Investors equivalent to an internal rate of return of approximately 25% per year over a seven year period. This is only a target and may not be achieved.

The Fund will aim to leverage the Fund Manager's deep networks within Australia's startup ecosystem to source investment opportunities in early stage technology businesses that, in the Fund Manager's view, provide exceptional potential for revenue growth. The Fund Manager plans to adopt an active management approach and will seek to work closely with the companies in which the Fund invests to help drive a return on capital.

The Fund will target investments in technology led businesses in the early expansion phase of the venture capital cycle. It is expected that, at the time of the Fund's initial investment, these businesses will have recently launched their product and will be generating early revenues.

The Fund Manager will typically invest between \$0.5 million and \$5 million (in aggregate) of the Fund's assets in each portfolio company and plans to target ownership stakes in the range 5% to 40% across the portfolio. The Fund Manager may invest above or below these thresholds where it believes it is in the interests of the Fund.

The Fund intends to maintain a relatively concentrated portfolio. The Fund Manager's view is that this concentration will enable the Fund to be actively involved in each of its investee companies whilst ensuring appropriate diversification of risk. The Fund will generally seek to appoint a director

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<sup>1</sup> Past performance is not a reliable indicator of future performance and may not be repeated.

to the board of each portfolio company and will pursue appropriate shareholder protections and preferential rights as an investor in each portfolio company. It is expected that the Fund will have meaningful input on key strategic decisions and will work closely with the management of each portfolio company to help accelerate growth, mitigate risk and maximise returns.

Where appropriate, the Fund may co-invest alongside other parties. These co-investors may be third party entities and may be related to or associated with the Fund Manager or members of the Investment Committee.

## 2.3 Investment Criteria

The Fund has a broad investment mandate, which is not limited to any particular sector, industry or business model. This flexibility is expected to allow the Fund Manager to identify industry themes and trends as they arise and to adapt its investment focus accordingly.

The Fund will seek to invest in early stage businesses with the following characteristics:

- A new technology or a novel application of technology with potential to drive disruption within a defined market sector;
- Strong early market validation, evidenced by the business having already generated its first commercial revenue;
- Founders with exceptional credentials in terms of specific industry expertise or prior experience in early stage high growth companies;
- A business model that delivers (or is likely to deliver) attractive and sustainable unit economics;
- A very large and well-defined target market;
- Potential for sustained revenue growth over the long term; and
- A credible path for the Fund to exit its investment within the life of the Fund.

In addition, the Fund Manager will aim to invest in companies that qualify as eligible venture capital investments under the ESVCLP Rules as set out in Section 5.

## 2.4 Investor Profile

The Fund is only open to Wholesale Clients. Potential investors in the Fund should be persons seeking access and exposure to a portfolio of privately held, early stage, high growth companies with potential to generate high returns on investment. The Fund may be suited to investors seeking venture capital exposure but not necessarily having the expertise or resources to undertake direct venture investments.

The Fund allows such investors to leverage the deal flow and experience of the Fund Manager to source prospective investments, actively engage with investee companies, manage portfolio risk and maximise returns.



Investment in the Fund involves a high level of risk and redemptions or withdrawals from the Fund are not permitted. Accordingly, an investment in the Fund 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. Please refer to Section 6 on investment risks.

## 2.5 Why Invest in the Fund?

The Fund aims to offer potential investors access to the potentially high returns available through venture capital exposure. The Fund Manager will seek to mitigate the risks associated with investing in privately held early stage companies through stringent investment selection processes, active involvement with the management of investee companies and appropriate portfolio diversification.

### Experienced Investment Team

The Fund Manager has an experienced Investment Team with a successful track record<sup>2</sup> providing:

#### **Access to a significant volume of prospective investments**

The Investment Team has been active in the Australian venture capital sector for many years. Through established reputations and referral networks, the team has access to substantial deal flow and often sees early stage investment opportunities in advance of the broader angel and venture capital investing communities.

#### **Expertise in identifying and securing attractive investment opportunities**

Over many years of successful investing, the Investment Team has developed the expertise to identify prospective investment opportunities relatively early in their development cycle. The team has a demonstrable track record of accessing such opportunities and of acting decisively to secure investments on attractive terms, often well ahead of competing investors.

#### **Active portfolio management**

Members of the Investment Team have worked individually as investors, directors, advisers and executives across a wide range of early stage technology companies. These include some of Australia's most successful startups, such as HotelClub, Siteminder and Deputy, as well as a significant number of high profile emerging companies, including Rezdy, Oneflare, Shippit, Practice Ignition, Biteable, Outfit and Mad Paws.

The Fund Manager will work actively with all portfolio companies, applying experience gained previously in similar businesses to help maximise the likelihood of success. Specifically, members of the Investment Team will provide ongoing mentoring to key executives, support board level decision making with strategic oversight, assist with executive recruitment processes, afford access to professional and startup-related networks and provide active financial and operational support as required.

#### **Experience at driving an exit**

When investing in private companies, the ability to plan, execute and optimise the terms of an exit are essential to achieving a return on investment. The Investment Team has extensive experience

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<sup>2</sup> Past performance is not a reliable indicator of future performance.

both advising on and participating in significant capital raisings, mergers and acquisitions, joint ventures, corporate reconstructions and financing transactions.

### **Potential for significant capital returns**

The objective of the Fund is to deliver returns to Investors in excess of five times the capital they have invested. Over a seven year period this would equate to an internal rate of return of approximately 25% per year.<sup>3</sup> Subject to registration as an ESVCLP under the Venture Capital Act, a full (or in certain circumstances, a partial) exemption should be available for Investors on their share of capital gains derived from, or from disposal of, eligible early stage venture capital investments (subject to satisfying certain requirements).

### **Strong alignment of interest with Fund Manager**

The structure of the Fund aims to align the interests of the Fund Manager with those of all Investors. The returns received by the Investment Team are expected to be in the form of Carried Interest, where the Investment Team retains a share of capital gains only after 100% of Invested Capital has been returned and after achieving the Preferred Return. Further the Fund Manager, its associates and employees and number of the Investment Committee members (or their associates) have committed to investing a minimum of \$4 million (in aggregate) in the Fund alongside all other Investors.

### **Risk mitigation through diversification**

The Fund aims to invest in a portfolio of early stage companies. The Fund Manager will seek to achieve a level of concentration within the portfolio that allows the Investment Team to engage actively and frequently with each portfolio company. At the same time, the Fund Manager will aim to structure the portfolio to ensure a level of diversification that appropriately mitigates the risk associated with any single investment.

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<sup>3</sup> *This is only a target and may not be achieved.*

## 3. Investment Opportunity

### 3.1 Why Invest in Early Stage Technology Companies?

In the Fund Manager's view, investing in early stage technology companies offers the potential for high returns on investment.

Early stage technology companies by definition have usually not yet fully validated their market opportunity. However, these companies often have the ability to target large, global markets and to do so without the operational and distribution overheads and constraints that would be typical for a non-technology enterprise. As they begin to drive product adoption and demonstrate capacity to generate economic returns at scale, they provide, in many cases, potential for rapid and considerable growth in equity value.

Typically, investors in early stage companies aim to identify the combination of characteristics that signal a high likelihood of success, often well before any meaningful market traction can be demonstrated. As evidence of traction grows, so the perceived risk often declines, which may drive a disproportionate increase in enterprise value. Early stage investors usually aim to find the appropriate balance between risk and return and to mitigate the inherent uncertainty present in early stage investing by diversifying risk across a portfolio of early stage investments.

### 3.2 What Type of Companies will the Fund Target?

The Fund seeks to invest in companies developing technologies capable of reshaping industries. They should be businesses intent on disrupting their target markets through the introduction of innovative, technology-led solutions. They should have the capacity to compete on a global scale and they should operate in markets which have the potential to support significant compounding revenue growth over the long term.

The Fund will seek to invest in these businesses well before their growth potential is realised. It is expected that the Fund will target companies that have been operating typically for less than five years. They will have 'bootstrapped' their operations or might have completed seed or angel rounds of funding. They should, nevertheless, have demonstrated evidence of product market fit, and a trajectory of growing commercial revenue.

The Fund plans to invest in technology led enterprises. The Fund's typical target companies will usually be characterised by upfront and ongoing investment in product, with returns derived over time through efficient distribution at scale. Potential investees may have differing revenue models including transactional models or 'Software-as-a-Service', but in all cases they will be underpinned by the highly scalable deployment of a software application.

The companies targeted by the Fund are unlikely to be generating cash in excess of the costs of funding operations and growth. Typically, new capital will be allocated towards expanding product teams and driving sales and marketing activities. It is possible that these businesses will not pay any distributions during the Fund's term.

Companies in which the Fund seeks to invest will have potential both to scale efficiently and to deliver attractive unit economics, underpinning significant long-term returns on capital.

### 3.3 Investment Criteria

The Fund will take a disciplined approach to investing and will seek only to invest in companies with the following characteristics:

#### **Strong market validation**

The Fund aims only to invest in companies whose business demonstrates strong evidence of product-market fit, evidenced primarily by a trajectory of growing early commercial revenue.

#### **Exceptional founders**

An overriding consideration will be the Fund Manager's view of a startup's founding team. The Fund Manager seeks founders who demonstrate deep expertise in their target sectors and/or meaningful experience in similar growth stage businesses. Additionally, the Fund Manager expects that the founders will provide tangible evidence of their ability to drive growth and of their potential to recruit, lead and engage a strong team. The Fund aims to invest in founders with vision, tenacity and resilience who, in the opinion of the Fund Manager, have the ability to build a world-class business.

#### **Attractive business model**

The Fund will only invest in companies where, in the view of the Fund Manager, a clear and compelling revenue model has been established. The Fund will have a preference for Software-as-a-Service models and for marketplace models with transaction based fee structures. In all cases the model should yield attractive unit economics and underpin an ability to drive rapid customer acquisition and long-term profitability.

#### **Well defined and sizeable target market**

It is anticipated that the Fund's portfolio companies will focus on highly defined market segments. Potential investees should demonstrate the specific problem that their products aim to address and quantify the impact of the problem on their target market. The Fund Manager will seek founders operating in a target market of a size that can support sustained revenue growth over the long term.

#### **Potential for significant and sustained revenue growth**

The Fund aims to invest in companies with potential to deliver sustained long term growth. The Fund is targeting returns of five times capital invested, implying an internal rate of return of approximately 25% per year over the life of the Fund.<sup>4</sup>

#### **Clearly defined exit path**

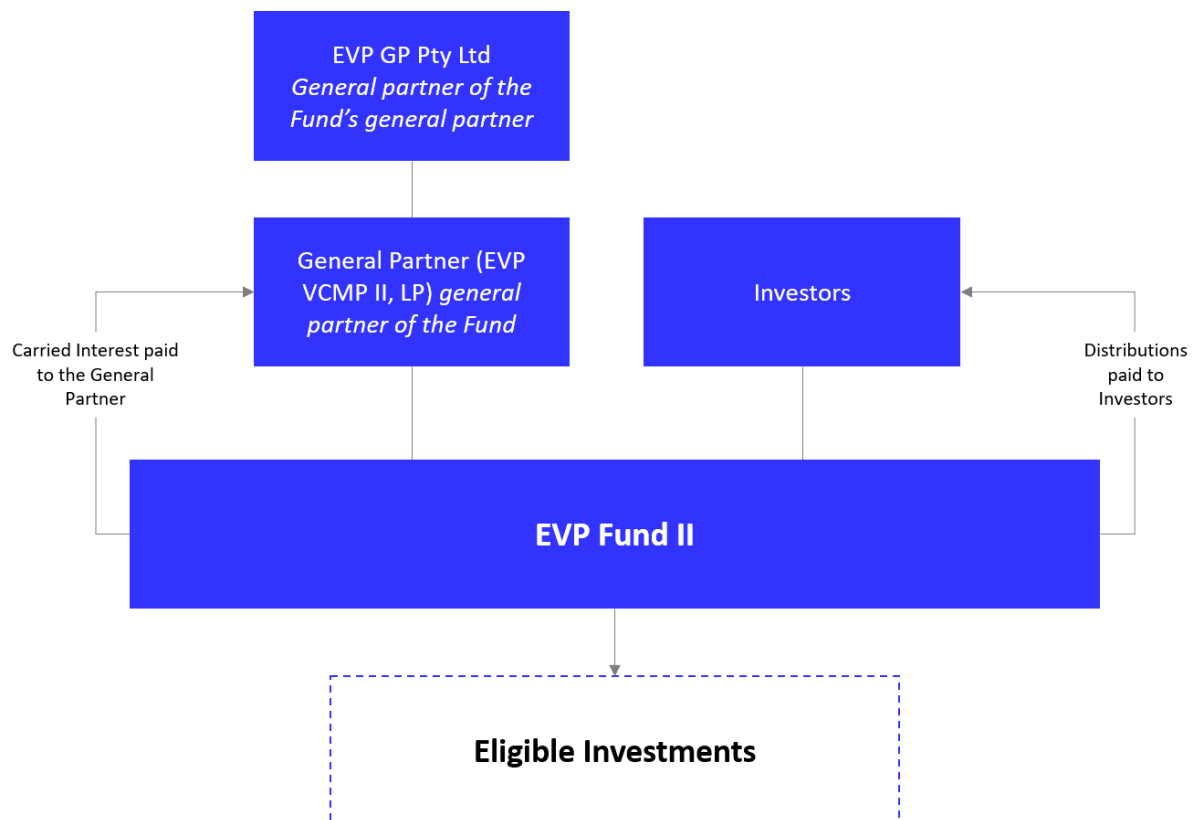
The Fund has a limited timeframe within which to invest and to realise proceeds from the divestment of its holdings. The Fund will invest in companies where the Fund Manager envisages a clear path to exit within the life of the Fund through either a trade sale or an initial public offering.

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<sup>4</sup> This is only a target and may not be achieved.

## 4. About the Fund Manager

### 4.1 Fund Structure



### 4.2 Key Personnel

The Fund Manager's key personnel have extensive experience investing in, building and scaling early stage, high-growth technology companies. Members of the Investment Committee have been active investors in the sector for over 20 years and have established successful track records over that time<sup>5</sup>.

The Investment Team comprises Les Szekely, Howard Leibman, Justin Lipman and Daniel Szekely. The Investment Committee comprises the four members of the Investment Team as well as Craig Butcher, who serves as an external member of the committee.

The Fund Manager Commitment seeks to ensure a strong alignment of interest between investors, the Fund Manager and members of the Investment Committee.

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<sup>5</sup> Past performance is not a reliable indicator of future performance.



### Les Szekely

Les is often cited as one of Australia's most experienced startup investors. After lecturing at the University of New South Wales he went on to become an accomplished advisor across a range of transactional and tax related matters. He spent almost 30 years as a specialist consultant, initially with Horwath Chartered Accountants where he served as Chairman of the Horwath International Tax Executive and subsequently as a Director with Deloitte. During this time he was the author of numerous publications and was widely recognised as a leader in his field.

Les has been an active angel investor since 1999 and has been focused full time on startup investing since 2009. He is a director of Siteminder, Alternative Media, Rezdy, Oneflare, Shippit, Snaprevise and Uptick. His previous investments include HotelClub, DriveMyCar and DesignCrowd. Les is also Chairman of the ASX listed Microequities Asset Management Limited (ASX.MAM) and a director of not-for-profit group 40K Foundation.



### Howard Leibman

Since 2010, Howard has worked with a wide range of startups as investor, adviser, director and interim executive. He has been retained by some of Australia's leading startups, including Siteminder, Deputy, DesignCrowd, Shippit and Oneflare, to advise on capital raising and corporate transactions. Prior to founding EVP, Howard served for five years as head of corporate development for NASDAQ listed Heartware International, a global medical technology business. He began his career as an engineer with General Electric Company before spending several years in the corporate finance team at Emerging Growth Capital. He holds a Bachelor of Arts and Bachelor of Engineering (Elec) from UNSW and an MBA from the AGSM and London Business School.

Howard is a director of Deputy, Oneflare, Rezdy, Outfit, Booodl, Fergus and Practice Ignition.



### Justin Lipman

Justin is an Investment Director at EVP, having joined the Fund I team in early 2016. He has a broad background in finance having previously worked in investment banking, wealth management and transaction advisory services with Credit Suisse, Investec and Ernst and Young respectively. Justin leads much of the deal sourcing and evaluation processes for the Fund Manager and is actively involved in the Fund's portfolio management activities. He is an active adviser and mentor to a number of founding teams, both within Fund I portfolio and in the broader startup community.

Justin is a director of Biteable and is a Board Observer at Outfit, UrbanYou and Snooper.



### Daniel Szekely

Daniel is an Investment Director at EVP. He joined the Fund I team at its launch in 2016. Previously, Daniel was a corporate and commercial lawyer leading a start-up focussed legal practice advising on capital raisings, acquisitions and disposals, corporate reconstructions and a range of financing transactions. He serves as a board member, advisor and mentor to a number of Australian start-ups both within and external to Fund I portfolio. He also manages the commercial and legal investment process for each portfolio company and has broad responsibility for the Fund's regulatory and transactional functions.

Daniel is a director of Snooper and Bluethumb and is a board observer at Biteable, Fergus and Uptick.



### Craig Butcher

Craig has been an active investor in early stage businesses since relocating to Sydney in 2012. He previously co-founded a private equity firm, which invested in leveraged buyouts across the Central European region with funds managed or advised of more than Euro 3 billion. He has also worked for the European Bank for Reconstruction and Development, leading equity and project financings across the Central and Eastern European region, as well as for the Boston Consulting Group. He holds an MBA with Distinction from INSEAD, France as well as a B.Sc (Hons) in Mathematics from Canterbury University, NZ.

Craig serves as an independent member of the investment committee for Fund I. He will also serve as an external member of the Investment Committee for the Fund.

## 4.3 EVP History and Investment Track Record

The EVP Investment Team comprises experienced investment professionals with a longstanding track record of investing successfully in early stage technology companies.

### EVP history

EVP is a newly-formed entity established to serve as the manager of the Fund. Prior to the launch of the Fund, the majority of the Investment Team were engaged as key personnel in connection with management of Microequities Venture Capital Fund, LP (**Fund I**). Equity Venture Partners Pty Ltd ACN 600 735 626 as trustee of the EVP Trust (**Equity Ventures**) is a member of Fund I's general partner. The principals of Equity Ventures are Howard Leibman and Les Szekely. Four of the five members of Fund I's key personnel are members of the Fund's investment committee. All members of the Investment Team were engaged by Equity Ventures in connection with Fund I.

### Investments prior to Fund I

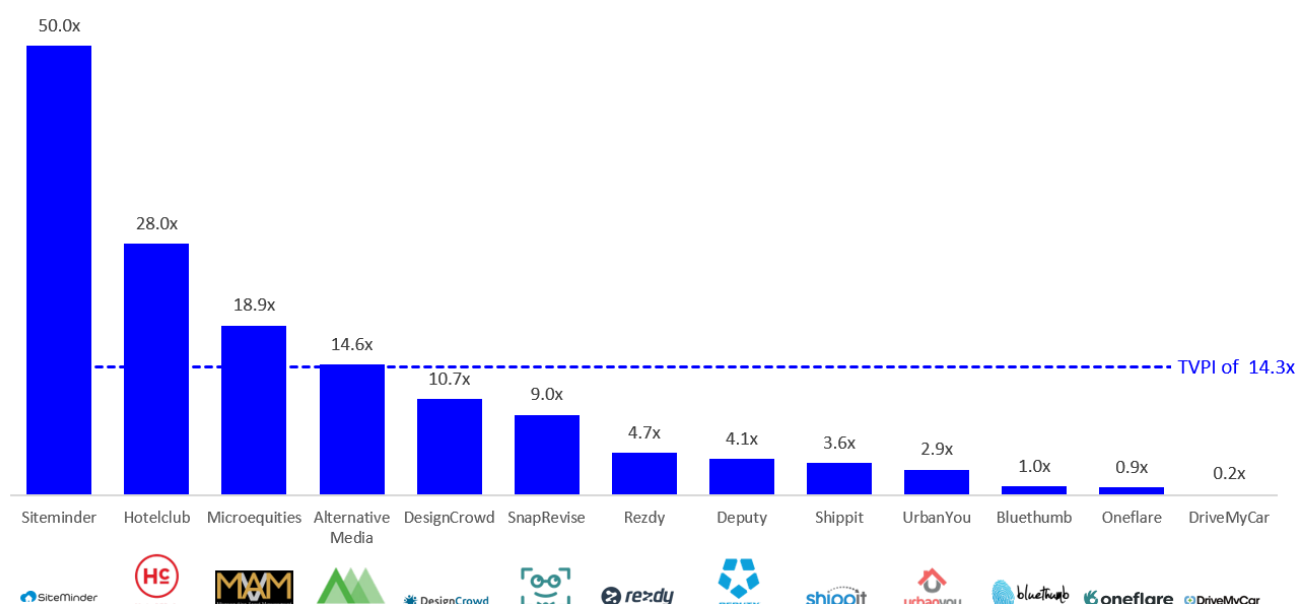
Prior to the launch of Fund I in September 2016, a number of members of the Investment Team had established a 15-year track record as active investors in Australian technology startups. The chart below provides an indicative view of the uplift in the value of these investments from the time of acquisition to the date of this IM, or to the sale price.<sup>6</sup> With the exception of HotelClub, all investments are still held. The valuation uplifts are based either on the exit price (in the case of HotelClub) or on a price determined by a new 3rd party investor acquiring a material stake in the business. Where no such transaction has occurred (as in the case of SnapRevise and Bluethumb), the holding is reflected at cost. These returns exclude carry and fees which would apply if the investments had been made through the Fund.

Across the thirteen portfolio companies presented, the average Total Value to Paid in Capital (**TVPI**) ratio is in excess of 14 times and the average timeframe for achieving this has been approximately 6.5 years.

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<sup>6</sup> Past performance is not a reliable indicator of future performance.





Investment Date	Jan-08	Mar-00	May-10	Sep-11	Oct-09	Oct-14	Dec-11	Dec-16	Jun-15	Nov-15	Jul-17	May-13	Dec-09
Time to Exit	Still Held	Exit	Listed	Still Held	Still Held	Still Held	Still Held	Still Held	Still Held	Still Held	Still Held	Still Held	Listed
TVPI	50x <sup>1</sup>	28x <sup>1</sup>	19x <sup>1</sup>	15x <sup>3</sup>	11x <sup>3</sup>	9x <sup>3</sup>	5x <sup>1</sup>	4x <sup>1</sup>	4x <sup>1</sup>	3x <sup>3</sup>	1x <sup>1</sup>	1x <sup>2</sup>	0.2x <sup>1</sup>

<sup>(1)</sup> Valuation reflects the pricing established by a material 3<sup>rd</sup> party financing transaction or exit event

<sup>(2)</sup> Valuation reflects the pricing established by a material, recent financing transaction

<sup>(3)</sup> Valuation derived using the same methodology as applied at the time of our initial investment, or most recent follow-on investment, updated to reflect recent company performance

## Investments held by Fund I

Fund I was launched in September 2016 with \$25 million under management and an investment mandate substantially the same to that proposed for the Fund. As at April 2018, Fund I had committed to invest approximately \$18 million.

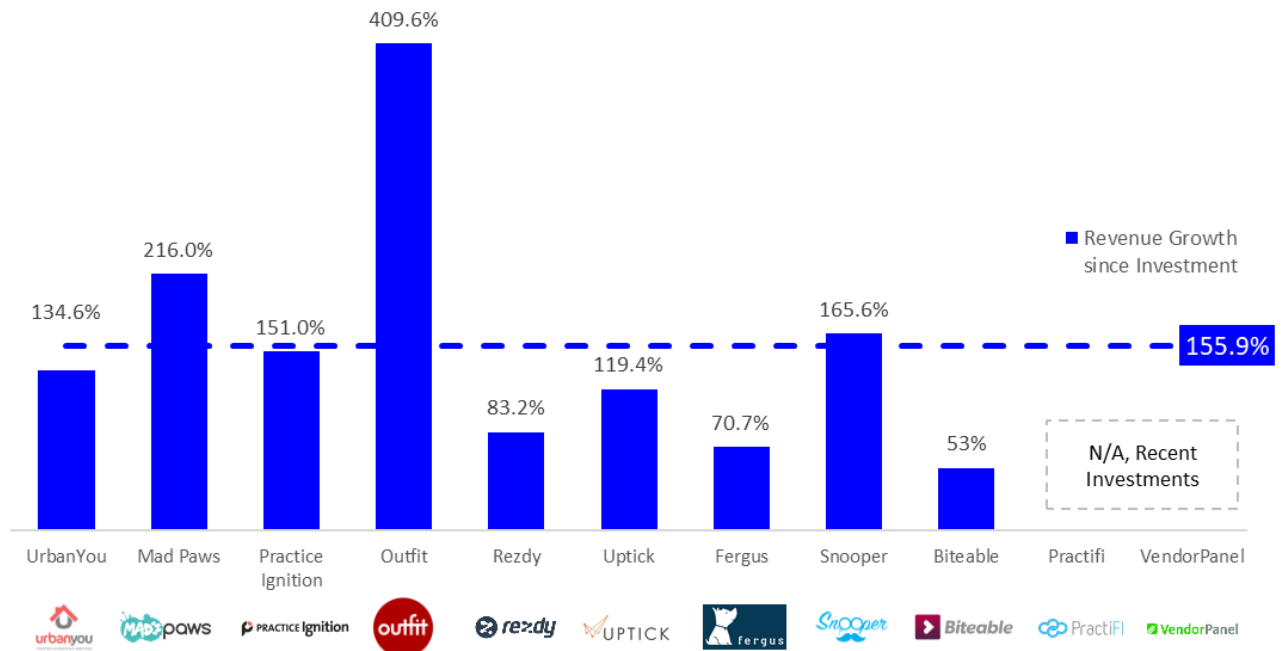
The Fund I portfolio comprises eleven companies<sup>7</sup>. Investments have ranged from a minimum of \$0.7m to a maximum of \$5.0 million in any single company. Across the portfolio, Fund I has also provided follow-on funding to three businesses (UrbanYou, Outfit and Rezdy). The fund's ownership stakes range from approximately 5% to 30%, with an average ownership of 16% across completed investments.

The first investment for Fund I was completed in December 2016 and the last investment of the fund is expected to complete in June 2018. Companies held by Fund I have delivered an average revenue increase of 156% since investment, with the majority being held for less than 12 months.

<sup>7</sup> Practifi and VendorPanel have entered into exclusive term sheets with Fund I. At the date of this Information Memorandum these investments remain subject to completion.

The chart and table below provide details of the revenue performance of Fund I investments.

***The performance of Fund I is not a reliable indicator of the Fund's future performance. Unless otherwise stated, the results below are unaudited and the investments are unrealised.***



Investment Date	Dec-16	Dec-16	Jan-17	Jan-17	Feb-17	Apr-17	Jun-17	Jan-18	Jan-18	May-18	May-18
Investment Amount	\$1.0m	\$0.7m	\$2.0m	\$1.3m	\$5.0m	\$0.7m	\$2.0m	\$1.0m	\$1.5m	\$1.0m	\$2.1m
No. of Follow On Investments	1	-	-	1	1	-	-	-	-	-	-
% Revenue Growth	135%	216%	151%	410%	83%	119%	71%	166%	53%	na	na

## 4.4 Portfolio Company Summaries

The EVP Investment Team, through its involvement in Fund I and many years of personal investing, has a track record of identifying and investing in successful technology companies very early in their development.<sup>8</sup> The summaries below provide brief descriptions of each company. These include investments held privately by EVP or its principals, where the investment pre-dated the launch of Fund I, as well as all companies held by Fund I. These profiles provide an indication of the types of businesses that EVP will target for investment by the Fund.

### Investments prior to Fund I

#### SiteMinder



SiteMinder is a global leader in the online distribution of hotel room inventory. Over 30,000 hotels rely on the platform to set real-time rates and availabilities across hundreds of online booking channels. Bookings sourced through these channels are integrated directly into the hotel's in-house property management systems.

Les Szekely provided seed funding for SiteMinder in 2008, becoming the company's first external investor. Les led three subsequent angel investment rounds between 2009 and 2012, when SiteMinder completed a \$6 million Series-A financing round. In early 2014 SiteMinder completed a US\$30 million Series B round led by Palo Alto based Technology Crossover Ventures (TCV). TCV has since increased its investment several times.

Today SiteMinder employs approximately 600 staff and transacts over \$20 billion per year in room reservations. Les remains a substantial shareholder, board director and close adviser to the founding team.

#### Oneflare



Oneflare is an online marketplace connecting homeowners with local trade service providers. The Oneflare website attracts over 500,000 visits per month and generates over 40,000 job postings per month across a wide range of local service categories.

The principals of EVP led Oneflare's seed investment round in 2013. In 2014 Les Szekely purchased minority interests from several smaller shareholders and led a further angel investment round to become the company's largest non-founder shareholder. In 2015, Oneflare completed a \$3 million Series-A round and in May 2016, Domain Group invested \$15 million to acquire a significant minority interest in the company.

In the five years since the seed investment, Oneflare has grown to become a leading competitor in one of Australia's most highly contested online categories.

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<sup>8</sup> There is no guarantee that this success will be repeated by that team in managing the Fund.

### Shippit



Shippit provides online retailers a turnkey solution to optimise their shipping processes. The company processes up to 50,000 delivery bookings per day across thousands of active merchants who rely on Shippit to power their logistics function.

The EVP principals have worked with Shippit since inception, leading the company's seed funding round in 2015 and angel funding round in 2016. EVP subsequently advised on Shippit's successful Series-A financing in early 2017.

In less than four years Shippit has grown from a team of two to a team of forty, and become a leading player in the online logistics sector.

### Deputy



Deputy is a workforce management software company. The platform is used by businesses of all sizes to drive scheduling, timesheets, tasking and communication for hourly or shift based workforces. Based in Sydney, but with customers in 178 countries, Deputy's goal is to power every shift in the world.

Howard Leibman has been a longstanding adviser to Deputy, and EVP was the first non-founder shareholder in the company. In 2017, EVP advised on the company's Series-A financing round, when Boston based OpenView Venture Partners invested US\$25 million.

### DesignCrowd



DesignCrowd is an online marketplace for graphic design services. The crowd-sourcing platform provides users access to a vast 'virtual team' of 80,000 freelance designers from around the world.

In 2009 principals of EVP led an angel investment syndicate to become DesignCrowd's first external investors. Between 2011 and 2015 the company raised \$12 million over several rounds from investors including Starfish Ventures and Airtree Ventures.

### Alternative Media



Alternative Media, via a host of sector-specific brands, is one of Australia's leading online originators of insurance, mortgage and other financial products.

Les Szekely provided seed funding in 2011 and led several subsequent angel rounds. In 2017, the company completed a merger with Choosewell to form Australia's third largest vertically integrated health insurance broking businesses.

## Fund I Investments

### Rezdy



Rezdy is amongst the world's largest providers of cloud-based booking software for tour and activity operators. Founded in 2011, Rezdy serves over 2,500 tour operators in 100 countries, delivering over \$1 billion in travel activity bookings every year.

In 2017 Fund I invested \$1.1 million in Rezdy. In early 2018, Fund I invested a further \$3.9 million to drive an expansion in the company's US sales and marketing activities.

### Biteable



Biteable is an online video creation platform that allows users to produce studio quality videos. Tens of thousands of users visit Biteable each month to access over 85,000 scenes from which they create short-form, highly customisable, quality video content. Over 3 million users have already used the Biteable platform.

Fund I led the company's \$2.8 million Series-A funding round in October 2017.

### Mad Paws



Mad Paws is Australia's largest online peer-to-peer marketplace for pet services. The platform connects pet owners with accredited pet sitters and facilitates introductions, bookings and payments.

Fund I led a syndicate of investors in a \$1.2 million round in late 2016. In early 2018, the company completed a larger financing round, which included a strategic investment from Qantas at a material valuation uplift.

### Outfit



Outfit is an enterprise level brand automation platform. It empowers marketing teams to produce customised marketing content efficiently, on brand, and at scale.

Fund I invested in January 2017 to become the company's first external shareholder. In January 2018 Fund I provided further funding in a small follow-on round. Since Fund I's initial investment, Outfit's revenue has grown by over 400%. The company has established strong traction in the education, real estate and franchise sectors and is expanding its footprint in both Australia and key overseas markets

### Practice Ignition



Practice Ignition provides a client management platform for professional services firms, with a focus on the accounting sector. Accounting practices in over 30 countries use the platform to generate proposals, on-board clients, automate invoicing and process payments.

Fund I served as lead investor in Practice Ignition's \$5 million financing round in January 2017. The fund invested \$2 million and facilitated the investment of a further \$3 million from several aligned professional and strategic investors.

#### Fergus



Fergus is a New Zealand based job management platform focused on trades businesses. Customers use Fergus to manage all aspects of their operations, including quoting, scheduling, timesheets, communications, invoicing, and resource planning.

Following investment by Fund I in June 2017, Fergus raised further funding from a large, listed Australian building supplies manufacturer, underpinning a key strategic partnership for company. With a dominant position in the New Zealand trades sector, Fergus is rapidly expanding its footprint in Australia and the UK.

#### UrbanYou



UrbanYou is amongst Australia's largest online platforms for on-demand household services. Homeowners and property managers use the platform to book, manage and pay for a range of services, which are fulfilled on-demand by UrbanYou's growing network of accredited professionals.

Fund I invested \$500,000 in UrbanYou in December 2016. The fund invested a further \$500,000 in May 2017 as part of a \$1 million investment round at a material valuation uplift. In August 2017 UrbanYou completed the acquisition of HomeHello, firmly establishing its position as market leader in the category.

#### Snooper



Snooper's crowd-sourcing platform allows retailers to conduct physical checks and collect in-store data across a distributed network of stores. Retailers receive consumer insights in real time, helping them to improve the execution of promotional programs and drive compliance across their retail store network.

Fund I invested \$1 million in Snooper in September 2017. Since that time, the Snooper team has expanded from two to seven and its client base has grown to include a number of global consumer brands including Caltex, Heineken, Unilever and Telstra.

#### Uptick



Uptick provides specialist, cloud-based software that is accessed by both facility managers and field service operators to specify, manage, track and audit the delivery of regulated compliance services in the property sector.

Fund I invested approximately \$0.7m in April 2017. Since then, the business has more than doubled in size, with the company having secured several landmark customers in the fire services sector.

## 4.5 Investment Process

The Fund Manager plans to implement a formal investment process to identify opportunities with potential to deliver significant returns, assessed on a risk adjusted basis. This process will include:

### 1 Opportunity sourcing and screening

The Investment Team will seek to leverage its extensive networks to generate a strong pipeline of potential opportunities.

### 2 Investment shortlisting

Opportunities which appear to meet the core investment criteria will be shortlisted for more detailed assessment. Such assessment will usually involve meetings with founders and detailed review of the company's investment materials and model.

### 3 Due diligence

A subset of shortlisted opportunities will progress to the due diligence stage. The Investment Team will typically undertake detailed analyses of a company, including historic and projected financials, and a thorough assessment of the market opportunity, the product, the technology and the team. The Investment Team will also identify key areas of risk and evaluate the potential return on a risk-adjusted basis.

### 4 Investment decision and completion

The Investment Team will prepare an investment proposal for review by the Investment Committee, including proposed terms of an offer (if any) to be put to the proposed investee company. A decision to pursue an investment will be made only on the basis of majority support by the Investment Committee members.

Upon recommendation by the Investment Committee, the Fund Manager will forward to the proposed investee company a non-binding offer setting out the terms of the proposed investment. Such offer will remain subject to the completion of formal due diligence processes (including legal and financial) and the negotiation of long-form legal documents (including subscription agreement and shareholders' agreement, as required.) Upon execution of the completion documents, funds will be forwarded and securities issued.

### 5 Ongoing active portfolio management

The Fund intends to maintain a relatively concentrated portfolio, limiting its investments to approximately ten businesses. In the Fund Manager's view, this will enable the Fund to be actively involved in each investee company whilst ensuring appropriate diversification of risk. The Fund will generally seek to appoint a director to the board of each portfolio company and will endeavour to secure appropriate shareholder protections. It is expected that the Fund will have meaningful input on key strategic decisions and will work closely with the management of each portfolio company to help maximise the probability of success.

## 5. Early Stage Venture Capital Limited Partnerships

The General Partner has applied to Innovation and Science Australia for the Fund to be conditionally registered as an ESVCLP. This section discusses the advantages and requirements of the ESVCLP legislation.

### 5.1 Tax Implications

A venture capital fund registered as an ESVCLP under the Venture Capital Act will have flow through tax treatment and will not be taxed at the partnership level. Refer to Section 7 for more information about ESVCLP tax implications.

### 5.2 Registration Requirements

When an ESVCLP applies for registration with Innovation and Science Australia it must provide its investment plan and constituent documents for approval before it commences its investment activities.

An ESVCLP must meet a number of registration requirements in order to maintain its registration. These include:

- The ESVCLP must have at least \$10 million and not more than \$200 million committed capital.
- No investor can contribute more than 30% of the committed capital of the fund. (There are certain exceptions to this rule, including widely held complying superannuation funds, authorised deposit taking institutions and life insurance companies).
- All investments made by the ESVCLP must meet the requirements under applicable legislation and accord with the fund's approved investment plan (see section below).
- The total amount invested in a single investment (including associated entities) must not exceed 30% of the ESVCLP's committed capital.
- If the fund does not divest of any investments once the value of the total assets of that investee grows to exceed \$250 million, investors will only be eligible for a partial exemption tax concession on subsequent capital gains on disposal based on the fund's proportional interest in the investment at the time the \$250 million value is reached.

The General Partner has applied for the Fund to be conditionally registered with Innovation and Science Australia as an ESVCLP as it has not yet raised the \$10 million minimum in capital commitments required to obtain unconditional registration. Once the Fund has secured binding capital commitments for this amount, the General Partner will apply for the Fund to be unconditionally registered so as to access the above tax benefits.



## 5.3 Reporting Requirements

An ESVCLP has quarterly and annual reporting obligations to Innovation and Science Australia. These include descriptions of investments and disposals that the ESVCLP has made during the period and outline the Fund's performance in implementing its approved investment plan.

## 5.4 Investment Plan

As a requirement of the registration process, an ESVCLP must submit an investment plan for approval by Innovation and Science Australia. Innovation and Science Australia will take into account the extent to which the plan focuses on early stage venture capital, having regard to the following areas for proposed investee entities:

- Stages of development;
- Cash flow levels;
- Levels of technology;
- Proportion of intellectual property to total assets;
- Levels of risk and return; and
- Amount of tangible assets and collateral against which borrowings may be secured.

Innovation and Science Australia is able to revoke an ESVCLP's registration if it does not act in accordance with its approved investment plan in which case it would lose the tax benefits associated with being an ESVCLP.

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

## 5.5 Eligible Venture Capital Investments

An ESVCLP must only acquire Eligible Venture Capital Investments. The criteria for an Eligible Venture Capital Investment are set out in legislation and may change from time to time. Currently, the criteria include:

- Total assets of the investee entity must not exceed \$50 million at the time of investment.
- The investment must be made in a company or a unit trust.
- At least 50% of the assets (determined by value) and 50% of the people currently engaged by the investee entity to perform services are located in Australia at the time of investment and for at least 12 months after. However, up to a maximum of 20% of the ESVCLP's capital may be invested in non-resident investee entities.
- The investee entity must have a registered auditor by the end of the year of initial investment unless the investee entity's total assets are valued below \$12.5 million, in which case a statement of total assets can be signed off by the company director or fund manager.

- The predominant activity of the investee entity is not:
  - Property development or land ownership;
  - Finance;
  - Insurance;
  - Construction; or
  - Making investments directed at deriving passive income.
- The investee entity only invests the ESVCLP funds in another entity so long as that entity and its subsidiaries satisfy the ESVCLP investment requirements.
- The investee entity is not listed (although there are exceptions where an ESVCLP invested prior to listing).
- The investment must be in new shares or units or options to acquire shares or units or convertible notes that are held at risk. There are some exceptions where an investment in pre-owned shares or units can be held.

The Fund Manager intends for the Fund to comply with these requirements.

## 6. Investment Risks

### 6.1 Risks of Investing

No investment is without some degree of risk. Risk can be explained as the probability that an investment's actual return will be different from that expected. This includes the possibility of losing some or all of the original investment. You will need to determine how much risk you are able, or willing to tolerate. A venture capital fund such as this is considered to have a very high risk profile.

The purpose of this section is to inform Investors of some of the key types of risks that may apply to an investment in the Fund. Prior to making a decision to invest in the Fund, prospective investors should consider all the risk factors outlined below.

### 6.2 Investment Risk vs Return Relationship

It is commonly accepted that there is a relationship between the level of return generated by an investment, and its level of risk. In general, the greater the expected return from an investment, the greater the expected risk. This is known as the 'risk return trade-off'.

The performance of the Fund or the return of capital is not guaranteed. The nature of investing in early stage growth companies is that the majority of the return is likely to be generated from the proceeds on realisation of the investment. The likelihood of income distributions from dividends throughout the life of the Fund is low. Investors may receive a capital return less than the amount invested in the Fund and there is no guarantee that any distributions will be made from the Fund.

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. The Fund's investments are in unlisted entities for which there are limited secondary market opportunities and therefore no liquidity until the realisation of the investment by the Fund. Similarly, there is no secondary market for your investment in the Fund and your ability to sell your partnership interest is limited to your own ability to find a willing buyer and subject to the consent of the General Partner which it may withhold in its absolute discretion. Redemptions or withdrawals from the Fund are not permitted.

### 6.3 Investment Risk

The following is not intended to be an exhaustive list of the risk factors to which the Fund is exposed. Before deciding to invest in the Fund, prospective investors should read this entire IM and seek advice from their professional adviser. The Fund Manager will seek to mitigate risk but cannot eliminate all risk. The Fund Manager cannot guarantee that the way it manages risk will always be successful. If one or more risks occur, then an investor may suffer a partial or complete loss of income, capital or both.

#### General Risks

**Company Specific Risk:** An investment in a company may be affected by unexpected changes in that company's operations (such as changes in management, loss of a significant customer or contract) or business environment.

**Competitors:** Competing businesses including those with superior products or technologies may adversely affect an investee of the Fund, which may have a material adverse effect on returns to Investors. The introduction of new competitors or a more aggressive competitive response from existing participants in an investee's market may affect the operating performance of that investee. An investee may not be able to compete successfully in its marketplace and any increase in competition could adversely affect its earnings.

**Counter-Party Risks:** Counter-parties to agreements with Investees may not perform their obligations under those agreements. This could adversely affect the performance of Fund.

**Currency risks:** Currency movements relative to the Australian dollar can cause changes in the value of your investments.

**Force majeure events:** Events, including acts of God, fire, flood, earthquakes, war, acts of terrorism, and labour strikes may adversely affect the normal operations of investee businesses.

**General Economic Conditions Risk:** This is the risk that the general economic conditions influenced by factors such as interest rates, exchange rates, inflation rates and business confidence may impact the operations and value of the investment by the Fund. Adverse changes in these factors may directly influence the market in which a Fund's investment operates or may impact the suppliers and customers of the investee company. Additionally, some portfolio companies will have certain levels of debt to carry out and expand their operations. The level of interest rates payable on that debt, and the availability of debt financing (including to refinance existing borrowings) can have a significant effect on the returns of those entities.

**Political and Legal Risks:** The value of the investments held by the Fund may be affected by uncertainties including political and economic developments and changes in laws and regulations in markets in which the investee companies operate.

**Sector Risk:** Sector risk is the risk that a particular sector in which an investee company operates may be subject to sector wide problems of demand/supply imbalances due to certain events or shocks. This may affect the viability of the business or the profitability of the investee company and therefore the Fund.

**Tax Regulation Risks:** Investors could become subject to unforeseen taxation in the jurisdiction in which the Fund operates, is managed, advised, promoted or invests. In addition, taxes incurred in such jurisdictions by the Fund may not be creditable or deductible by the Fund or the investors in their respective jurisdictions. There can be no assurance that the structure of the Fund or any investment will be tax-efficient for any particular investor. Prospective investors are urged to consult their own tax advisers with references to their specific tax situations and in respect of the Australian tax implications of acquiring, holding and disposing of Partnership Interests on their specific circumstances.

Any taxation information in this IM is of a general nature only and is not to be taken as any tax or other advice. Investors are advised to monitor changes to taxation rules and how they may affect their tax obligation.

## Fund Specific Risks

**Absence of recourse:** The Investment Documents limit the circumstances under which the Fund Manager and its respective officers, directors, partners, employees, shareholders, affiliates and

other agents can be held liable to the Fund. As a result, Investors may have a more limited right of action in certain cases than they would have in the absence of such a limitation.

**Availability of investment capital:** Venture capital investments often require several rounds of venture capital infusions before an investee reaches maturity. If a venture capital investor does not have funds available to participate in subsequent rounds of financing, that shortfall may have a significant negative impact on both the investee and the value of the venture investor's original investment. While the Fund's policy will be to maintain sufficient liquidity to allow it to participate in follow-on rounds of financings, the Fund may not be able to provide all necessary follow-on financing, accordingly, third party sources of finance will be required, and, in many cases, invited. The Fund Manager expects that as the Fund's investments mature, the added value created by the Fund's management will increase the valuation of investees so as to attract additional, better-capitalised investors in follow-on investment rounds. There is no assurance that such additional sources of finance will be available, or if available, will be on terms beneficial to the Fund's interest.

**Capital calls:** Investors may default on capital calls due to, but not limited to, circumstances that affect the economy generally or the Investor individually. If an Investor defaults, it may be subject to various remedies as provided in the Partnership Deed, including without limitation, forfeiture of its Partnership Interest. If an Investor fails to fund any call on its Committed Capital when due, and the Committed Capital made by non-defaulting Investors and borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to penalties that could materially and adversely affect the returns to investors.

**Distributions:** Distributions will vary from time to time depending on whether exits can be achieved. If exits are unsuccessful no distributions may be made and capital may be lost.

**Compliance with ESVCLP rules:** The tax advantages of the Fund are predicated on the Fund's compliance with the various legislative ESVCLP rules and requirements. If the Fund does not comply with these rules, then its registration will be revoked and it will be taxed as an ordinary limited partnership. Additionally, there is a risk that Innovation Australia or the Australian Taxation Office (ATO) may determine that the Fund, or one or several of the Fund's investments are not compliant for the purposes of the ESVCLP regime. This could lead to adverse consequences for the Fund and investors, including in relation to the tax treatment of distributions. Any available tax benefits under the ESVCLP regime are subject to the Fund becoming unconditionally registered, maintaining its registration as an ESVCLP and complying with the ESVCLP Rules.

**Conflict of interest risk:** There is nothing to prohibit the Fund Manager or its affiliates from engaging in any other existing or future business, and the Fund Manager or its affiliates may provide services to other clients. The Fund Manager and entities related to or associated with it may co-invest with the Fund in certain investment opportunities. There may be instances whereby the Fund Manager or its affiliates have a conflict of interest because of their activities outside of managing the Fund. Other present and future activities of the Fund Manager and its respective affiliates may give rise to additional conflicts of interest. In the event that a conflict of interest arises, the Fund Manager will attempt to minimise or resolve such conflict, to the extent feasible, in a fair and equitable manner. Appropriate governance rules have been put in place by the Fund Manager to deal with any conflicts or related party issues that arise in connection with the Fund.

**Distribution in kind:** The Fund will seek to realise all investments during the specified investment period of the Fund. However, it is possible that at the end of the period the Fund may still hold one or more investments and may make an in specie distribution of the shares in these investee companies to investors.

**Deal flow risk:** The Fund manager may not be able to identify and reach agreement on a sufficient number of suitable investee companies.

**Due diligence:** Investments will be made in mid-stage companies which have limited information available for due diligence. As such, some investments may be made based on limited due diligence and on publicly available information. This may increase the risks to the Fund associated with those investments.

**Illiquid investments:** An investment in the Fund is illiquid and there is no established secondary market in which an Investor may sell its Partnership Interest and none is expected to develop in the future. In addition, Investors have no right to withdraw from the Fund, except in accordance with the Partnership Deed. The Partnership Deed will contain substantial restrictions on the transferability of Partnership Interests and generally prohibit Partnership Interests being transferred, resold, exchanged or otherwise disposed. An Investor may only transfer a holding to a person who is a Wholesale Client where that person has also executed a Deed of Accession to the Partnership Deed. The General Partner is not required to register a transfer if the purported transfer is contrary to law including under any applicable securities laws. There can be no assurance that the Fund Manager will be able to realise investments in a timely manner nor at a suitable price. The realisation of the investments is subject to a number of factors such as general economic and market conditions.

**Investee risk:** The businesses in which the Fund invests may fail or may not be as successful as expected at the time of investment or may take longer than anticipated to realise the returns.

**Key person risk:** Early stage companies usually have few employees and rely on the founder or founders to grow the business and deliver value. There is the risk that something happens to these key people which adversely impacts the value or prospects of the investment. The Fund is also exposed to key person risk in relation to members of the Investment Team who are key to sourcing and managing investments of the Fund. The departure of a member of the Investment Team may impact the ability of the Fund Manager to implement the Fund's investment strategy.

**Lack of operating history:** Although the Investment Team has extensive experience in making early stage investments, the Fund is a newly formed entity with no operating history or past performance to evaluate.

**Loss of capital risk:** Investment in any venture capital fund and in any early stage company is speculative and may involve the loss of all or part of the contributed capital. There are a number of risks that are specific to venture capital and early-mid stage investments which lead to a higher rate of failure compared to more mature businesses, including but not limited to:

- the inherent risks associated with investing in a company that has been recently established and does not have a long history of trading results;
- an investee may suffer a loss of experienced staff;

- an investee may not achieve market acceptance of its products and services;
- an investee may be unable to scale its operations or manage its cash flows; and/or
- an investee's customer database may reduce in quality and size.

Enterprises in which venture capital and early stage investments are made have limited financial resources and may be unable to meet their obligations under their banking documents (if any) which may be accompanied by a deterioration in value of their equity or any collateral or guarantees provided with respect to their debt (if any).

**Manager carried interest:** The Fund Manager's Carried Interest arrangements may create an incentive to make investments that are riskier than would otherwise be the case.

**Minority investments:** As the Fund may take minority positions (rather than controlling stakes), there is a risk that investees' shareholders and management may make decisions that the Fund Manager does not agree with and/or that do not serve the Fund's interests. Additionally, the Fund may not be successful in obtaining a board seat or board observers seat in respect of each investee and this could prevent the Fund Manager from implementing its investment strategy.

**Other business interests:** The members of the Investment Team and the Fund Manager and its employees may be members of other advisory boards, investment committees or funds, and are, or in the future may be, officers or directors of, or otherwise affiliated with, investors of one or more of other investment funds. Additionally, members of the Investment Team may personally pursue investment activities that are not consistent with the Fund's investment interests. This may present conflicts of interest where such professionals may be pursuing the interest of more than one such party simultaneously. Members of the Investment Team may personally be offered investment opportunities which they may choose not to offer to the Fund.

**Passive investment:** Investors will not be able to control or participate in the management and day-to-day operations of the Fund including decisions regarding the making and disposition of investments. Accordingly, Investors must be willing to rely on the ability of the Fund Manager to manage the Fund and its investment judgment and management skills

**Regulatory risk:** The Fund is not required to be registered under the Corporations Act and accordingly, investors do not receive the protections provided under the Corporations Act or ASIC as a regulated scheme. The Fund will be governed by the Investment Documents and offers Partnership Interests in accordance with this IM which has not been lodged with ASIC.

**Reliance on projections:** The financial performance of an investment of the Fund may vary significantly from its management's projections. Any failure to meet its projections may be materially adverse to the return on the Fund and to investors.

**Risks of certain divestments:** In connection with the divestment of an investment in a portfolio company or otherwise, the Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Fund.

**Target returns:** Neither the General Partner, nor the Manager guarantees the level of returns targeted will be achieved from an investment in the Fund.

**Tax and regulatory change:** There is a risk that there may be a change in the laws or tax regime in which the Fund or the investee company operates that may adversely affect the Fund or investors' returns from the Fund. This may include changes to the ESVCPL regime and tax treatment.

**Technology Risk:** The businesses in which the Fund invests are heavily reliant on technology to deliver their products and services. There is a risk that the technology they are using may be superseded by new or different technology that reduces the likelihood of success of the business.

**Valuation Risk:** The valuation of early stage technology businesses is influenced by the valuation of listed technology companies. There is a risk that there is a significant drop in the valuation of listed technology businesses which has an impact on the valuation of the portfolio companies of the Fund. Additionally, portfolio companies may not have a readily ascertainable market price and may have valuations that differ from their true and actual realisable value. The Fund will be audited on an annual basis, which will include the holding valuation of investees.



## 7. Taxation

### 7.1 Investors Should Seek Own Professional Tax Advice

The tax information provided in this IM is intended to be a brief guide only and should not be relied upon as a complete statement of all relevant laws. We strongly recommend that potential investors read this IM in its entirety and seek independent professional advice as to the financial, taxation and other implications of investing in the Fund.

All potential resident and non-Australian resident Investors in the Fund should seek their own personal advice specific to their own circumstances but the following general comments are provided to give some overview of the tax treatment of ESVCLPs.

### 7.2 Taxation of the ESVCLP

A limited partnership that is registered as an early stage venture capital limited partnership under Part 2 of the Venture Capital Act (i.e., a limited partnership that is used to invest in Australian venture capital companies) is treated for Australian tax consequences as an ordinary partnership rather than a corporate limited partnership.

As a consequence, the income, profits, gains and losses of the partnership flow through to the partners, who are taxed according to their tax status and subject to the concessional treatments set out below.

### 7.3 Taxation of the Limited Partners

- A Limited Partner's share of income (for example, dividends) derived from an eligible venture capital investment held by the Fund is exempt from Australian income tax on flow through to the investors.
- A Limited Partner's share of a gain or loss arising from the disposal of an eligible venture capital investment (which was owned for at least 12 months) by the ESVCLP is generally disregarded or exempt from income or capital gains tax, however:
  - where, during the ownership of an eligible venture capital investment, the total assets of the investee company exceeds \$250 million, the Fund will be deemed to have a cost base at that time equal to the market value of the investment; and
  - broadly, any gains on a subsequent disposal of the investment will only be partially exempt for income tax or capital gains tax purposes (i.e., the gains above the deemed cost base will be taxable). A loss from the disposal or realisation of an eligible venture capital investment by the ESVCLP is not deductible for Australian income tax purposes.

Broadly, these treatments for an Investor in relation to an eligible venture capital investment through an ESVCLP apply if the following conditions are met:

- the Investor is a partner in a limited partnership that was unconditionally registered as an ESVCLP when it made the investment;
- if the Investor is a general partner, the general partner is either an Australian resident or a resident of a foreign country in respect of which a double tax agreement (as defined in Part X of the ITAA1936) with Australia is in force;
- the capital gains tax event related to an eligible venture capital investment that met all of the additional investment requirements for investments by ESVCLPs; and
- at the time of the capital gains tax event, the ESVCLP owned the investment and has done so for at least 12 months, was unconditionally registered and satisfied the registration requirements of an ESVCLP under Venture Capital Act.

## 7.4 Non-refundable Tax Offset

A non-refundable carried forward tax offset equal to 10% of the capital invested in the ESVCLP and used by the ESVCLP will be available to investors.

A tax offset can reduce the tax liability of an individual in a given income year. As the tax offset is non-refundable, this means that where the tax offset exceeds the tax liability of an investor in a given year of income, a refund is not available for the excess amount, but rather the excess can be carried forward to be utilised in future years of income.

The amount of the tax offset is reduced to the extent that the amounts contributed by the investors are not, in effect, used by the Fund to make eligible venture capital investments within that income year or the first two months after the end of that income year.

If an investor is a partnership or trust, the offset will generally instead be available to the ultimate individual or corporate partners or beneficiaries in accordance with their respective proportionate interest in the partnership or trust.

For investments made in the Fund via a trust, the tax offset can flow through to the ultimate investor having regard to their proportional interest in the trust, and the trust's investment in the Fund (and the time when the Fund makes its underlying investment).

## 7.5 Goods and Services Tax (GST)

GST will not be imposed on the application for, or withdrawal of, interests in the Fund. However, GST will be incurred on most purchases made by the Fund in carrying out its investment activities including any management fees payable by the Fund, and reimbursable expenses. The Fund may not be entitled to claim full input tax credits for the GST included on the majority of its purchases, but may be entitled to claim Reduced Input Tax Credits (**RITC**) for part of the GST included on specific purchases.

## 7.6 Tax Reporting

After the end of the financial year, the Fund Manager will send tax statements to Investors. The Investor is not obliged to provide a Tax File Number (**TFN**) or Australian Business Number (**ABN**)

notification, but if neither is provided, and a valid exemption is not claimed, we are required to deduct tax from Investor's distributions at the highest marginal tax rate, plus the Medicare levy, to meet ATO's requirements. Australian companies and other entities that invest in the course of their registered business can supply their ABN instead of their TFN to the Fund Manager.

The Fund Manager will provide Investors in the Fund with the following information:

- Quarterly reports on the activities of the Fund and its investee businesses; and
- A tax report at financial year-end.

## 8. Investing in the Fund

### 8.1 Minimum Investment

EVP has imposed a minimum initial investment requirement of A\$200,000 for all investors. The General Partner reserves the right at its absolute discretion to accept lower amounts.

### 8.2 Applications for Partnership Interests

To invest in the Fund, you must complete an Application Form which is attached to this IM. The first round of Partnership Interests in the Fund will be issued (subject to acceptance by the Fund Manager) on the Initial Close of the Fund. If you are subscribing for Partnership Interests in the Initial Close, your application monies do not need to be submitted at the time of your application.

The Fund Manager may call an Initial Close once signed Application Forms totalling at least \$10 million in Committed Capital have been received. Once this occurs, applicants who have submitted their forms (and such application forms have been accepted by the General Partner) will be provided with a call notice to pay the first call on their Committed Capital. The Fund Manager has discretion to accept applications in excess of \$10 million before the Initial Close.

Investors who are admitted to the Fund after the Initial Closing Date will be required to pay a late management fee to the Fund Manager and such amounts so that their Paid Up Proportion is at the level as though they had invested at the Initial Close. There is no interest charged with respect to Investors that invest after the Initial Close before the First Closing Date.

Following the Initial Close, the General Partner will notify Investors when the First Close has occurred and the General Partner may continue to raise funds and allow Investors to invest in the Fund for a further period of up to 24 months, or such other period as determined in accordance with the Partnership Deed. Late Investors that invest after the First Close will be required to pay interest on their committed capital at the rate of 8% per annum from the period between the First Close and the time at which they acquired Partnership Interests. These amounts will be distributed to the Investors who held Partnership Interests prior to the admission of the Late Investors.

### 8.3 Redemption of Partnership Interest

An investment in the Fund is illiquid and Investors are unable to redeem their Partnership Interests. Investors seeking to sell or transfer their Partnership Interests will need to source a party who is willing to acquire that Partnership Interest. That party will need to provide the Fund Manager with a completed Application Form. The General Partner at its sole discretion may approve or reject the transfer of the Partnership Interest in accordance with the Partnership Deed.

### 8.4 Anti-Money Laundering and Counter-Terrorism

In order to meet our obligations under anti-money laundering, counter-terrorism legislation or taxation legislation, we may require further information from you as to your identity, the source of your funds and similar matters. The Fund Manager is required to verify that information by sighting appropriate documentation. Records of the information obtained will be kept and may be required

by law to be disclosed. Otherwise the information will be kept confidential. By applying for Partnership Interest through this IM, you also agree that the Fund Manager may at its absolute discretion determine not to issue Partnership Interests to you, may cancel Partnership Interests which have been issued to you or may redeem any Partnership Interests issued to you if the Fund Manager believes such action to be necessary or desirable in light of its obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (**AML/CTF Law**) or related legislation.

## 8.5 US Investors

The Foreign Account Tax Compliance Act (**FATCA**) requires non-US financial institutions to identify which accounts are held by US taxpayers. Information about these accounts must be reported annually to the US Inland Revenue Service via the appropriate local tax authority such as the ATO. As a result of FATCA, we will not be accepting applications from US investors. All prospective investors are required to complete the FATCA section in the Application Form.

## 8.6 Privacy

The privacy of your personal information is important to us. Federal privacy legislation regulates the use of your personal information. The Fund Manager and the General Partner will hold your personal information in a secure manner and will not disclose it to third parties without your permission. Only information that is necessary in connection with this offer is being requested. We may disclose personal information to other parties (confidentiality arrangements apply) for certain purposes that we outsource, including administration, custody, legal advice and audit of the Fund.

You agree to your personal information being disclosed to third parties in such circumstances or otherwise to enable the Fund Manager and the General Partner to operate and manage the Fund. If you used a financial adviser who recommended your investment in the Fund (as indicated on your Application Form), details of your investment will be provided to him/her.

We aim to ensure that the personal information we retain about you is accurate and up-to-date. If you have concerns about the completeness or accuracy of the information we have about you or would like to request access or amendment to your information, please contact us on (02) 9009 2900.

You will be taken to agree to the collection, use and disclosure of your personal information as set out above when you make an investment in the Fund. You will also be taken for the purposes of the *Spam Act 2003* (Cth) to consent to receiving electronic commercial messages from the Fund Manager or its associates in relation to the Fund and other investment opportunities the Fund Manager considers you may be interested in.

The Fund Manager will procure the services of One Registry Services Pty Ltd ABN 69 141 360 (**Registrar**) who may collect your personal information for primarily purpose of providing fund registry services to the General Partner and for ancillary purposes detailed in the Registrar's Privacy Policy. The Registrar may disclose your personal information, such as, your name and contact details, along with your account information to its related bodies corporate, the General Partner, the Fund Manager, professional advisers, the land titles office and/or as otherwise instructed by the General

Partner. The Registrar permitted to collect and disclose your personal information when required or authorised to do so by law. The Registrar is not likely to disclose your personal information to overseas recipients. Your personal information will be used in accordance with the Registrar's Privacy Policy. The Privacy Policy contains information about how you may access or correct your personal information held by the Registrar and how you may complain about a breach of the Australian Privacy Principles.

You may obtain a copy of the Registrar's Privacy Policy at  
<https://www.oneinvestment.com.au/privacy-policy/>

## Glossary of Terms

<b>A\$</b>	Australian Dollars
<b>ABN</b>	Australian Business Number
<b>AFSL</b>	Australian Financial Servicing License
<b>AML/CTF Law</b>	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)</i>
<b>Application Form</b>	The application form for the Partnership Interest in the Fund attached to this IM
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ATO</b>	Australian Taxation Office
<b>Capital Contributions</b>	The capital contribution to the Fund of any Limited Partner
<b>Carried Interest</b>	Amount payable to the General Partner as its entitlement to carried interest in respect of the performance of the Fund as determined under the Partnership Deed.
<b>Committed Capital</b>	The total of the committed capital of the Limited Partner to the Fund made under an Application Form or Deed of Accession and accepted by the General Partner
<b>Corporations Act</b>	<i>Corporations Act 2001 (Cth)</i>
<b>Deed of Accession</b>	The deed approved by the General Partner and Fund Manager under which a person undertakes to comply with the terms of the Investment Documents as they apply to them
<b>ESVCLP</b>	Early stage venture capital limited partnership registered under the Venture Capital Act
<b>ESVCLP Rules</b>	The rules and regulations set out in the Venture Capital Act
<b>EVP</b>	EVP Management Pty Ltd ACN 625 495 990
<b>First Closing Date</b>	Has the meaning provided in section 1
<b>Fund</b>	EVP Fund II, LP an incorporated limited partnership registered in New South Wales (ILP1800018)
<b>FATCA</b>	The Foreign Account Tax Compliance Act of the US
<b>Fund I</b>	Microequities Venture Capital Fund (ILP1600011)
<b>Fund Manager</b>	EVP Management Pty Ltd ACN 625 495 990

<b>Fund Manager Commitment</b>	Has the meaning provided in section 1.
<b>General Partner</b>	EVP VCMP II, LP an incorporated limited partnership registered in New South Wales (IPL1800017)
<b>GST</b>	Goods and Services Tax
<b>IM</b>	This information memorandum
<b>Initial Close</b>	A close which occurs prior to the First Close.
<b>Initial Closing Date</b>	The date at which the Initial Close occurs.
<b>Invested Capital</b>	The portion of the aggregate of all Limited Partners' Committed Capital invested in investments of the Fund, less the cost of all investments which have been sold, redeemed or otherwise realised and distributed in cash or in specie to Limited Partners or written off to zero
<b>Investment Committee</b>	Howard Leibman, Les Szekely, Craig Butcher, Justin Lipman and Daniel Szekely
<b>Investment Documents</b>	The Partnership Deed, the Application Form and Management Agreement
<b>Investment Period</b>	Commencing on the Initial Closing Date and ending on the fourth anniversary of the First Closing Date unless otherwise adjusted under the Partnership Deed
<b>Investment Team</b>	Les Szekely, Justin Lipman, Howard Leibman and Daniel Szekely
<b>IRR</b>	The discount rate (accruing daily and compounding annually), expressed as an annual percentage, which when applied to cash flows and distributions in specie (including tax credits) results in a net present value of zero as at the date of calculation. This measures the annual rate of return to Investors taking into account the time at which they pay money to the Fund and receive distributions from the Fund.
<b>Late Investor</b>	A person who is admitted to the Fund as a Limited Partner at a date occurring after the First Closing Date
<b>Limited Partners or Investors</b>	A person admitted to the Fund as a Limited Partner under the Partnership Deed
<b>Management Agreement</b>	The management agreement governing the provision of management services by the Fund Manager to the Fund
<b>Paid Up Proportion</b>	The proportion of all Capital Contributions to the Committed Capital of a Partner as adjusted in accordance with the Partnership Deed
<b>Partner</b>	The General Partner and Limited Partners



<b>Partnership Deed</b>	The limited partnership deed of the Fund dated 11 April 2018 as amended and restated from time to time
<b>Partnership Interest</b>	In respect of a Limited Partner under the Partnership Deed, all rights and obligations of the Limited Partner and all of the interests of the Limited Partner in the Fund
<b>Preferred Return</b>	Has the meaning given in the key terms. Please refer to Section 1.
<b>Portfolio</b>	The investments made by the Fund in early stage high growth companies
<b>RITC</b>	Reduced Input Tax Credits
<b>Special Resolution</b>	A resolution approved by Limited Partners together holding at least 75% of the Committed Capital of those Limited Partners entitled to vote or who do vote on the resolution
<b>TFN</b>	Tax File Number
<b>Venture Capital Act</b>	<i>Venture Capital Act 2002 (Cth)</i>
<b>Wholesale Client</b>	<p>Has meaning provided to it in section 761G of the Corporations Act and includes where a person:</p> <ul style="list-style-type: none"> <li>(a) is a professional investor (as defined in Corporations Act);</li> <li>(b) invests at least \$500,000 into the Fund; or</li> <li>(c) meets the asset (\$2.5 million of net assets) or income (\$250,000 of gross income for the last two financial years) requirements set out in the Corporations Act</li> </ul>