



MEMO

To: Board of Directors

From: Company Secretary

Subject: **FUNDRAISING – BUSINESS INTRODUCTION SERVICES**

For many smaller sized enterprises it is difficult to find sources of capital; i.e., investors able and willing to invest in the hope that the business will flourish and grow so that they will reap the rewards of either dividends or capital growth (in the value of their shares), or both.

One source of raising capital may be through a Business Introduction Service (“BIS”), such as ASSOBS (Australian Small Scale Offerings Board – see www.assob.com.au which itself is listed on the National Stock Exchange (“NSX”) with the code AOB).

An accredited BIS, being a business which has as one of its objects the promotion or encouragement of investment in small and medium business enterprises, is allowed to be involved in making or calling attention to offers of securities for unlisted companies, provided it follows ASIC’s rules governing the operation of a BIS.

BIS operates under a Corporations Act exemption from requiring a prospectus (or other disclosure document) for fund-raising – issued by ASIC under sec.741(1)(a) – through Class Order 02/273 and Regulatory Guide 129 such that an offer of shares may be made using the medium of a BIS in accordance with the class order for up to \$5,000,000 for small businesses (with up to 250 employees).

The BIS facilitates the investment by arranging an introduction between the potential investor and the fundraising company. It operates as a business matching or introduction service, but it is not an established market (like the NSX) for the sale or purchase of shares.

As well as new issues of shares, the BIS lists (on a ‘secondary sales board’ through their website) potential sellers of shares, and then arranges introductions with any potential buyers who show an interest. This provides sellers with a legal mechanism to sell shares, given that Corporations Act restrictions generally apply to ‘secondary sales’ (at least for the first 12 months after issue) as well as new shares.

BIS arrangements vary, but most provide for an Offer Document or Information Memorandum to be posted on their website providing full details of investment opportunities, company details, financial information, future projections, etc.



In return for providing public access to capital raising opportunities and facilitating investment, BIS entities charge a fee based on up to 9.9% of amounts raised. Also some have [rather minimalist] 'listing rules' requiring the company's adherence to certain 'continuous disclosure' provisions like announcing key/material matters and providing [quarterly] financial results on an Issuer Page on the website, to ensure good governance and investor protection.

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The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.