

[date]

Dear [Founders' names]

### Seed Investment Program – Participation Agreement

This letter agreement (**agreement**) sets out the terms upon which Skalata Ventures Limited (ACN 626 812 520) (**we, us, our**) invites [name of Company] (the **Company**) and its founders, [name(s) of founder(s)] (**you**), to participate in its Seed Investment Program (**Program**).

This agreement commences on [insert date] and expires on [insert date], unless it is extended or terminated in accordance with this Agreement (**Term**).

#### 1 General Obligations

	<i>Our obligations</i>	<i>Your obligations</i>
Funding (Stage 1)	Our companion fund, Skalata Fund I ( <b>Skalata Fund I</b> ), will invest \$100,000 in Seed Preference Shares representing 10% of the Company on the terms set out at Annexure A.	The Company will need to enter into a Subscription Agreement with Skalata Fund I and you (and any other shareholders) may need to enter into a Shareholder Agreement with Skalata Fund I.
Funding (Stage 2)	Skalata Fund I will offer to invest a further \$150,000 in Seed Preference Shares at a valuation determined in accordance with Annexure B provided the Company has: <ul style="list-style-type: none"> <li>completed the Program and satisfied its objectives; and</li> <li>satisfied the minimum valuation in accordance with Annexure B.</li> </ul>	If you choose to accept the funding within 6 months of completing the Program, the Company will need to enter into a further Subscription Agreement with Skalata Fund I in relation to this funding.
Program	We will provide you with a list of Program deliverables for your Company.	You will use reasonable endeavours to complete your Program deliverables by the end of the Program.
Program Coach	We will provide you access to a group of Program Coaches and appoint a lead Program Coach.	You will make yourself available to meet and liaise with your lead Program Coach.
Expert Assistance	We will engage experts to help you in certain areas (eg, develop a financial model, sales training, and marketing).	You will make yourself available to meet and liaise with any experts we engage to assist you.
Office Space	We will make office space available to you (as a licensee and not a tenant) for the purposes of completing the Program.	If you choose to use the office space, you must comply with such terms, policies and directions governing your use of the office space as we may give you from time to time (at our discretion).

## 2 Additional Obligations

<i>Your Obligation</i>	
Directions	You must comply with our directions in relation to the Program.
Marketing	From time to time, we may ask you to participate in any marketing, promotional materials, other events or announcements specified by us. We may refer to you (including by reproducing images) and the Company in connection with any such activities or events.
Disclosures	You will provide statistics regarding the Company's performance during and after the Program. These may include, but are not limited to, revenue, funding, employee numbers and demographics.

## 3 Intellectual Property and Confidential Information

3.1 Subject to paragraphs 3.2 and 3.3 (and any written agreement between us):

- (1) you do not have any rights in relation to any intellectual property created by us or that relates to the Program, including such intellectual property created in the course of undertaking the Program (**our IP**); and
- (2) we do not have any rights in relation to any intellectual property created by you or the Company, including such intellectual property created in the course of undertaking the Program (**your IP**).

3.2 You may use our IP for your internal purposes only and must not disclose any information about us, our IP, the Program, other participants in the Program or the terms of Skalata Fund I's investment in the Company except to the extent necessary to conduct the business of the Company subject to appropriate confidentiality arrangements.

3.3 We may use your IP for the sole purpose of facilitating your participation in the Program and must not disclose any information about you, your IP, the Company or the Company's business, strategies, technology, customers, suppliers or employees except to the extent necessary to facilitate and manage your participation in the Program, Skalata Fund I's investment in the Company or our reporting obligations to LaunchVic or as permitted by section 1 or 2.

3.4 Paragraphs 3.2 and 3.3 do not apply to information that is publicly available (other than as a result of a breach by the receiving party) or is required to be disclosed by law.

3.5 You must not infringe the intellectual property rights of any third party.

## 4 Termination

4.1 We can terminate this agreement and your participation in the Program immediately by notice to you in writing if:

- (1) you breach this agreement, or any Subscription Agreement or Shareholders Agreement to which we are a party, and fail to remedy that breach within 10 business days of being requested to do so;
- (2) you or the Company cease to meet the Program prerequisites;
- (3) we become aware that any information supplied to us in connection with your application to participate in the Program or during the course of the Program is false or materially misleading; or

(4) we conduct a review of your progress in the Program and conclude, acting reasonably, that you have made insufficient progress in relation to the Program.

4.2 If we terminate this agreement you must vacate any office space provided under this agreement at our direction as soon as possible. Termination of this agreement is without prejudice to any rights or remedies already accrued to otherwise available to us. Sections 1 and 5 survive termination or expiration of this agreement.

## 5 Warranties and limitations

5.1 Except to the extent required by law, we make no warranties that any advice, mentoring or other services provided by us, our Program Coaches, experts or third parties in connection with the Program (**Services**) will be of any particular quality or produce any particular commercial, technical or other result.

5.2 Subject to paragraph 5.3, our maximum liability to you in connection with the Services is limited to \$40,000. You hereby release our Program Coaches and other experts involved in the provisions of the Services from all liability relating to the provision of the Services.

5.3 If a consumer guarantee applies in relation to the Services under the Australian Consumer Law, our liability for breach of that guarantee is limited to resupplying the Services or paying the costs of resupply at our election (unless you establish that it is unfair or unreasonable for us to limit our liability in this manner).

## 6 Notices

6.1 A notice given under this Agreement must be in writing and delivered by post, hand, or emailed to the following addresses:

**For us** Contact: [insert]

Email: [insert]

Address: Level 2, 710 Collins Street, Docklands, VIC 3008

**For you** Contact: [insert]

Email: [insert]

Address: [insert]

## 7 Miscellaneous

7.1 This Agreement is governed by the laws of the State of Victoria. Nothing in this agreement makes either party the agent, partner or legal representative of the other party for any purpose whatsoever. You may not assign your rights under this Agreement.

7.2 We are not liable for a failure or delay to perform an obligation under this agreement to the extent caused by an event beyond our reasonable control (eg, act of God, unavailability of equipment or services, accident, act of a government authority).

7.3 This agreement constitutes the entire agreement between the parties in relation to the Program and supersedes all prior oral or written representations and agreements.

7.4 You agree to do all things (including executing documents) necessary or desirable to give full effect to this agreement and any matters contemplated by it.

We look forward to working with you and the Company during your participation in our Program.

Yours sincerely

Rohan Workman  
CEO  
Skalata Ventures Limited

Please indicate your acceptance of our invitation to participate in the Program on the terms set out in this agreement by signing below and returning a copy of this agreement.

Executed by [Company] ACN [insert] in  
accordance with section 127 of the  
*Corporations Act 2001*:

.....  
Director

.....  
Director/Company secretary

.....  
Name of director

.....  
Name of director/Company secretary

Executed by [Founder]  
  
.....

**Annexure A – Funding (Stage 1) Term Sheet**

# Skalata Fund I Seed Preference Shares Term Sheet

The following is a summary of the principal terms of the proposed investment of \$100,000 by Skalata Fund I (the **Fund**) in Seed Preference Shares in the Company.

<b>Offer Terms</b>		
<b>8</b>	Shares	Seed Preference Shares representing 10% of the issued share capital of the company on a fully diluted basis (including the conversion of any outstanding options, notes or other securities).
<b>9</b>	Investment	\$100,000
<b>10</b>	Conversion Ratio	Each Seed Preference Share is convertible into one ordinary share at any time at the Fund's election.  Each Seed Preference Share will automatically convert into one ordinary shares upon an IPO, a change in control of the Company or approval of a majority of the Seed Preference Shares.
<b>11</b>	Voting Rights	Seed Preference Shares vote together with the ordinary shares on all matters on an as-converted basis.  Approval of a majority of the Seed Preference Shareholders (or such higher proportion as may be required at law) is required to:  a) adversely change rights of the Seed Preference Shares;  b) redeem or buy back any shares;  c) declare or pay any dividend; or  d) liquidate or wind up the Company, including any change of control.
<b>12</b>	Liquidation Preference	One times the Issue Price plus declared but unpaid dividends on each Seed Preference Share, with any balance of proceeds being paid to ordinary shareholders. This preference will apply on a winding up or capital reduction of the Company.
<b>13</b>	Participation Rights	The Fund will have the right to participate on a pro rata basis in subsequent issuances of equity securities or securities convertible into equity securities. This right will be assignable to the Fund's related bodies corporate or associated funds.

Offer Terms		
14	Anti-Dilution Rights (Partial Ratchet)	If the Company issues additional securities at less than the Price Per Share specified above then (subject to standard exceptions) the Conversion Ratio specified above will be subject to a broad-based weighted average adjustment to limit dilution.
15	Founder Vesting (optional)	If all Founders agree, each Founder's shares will vest over a four-year period following the investment, with ¼ vesting after 1 year and the remaining ¾ vesting quarterly over the following 3 years, provided the Founder remains employed or engaged by the Company on a full-time basis.
16	Bad Leaver (optional)	If all Founders agree, the Company may buy back (or direct a transfer of) a Founder's shares if the Founder ceases to be employed or engaged by the Company as a result of fraud, misconduct or termination for cause.
17	Use of Funds	The Company must not use the investment to repay any debt or increase Founder salaries.
18	ESIC	The Company will, upon request by the manager of the Fund (the <b>Fund Manager</b> ), use its best endeavours to qualify as an Early Stage Innovation Company (ESIC).
19	Documentation	The Fund's standard form Subscription Agreement, Shareholders' Agreement and Constitution (or other such other documents as may be acceptable to the Fund Manager).
20	Financial Information	The Fund Manager will receive standard information and inspection rights, including monthly management accounts comprising P&L, Balance Sheet and Cash Flow statements for the month and YTD (or such other information as the Fund Manager may reasonably request, including for the purpose of its reporting obligations to LaunchVic).

**Annexure B – Funding (Stage 2) Valuation Guidelines**

<b>Monthly Recurring Gross Margin</b>	<b>Pre-money Valuation</b>	<b>Equity</b>
\$5,000 - \$9,999	\$2,000,000	6.98%
\$10,000 - \$14,999	\$2,500,000	5.66%
\$15,000 - \$19,999	\$3,000,000	4.76%
\$20,000 - \$39,999	\$3,500,000	4.11%
\$40,000 - \$59,999	\$4,000,000	3.61%
\$60,000 - \$79,999	\$4,500,000	3.23%
\$80,000+	\$5,000,000	2.91%