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[REDACTED]

From: Gregson, Scott
Sent: Wednesday, 13 November 2019 9:44 AM
To: Peter, Wendy; McCracken-Hewson, Daniel; Ayres, Lisa Anne; Bezzi, Marcus; Won, Leah
Cc: Gregson, Scott; [REDACTED]
Subject: FW: Business Growth Fund [SEC=UNCLASSIFIED]
Attachments: 191024 BGF - Term Sheet Master - Draft 24 October 2019 - for ACCC.docx

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Regards & thanks

Scott

Scott Gregson

Executive General Manager, Merger and Authorisation Review
Australian Competition & Consumer Commission
23 Marcus Clarke St, Canberra, ACT, 2601
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www.accc.gov.au

The ACCC acknowledges the traditional owners and custodians of Country throughout Australia and recognises their continuing connection to the land, sea and community. We pay our respects to them and their cultures; and to their Elders past, present and future.

From: [REDACTED]@TREASURY.GOV.AU>
Sent: Wednesday, 13 November 2019 8:39 AM
To: Gregson, Scott <scott.gregson@acc.gov.au>
Cc: [REDACTED]@treasury.gov.au>; [REDACTED]@TREASURY.GOV.AU>
Subject: FW: Business Growth Fund [SEC=UNCLASSIFIED]

Hi Scott,

Just following up on whether you are able to provide us with a line for the Treasurer to use at the BGF launch event if asked about the ACCC's role in assessing/approving the BGF.

I'm on leave from tomorrow, but [REDACTED] (cc'd) can be contacted about this in my absence.

Thanks

From: [REDACTED]
Sent: Thursday, 7 November 2019 12:16 PM
To: 'scott.gregson@acc.gov.au' <scott.gregson@acc.gov.au>
Cc: [REDACTED]@treasury.gov.au>; [REDACTED]@TREASURY.GOV.AU>
Subject: Business Growth Fund [SEC=UNCLASSIFIED]

Hi Scott,

It was good to talk to you again the other day.

As discussed, it is likely that there will be a public event to announce the establishment of an Australian BGF on 20 November involving the Treasurer and the CEOs of the participating banks. We've started preparing talking points for the Treasurer as well as some responses to likely questions from journalists. It is possible that the Treasurer could be asked about whether any regulatory approvals are needed. It would be good if we could give the Treasurer a line on the role of the ACCC in this matter.

For more details on the design of the BGF, please find attached the latest draft of the term sheet that Treasury and the participating banks have prepared for the purpose of gaining internal approvals to invest in the BGF.

Once you've had a chance to consider the document, it would be good if you could draft some words that the Treasurer could use at the launch event if asked about the ACCC's role assessing/approving the BGF.

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Happy to take a call to discuss.

Thanks



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Financial System Division, Markets Group

The Treasury, Langton Crescent, Parkes ACT 2600



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Australian Business Growth Fund Summary of Key Terms

This indicative and non-binding term sheet (**Term Sheet**) sets out the current intentions of the parties with respect to key commercial and legal principles for the establishment of the Business Growth Fund (**BGF**). The BGF is proposed to be a joint initiative between the Commonwealth Government (**Commonwealth**) and financial investors to provide longer term equity funding to small business and support innovation and growth. This initiative is part of the Government's recognition that many small and medium-sized enterprises (**SMEs**) find it difficult to attract passive equity investment that enables them to grow without taking on additional debt or giving up control in their business. To fast track the establishment of an Australian BGF, the Commonwealth hosted a meeting with key stakeholders (including APRA, the RBA, ACCC, Treasury, banks and a superannuation fund) in December 2018, where the desired attributes of the BGF were discussed. Following that meeting, a working group, chaired by the National Australia Bank (**NAB**), was formed to further work through the key features of an Australian BGF. Interested parties formulated a Summary Paper outlining key elements of the proposal in February 2019. This Term Sheet seeks to provide further detail so as to enable formal documentation to be developed.

This Term Sheet is indicative in nature and, except in relation to the confidentiality obligations contained in Part B, Item 35 below which are intended to be binding on the parties, does not create rights, obligations or liabilities among the parties. Any financial metrics or projections (including rates of return) contained in this Term Sheet are indicative in nature and will need to be tested and refined by the parties and any future recipient of the Term Sheet independently (taking such advice as they require). The parties acknowledge that the Commonwealth's participation in the BGF is subject to the passage of legislation and government approvals. The use of Commonwealth money (and any limitations on such use) and the scope of the Commonwealth's intended role in the BGF may change as the relevant legislation and the Investment Mandate and Investment Guidelines (defined below) for the BGF are developed. The parties intend to use this Term Sheet to seek internal, "in-principle" approvals and to investigate whether other parties wish to join as investors. If there is sufficient commitment from interested parties this Term Sheet is intended to be replaced in due course with agreed long form definitive transaction documents (**Transaction Documents**).

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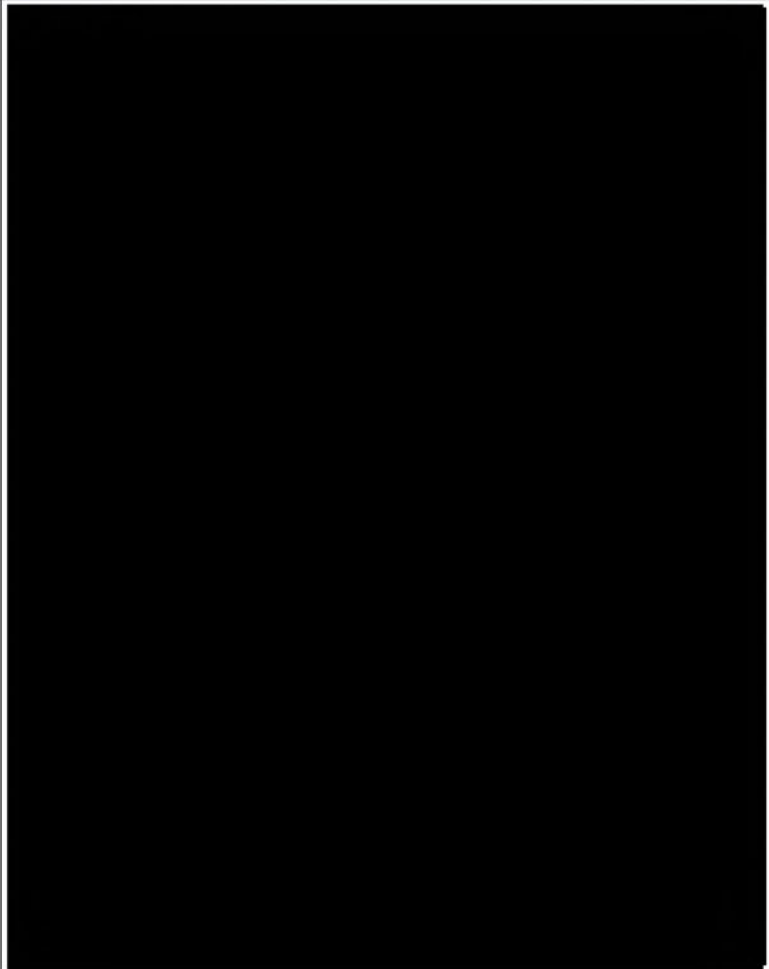
Term Sheet

Item	Topic	Key Terms	Comments
A. Parties, nature and scope of Business Growth Fund			
1	Initial investors	The Commonwealth Government, 3 of the major Australian ADI's and a leading international bank have indicated material interest at this stage with indicative aggregate commitments of \$420m.	
2	Objectives of the BGF	<p>The BGF will have the following key objectives:</p> <ol style="list-style-type: none"> 1. to provide established Australian SMEs with patient capital through minority equity and equity-like investments of between \$5m and \$15m (likely to be ordinary shares and subordinated notes linked to the equity investment). By providing an alternative, longer-term source of capital to SMEs, the BGF will facilitate interstate and/or overseas trade and commerce and sustainable economic growth and promote employment within the SME sector; 2. to offer SMEs both financial support via equity (and equity-like) investment and non-financial support, including the provision of advice, mentoring and talent management functions; and 3. to operate as a commercially viable entity through investments in SMEs which seek to make a market competitive return appropriate to the underlying risk of each investment. 	
3	Structure of the BGF	<p>The BGF will be incorporated as an Australian proprietary company.</p> <p>The BGF will employ an executive team to independently manage the company, with oversight from a Board of Directors.</p>	

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Item	Topic	Key Terms	Comments
		[REDACTED]	
4	Investment Mandate	<p data-bbox="520 529 1268 636">[REDACTED]</p> <p data-bbox="520 651 1241 732">At a high level, it is proposed that the Investment Mandate will cover (among other matters agreed by the Shareholders) the following key principles:</p> <ul data-bbox="520 748 1262 1068" style="list-style-type: none"> <li data-bbox="520 748 1262 829">• the BGF will invest in established Australian SMEs with revenue between \$2m and \$100m and a track record of three years of revenue growth and profitability; <li data-bbox="520 846 1262 927">• the BGF investment will constitute a minority equity interest of between 10-40% of total, fully-diluted, share capital (on an 'as-converted' basis); <li data-bbox="520 943 1262 1000">• each investment must be commercially viable and make a return appropriate to the underlying risk of the investment; <li data-bbox="520 1016 1262 1068">• over time, there must be an industry and regional spread of investments, <p data-bbox="520 1040 1262 1367">[REDACTED]</p>	

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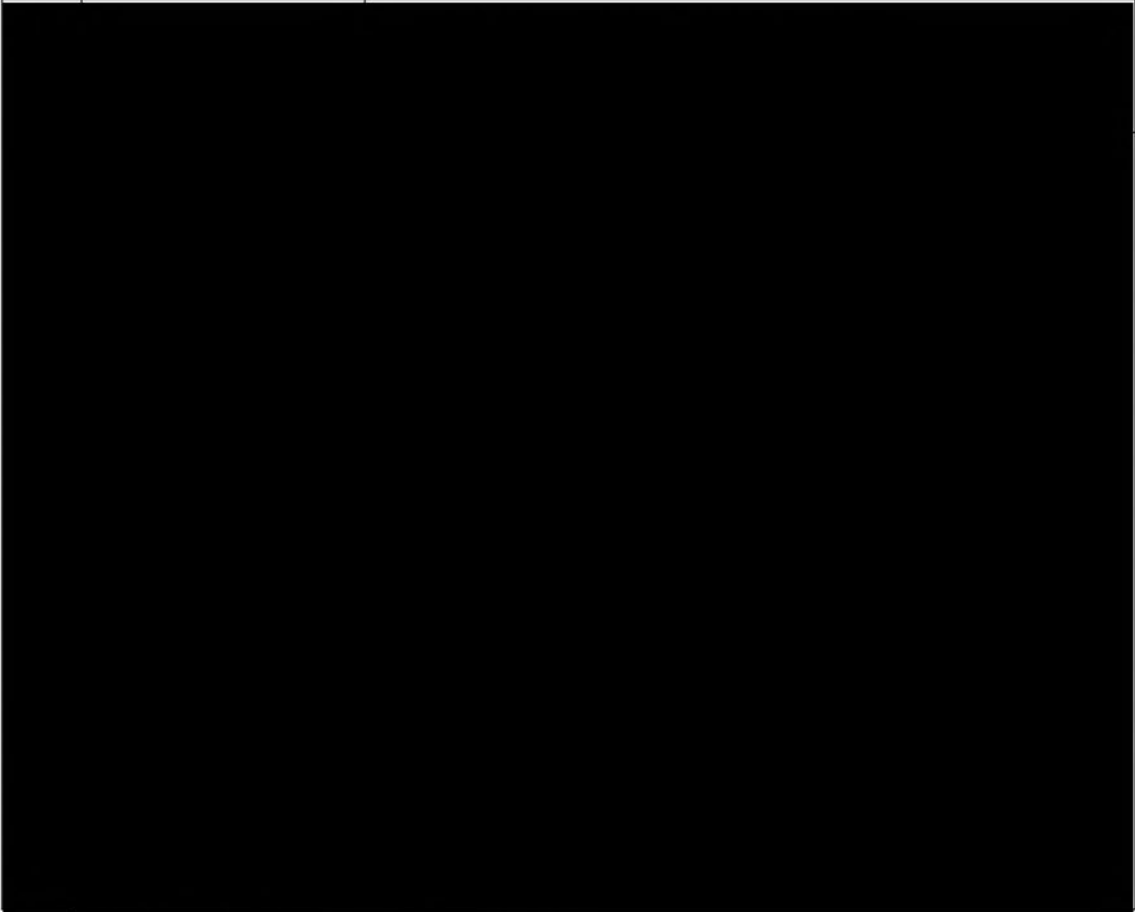
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Item	Topic	Key Terms	Comments
5	Investment Guidelines	<div style="background-color: black; height: 100px; width: 100%;"></div> <ul style="list-style-type: none"> • each initial equity investment is to be between \$5m and \$15m, likely to be in the form of ordinary shares and subordinated notes linked to the equity investment; • the investment is expected to deliver to BGF a market competitive commercial rate of return in the long-term that is appropriate for the type of asset class; and • each investment will be consistent with the Investment Mandate as adopted from time to time. <div style="background-color: black; height: 100px; width: 100%;"></div>	
6			
B. Fund structure			

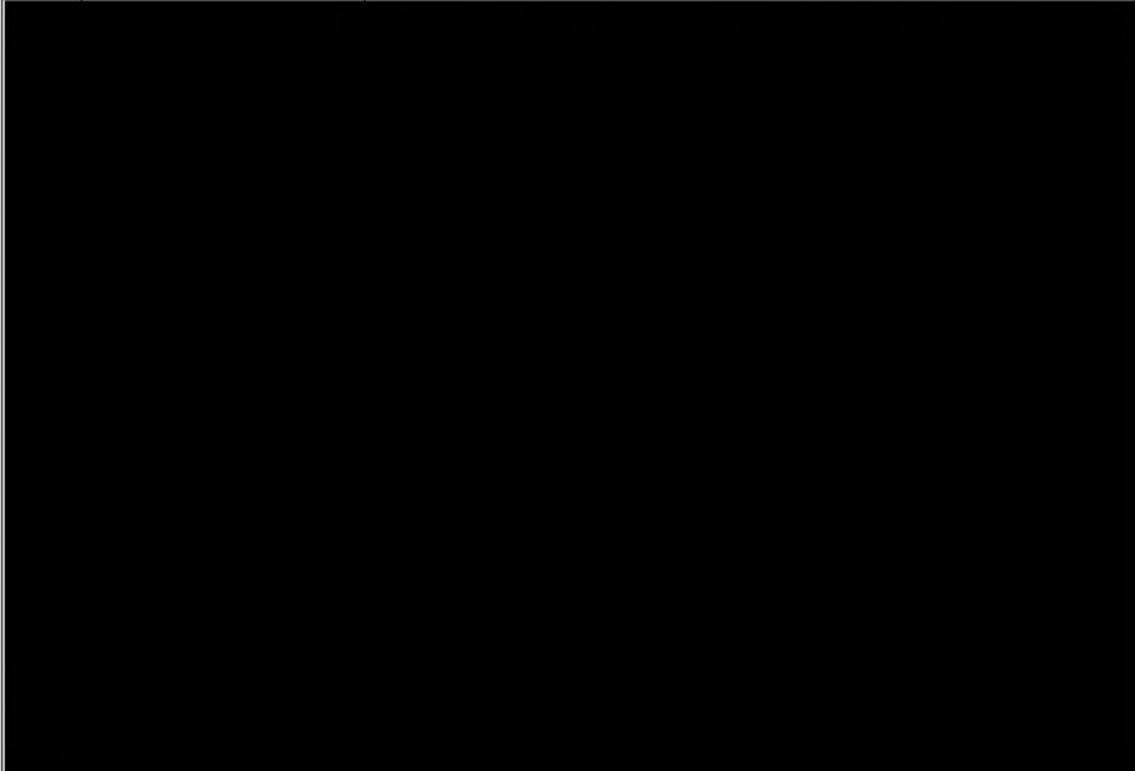
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Item	Topic	Key Terms	Comments
1	Investment vehicle	The corporate structure through which the BGF holds investments is subject to further accounting and tax analysis.	
			

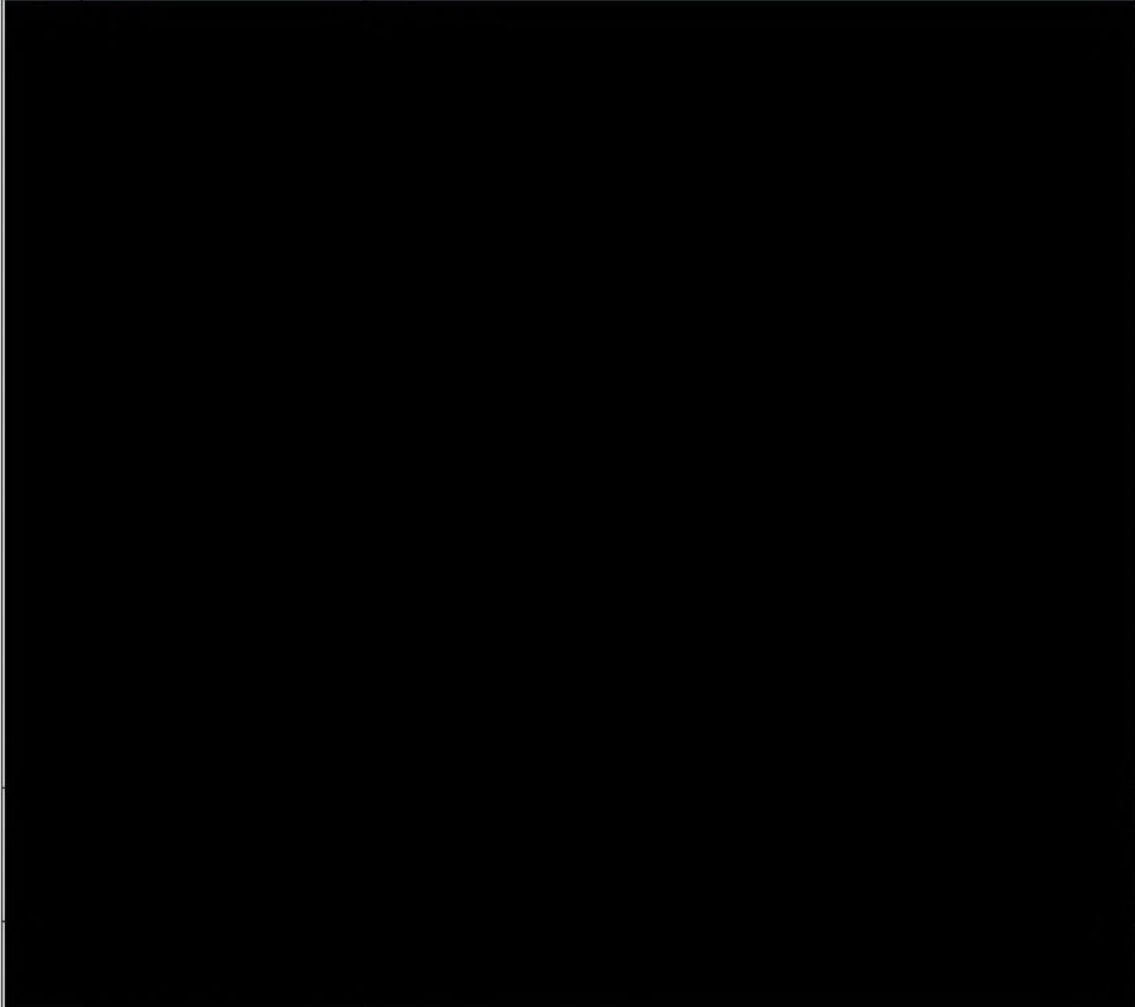
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Item	Topic	Key Terms	Comments
5	Conditions Precedent	<p>Notwithstanding the above, establishment of the BGF is conditional upon:</p> <ul style="list-style-type: none"> • agreement of the Transaction Documents; • final Board Approval of each Founding Shareholder (being the Shareholders named in the initial Shareholders' Agreement for the BGF); • satisfactory APRA approval and confirmation of regulatory capital treatment; 	

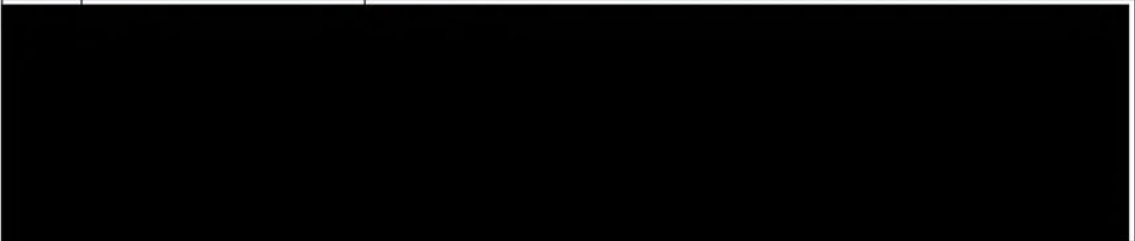
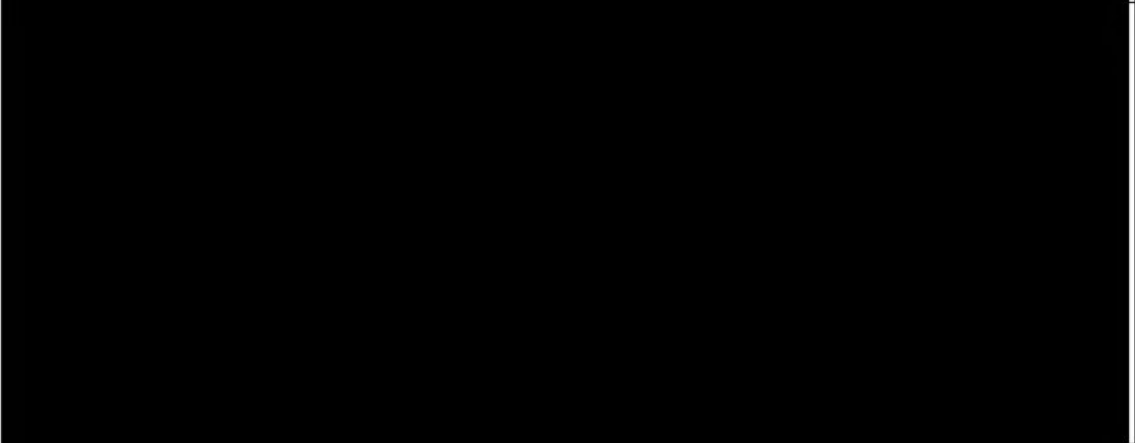

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Item	Topic	Key Terms	Comments
		<ul style="list-style-type: none">• commencement of new legislation to approve the establishment of, and investment in, the BGF by the Commonwealth in a form that is consistent with this Term Sheet and any Transaction Documents in effect;• all other regulatory approvals as required; and• a minimum total initial commitment to the BGF of \$400m.	
			

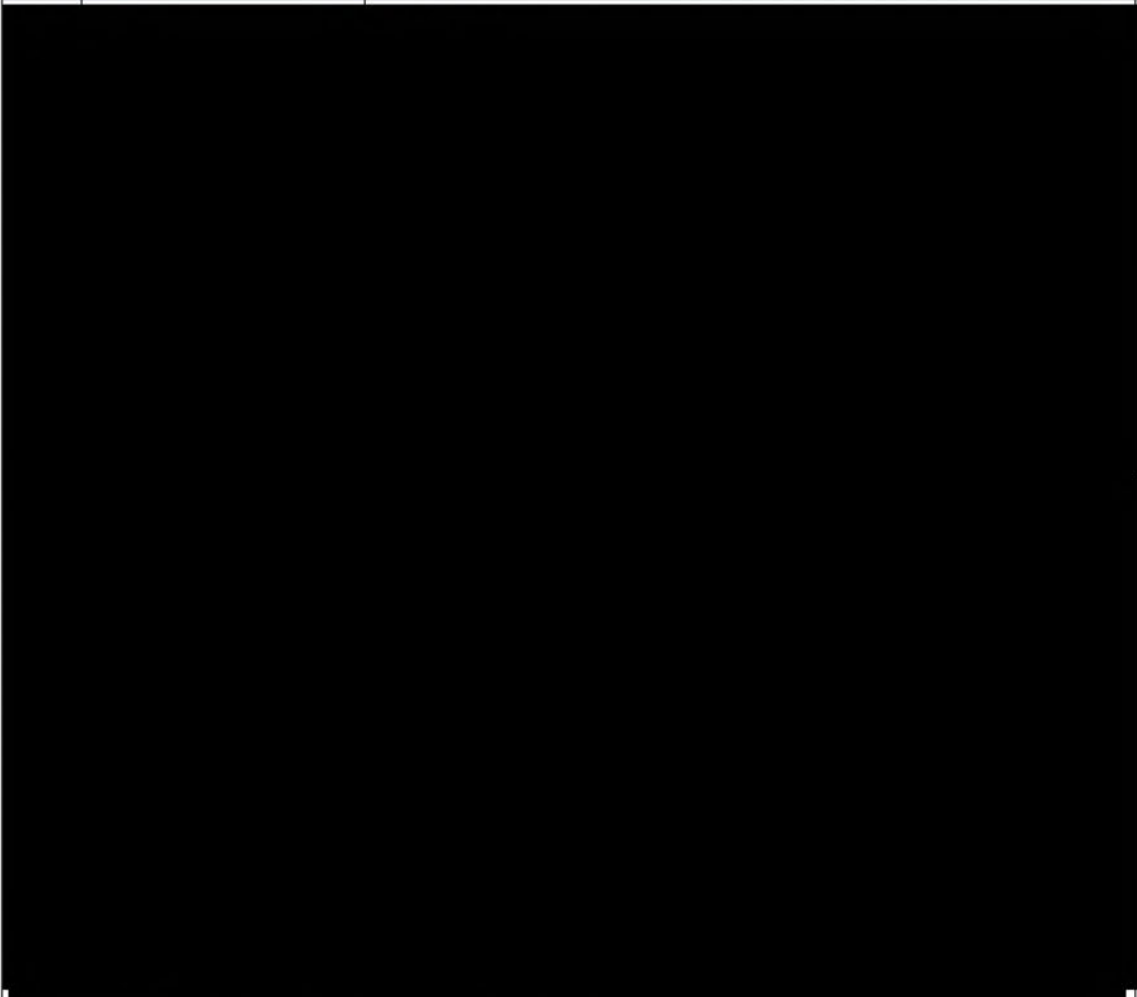
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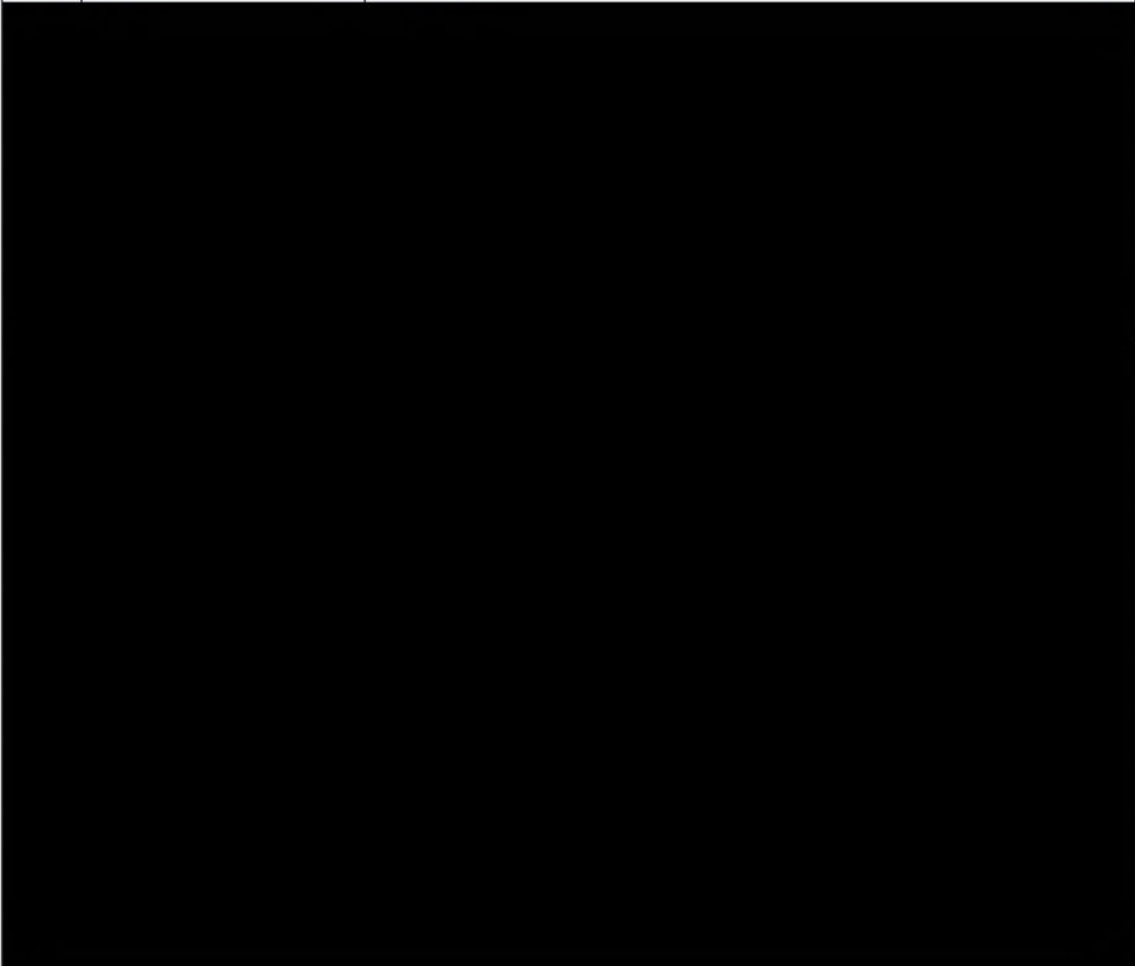
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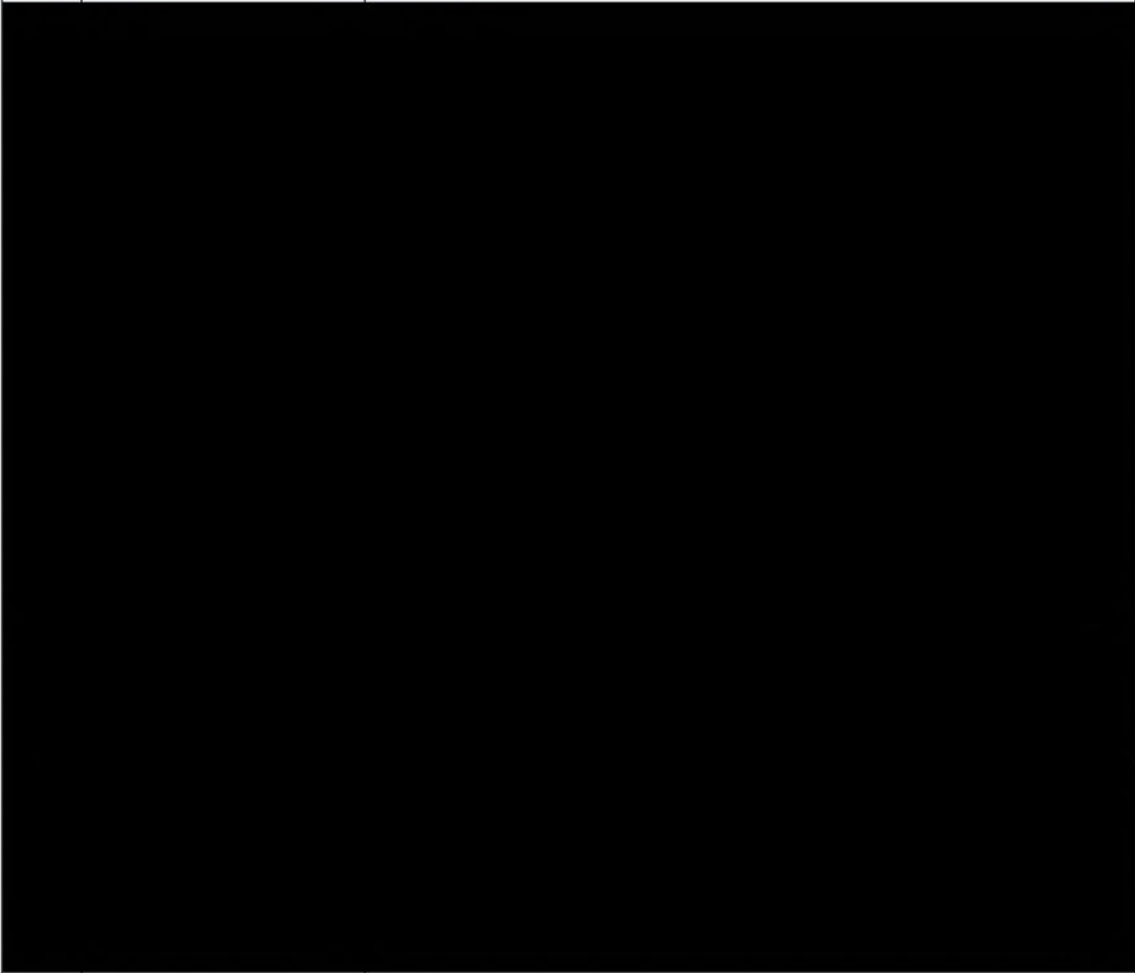
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Item	Topic	Key Terms	Comments
[Redacted]			
16	Non-financial investment	It is intended that the BGF management will provide non-financial support to portfolio companies (eg provision of strategic advice, mentoring and talent management).	
17	Investment Committee	The Board will establish an Investment Committee. [Redacted]	

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Item	Topic	Key Terms	Comments
18	Establishment Costs	<p>The BGF's establishment costs will be included in the initial Business Plan and Budget.</p>	
19	Location	<p>The BGF will be headquartered in Sydney or Melbourne.</p>	
20	Directors	<p>It is proposed that the Board will comprise:</p> <ul style="list-style-type: none"> • 1 nominee Director for each of the Commonwealth Government, (and any other Founding Shareholder with an initial commitment of at least \$100m), [REDACTED] • 1 nominee Director for [founding minor shareholder], to be [REDACTED] 	

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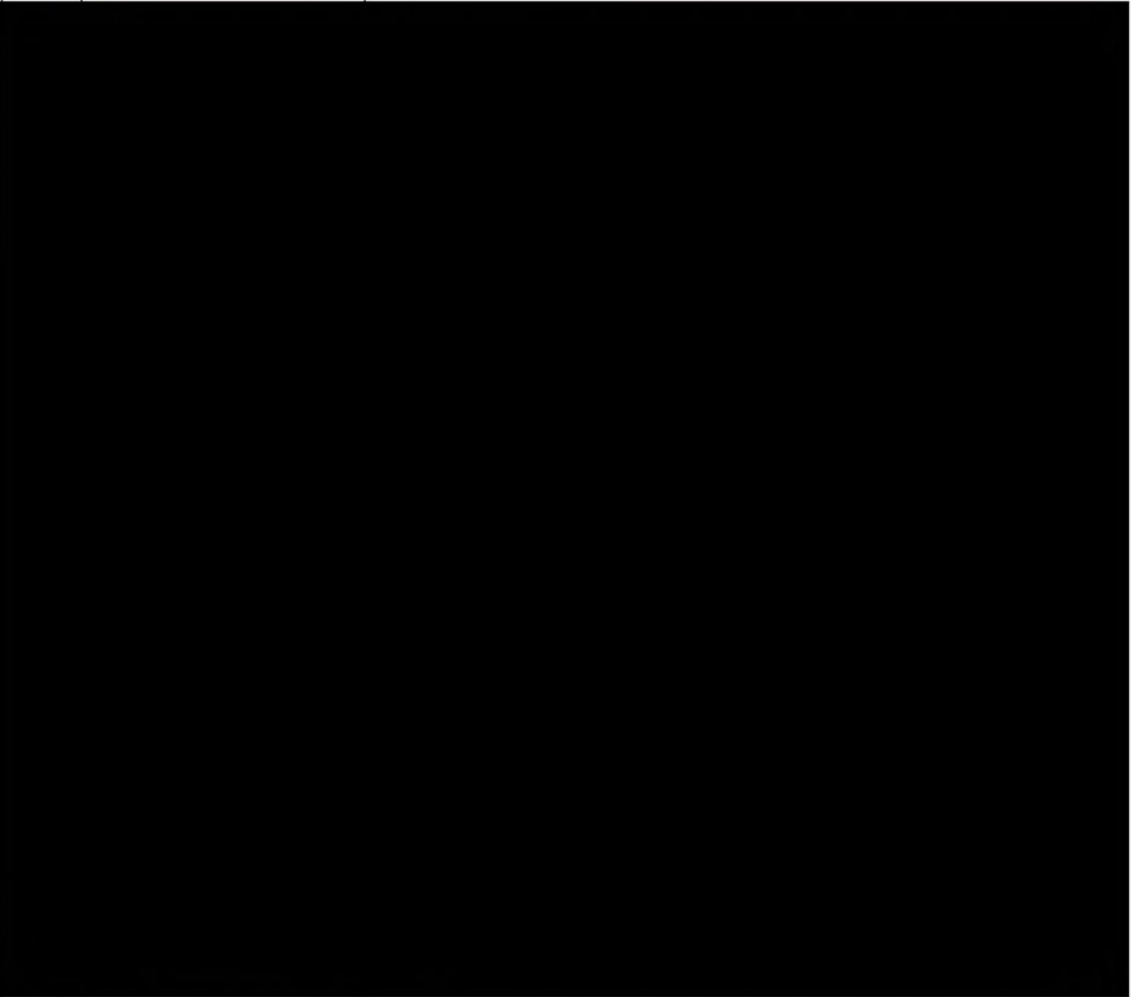
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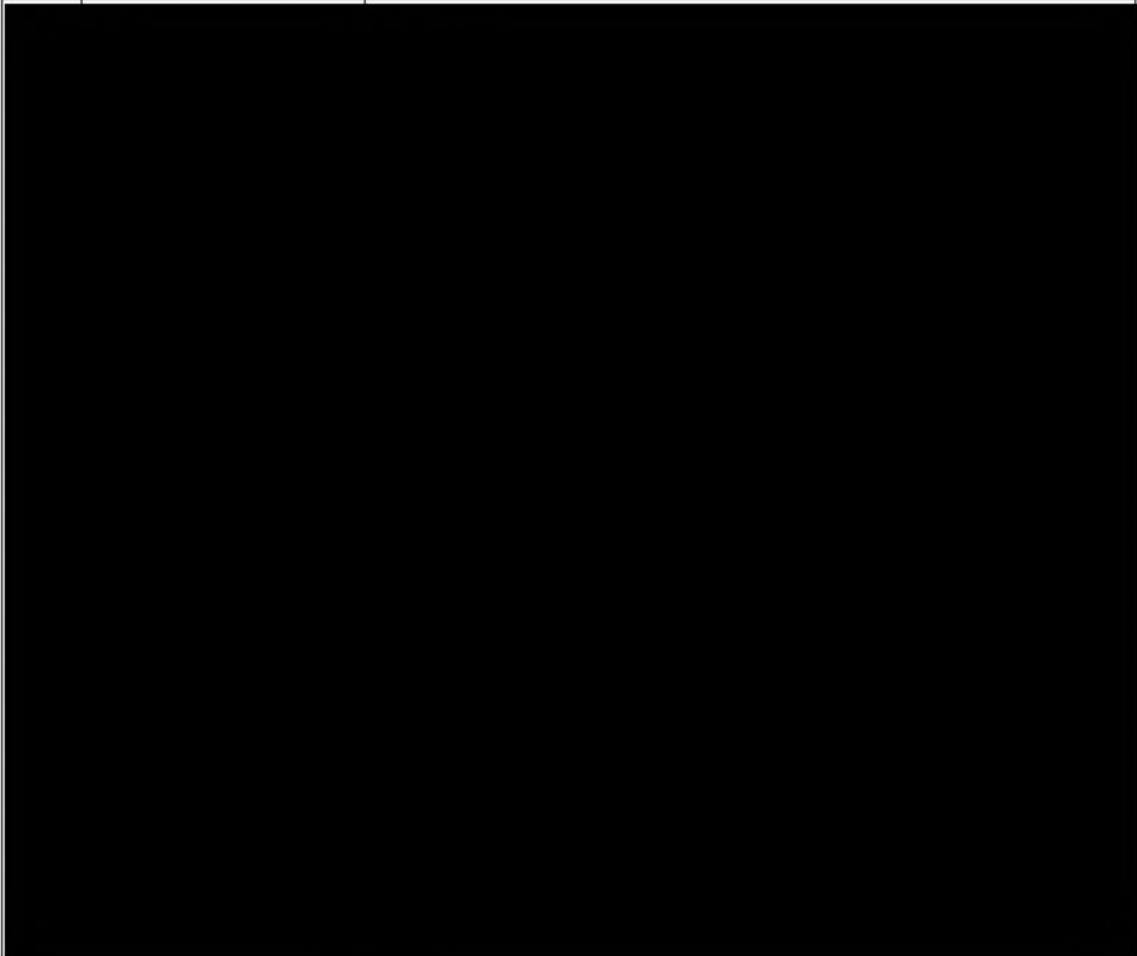
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Item	Topic	Key Terms	Comments
[Redacted]			
		The BGF will make certain information / reporting publicly available, as appropriate to meet the transparency requirements of the BGF as specified in the Transaction Documents.	
25	Annual meeting	The BGF will hold an annual meeting of Shareholders and make available the Board and the executive team for discussion with Shareholders.	
[Redacted]			
28	Indemnities	Standard protections for Directors and officers of the BGF to be provided including Directors and officers insurance.	
29	Currency	The functional currency of the BGF will be Australian dollars.	
[Redacted]			

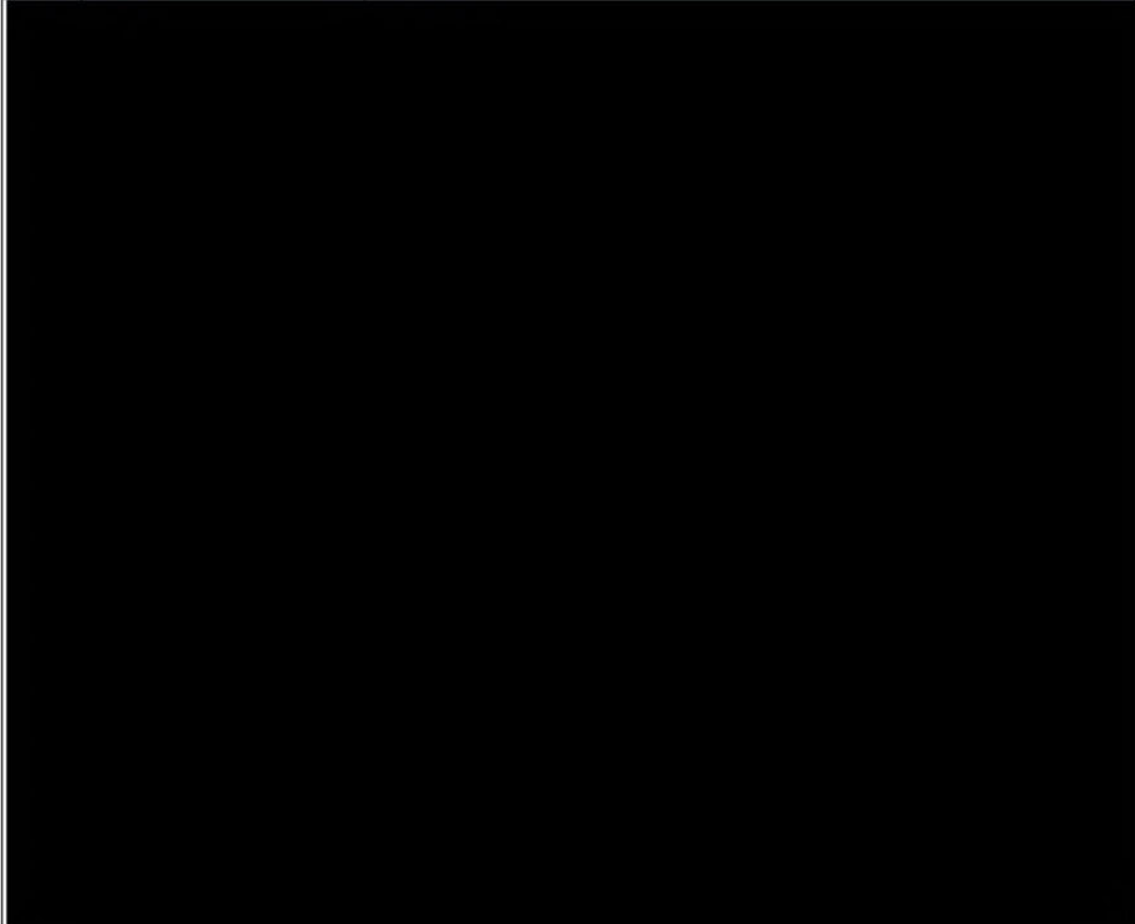
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Item	Topic	Key Terms	Comments
[Redacted]			
34	Governing law	The governing law will be Victoria or New South Wales.	
35	Confidentiality	<p>This Term Sheet is a commercially sensitive document containing the trade secrets of the intending Founding Shareholders as to the constitution and operations of the BGF.</p> <p>The Term Sheet and the information relating to the transactions contemplated by it or the establishment of the BGF are confidential and not to be disclosed to other persons except in circumstances where:</p> <ul style="list-style-type: none"> • the relevant information has become part of the public domain other than as a result of a breach of confidence; • the disclosure is made on a confidential basis to a related entity or any of its or their officers, employees, professional advisers or consultants to whom (and to the extent to which) it 	

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Item	Topic	Key Terms	Comments
		<p>is necessary to disclose the information in connection with the transactions contemplated by this Term Sheet;</p> <ul style="list-style-type: none"> • the disclosure is to an bona fide intending investor on the basis that such investor will be subject to obligations of confidence set out in this term sheet; • the disclosure is in response to a request by a House or a Committee of the Parliament of the Commonwealth of Australia; • the details of the Term Sheet or the Term Sheet itself is shared by Treasury within Treasury or within the Commonwealth (including other Commonwealth departments or agencies), provided the relevant member of the Treasury or other Commonwealth department or agency takes reasonable steps to ensure the details of the Term Sheet are not disclosed to the public; or • the disclosure is required by an applicable law, legal process, any order or rule of any governmental agency, the rules of the Australian Securities Exchange or other recognised stock exchange, provided that any such disclosure is restricted to the minimum legally required. <div style="background-color: black; height: 150px; width: 100%; margin-top: 10px;"></div>	

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