



Nominee Service Guide

Version 1.9

Notice

The Nominee service is a facility provided under charitable auspices by Angel Loop Foundation (“The Foundation”) ABN 38 816 764 202 to promote a culture of Innovation and Entrepreneurship¹ in Australia. This service is ancillary to the achievement of the purpose’s Public Benefit in “*that innovative ideas generally be carried through to successful commercial fruition*”.²

“Within the early stages of an innovation company's financing life cycle, difficulty attracting funding can prevent entrepreneurs from developing and commercialising their ideas. In fact, this stage is sometimes described as the 'valley of death' where many start-ups find themselves unable to meet their cash flow requirements. It is important that the government help connect business expertise with entrepreneurs so that innovative ideas can reach the market through commercialisation.”³

The Nominee has been appointed in accordance with section 14 of the Angel Loop Charitable Trust (ALCT) deed. The current trustee is Angel Loop Nominees Pty Ltd (ALN) ABN 638 063 804.

Placing investment instructions via the Nominee Service is optional for Investor Subscribers and doing so carries additional fees (detailed below) over holding share investment interest directly.

ALN is a wholly owned subsidiary of ALCT which is independently managed under contract on behalf of ALCT.

ALN is not providing Custodial Services under the Corporations Act as the appointment complies with Corporation Reg. 7.1.40 (1)(i)(ii) as permitted by 766E(3)(e) of the Act.

The Nominee service is not a crowd-source funding service (CSF) and is not subject to the gatekeeping obligations that apply to CSF intermediaries.

Any further queries on the use of this trust should be addressed by emailing legal@angelloop.org

¹ The Commissioner of Taxation v The Triton Foundation [2005] FCA 1319; 147 FCR 362

² Ibid 26,7

³ Scott Morrison - Tax Laws Amendment (Tax Incentives for Innovation) Bill 2016 Second Speech

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What is a Nominee Service?

It allows private individuals to hold, purchase, transfer and sell shares through a nominee company, as an alternative to holding shares in their own name. Subscribers retain similar rights and benefits as a private investor, however the nominee company will become the registered owner of the shares. Angel Loop uses an individual BARE Trust agreement to fulfil the objectives of the Nominee service.

What is a BARE Trust?

A bare trust is a common law trust in which the beneficiary has the absolute right to the capital and assets within the trust, as well as the income generated from these assets.

Trust assets are held in the name of a trustee, who has the responsibility of managing the trust assets in a prudent manner so as to generate maximum benefit for the beneficiaries or as lawfully directed by beneficiaries or the trust's creator. However, the trustee has no say in how or when the trust's capital or income is distributed.

The current Trustee for Subscriber's individual trusts is Angel Loop Nominees Pty Ltd (ALN).

The Beneficiary of that Trust is the entity nominated by the Subscriber. The Subscriber must verify that they have the authority to act on the entity's behalf when creating the trust.

Each investing entity whether a person, company or trust is the sole beneficiary to its own trust which then instructs ALN to place investments into multiple investment opportunities. This may mean ALCT Subscribers may have 2 or more BARE Trusts as part of the nominee service depending on the entity being invested through.

ALN as trustee for the Subscriber's BARE Trust does not provide any investment advice or otherwise on any investments. It only executes on the beneficiary's instructions. The beneficiary should seek their own investment advice before placing any instruction with ALN.

Difference between a Nominee and a direct share investment.

Angel Loop Nominees Pty Ltd (ALN) acts as a nominee shareholder who holds shares in its name on behalf of the beneficiaries of the Subscriber's BARE Trusts it manages, these beneficiaries have the effective ownership and control of the shares. Thus, the nominee is owner in name only. It is the registered legal owner, holding the shares in trust for the beneficiaries, who have equitable interest.

The nominee (ALN), rather than the beneficiary, is a shareholder of the company in which the shares are held, and only ALN's name appears on the Share register.

This is different to direct share investment where the beneficiary holds the share interest directly and their name appears on the Share Registry.

Why invest via a Nominee rather than direct share investment?

There is a number of issues to consider when deciding to place an investment via a nominee rather than via direct share investment.

A proprietary limited company (Pty Ltd) is limited to no more than 50 non-employee shareholders. The investee company may specify limits on the entities that may invest or put limits on the minimum size of investment they will accept to protect themselves and their Pty Ltd status. As a result the Investee Company may be hesitant or not accept your investment.

The use of a nominee saves time and worry in all dealings with the shares; it also eliminates the risk of loss of opportunities due to delay in attending to them. You may not want to be personally concerned with the day-to-day management of these shares and instead rely on the trustee to advise when a decision is required to be made.

The use of a nominee as the registered owner of shares also protects the beneficiary from appearing on any public searchable company registries.

When is the Nominee Service availability as an Investment vehicle?

Investment via the Nominee is optionally available to Subscribers when the proposed investment company approves it. Note: The investment company may place restrictions on minimum investment size for direct investments.

BARE Trust Beneficiary Entities

Direct via Personal Name
Public or Private Company
Trust (Unit, Discretionary etc)
Family Trust
Self-Managed Superfund (SMSF)

Placing Investment Instructions to the Nominee

All investments placed with the Nominee are via the Subscriber's BARE trust which is achieved by provided an **Acknowledgement and Confirmation of Instructions form** either electronically or emailed to trustee@angelloop.org. The Instruction must contain the Subscriber's BARE Trust number, the amount to invest and the entity to make the investment into. Once the form has been submitted or received and accepted by the trustee, the trustee will generate an invoice which will need to be paid.

Cooling-off Period

All invoices generated from Instructions placed will have a minimum of 5 business days to pay. If during the initial 5 business days, the beneficiary elects to withdraw from the investment they must email trustee@angelloop.org and the invoice will be immediately cancelled. If payment has already been made during the cooling off period full amount (incl. fees) will be refunded.

Note: Unless otherwise instructed all Invoices are expected to be paid by the due date.

Limits of Investment Instructions

The minimum investment size in any one investment instruction via the Nominee Service is \$5000.

The maximum investment size for 42 Ventures qualified Investor Subscribers is unlimited.

Rights of BARE Trust Beneficiary

The Bare Trust is a service that holds shares in its name on behalf of the beneficiary of the BARE Trust. The share rights associated with the shareholding are detailed below.

Type	Rights
Dividends	Yes
Follow-On Investment rights	Depends on Share class purchased
Share voting rights	Yes
Revert to direct share ownership	Yes
Withdrawal Instruction	Convert to direct ownership. Beneficiary sells shares

The beneficiary may place instructions at any time to ALN with respect to a Subscriber's BARE trust by emailing trustee@angelloop.org.

The beneficiary may request information on the investments held on trust by emailing trustee@angelloop.org.

The beneficiary holds direct voting rights on the shares held through the BARE Trust. All voting rights are held collectively through the ALN shareholding and its nominated representative for that investment (where applicable).

The beneficiary may request an update on the status of any individual investment via the ALN nominated representative (where applicable). The contact information may be obtained by emailing trustee@angelloop.org.

The beneficiaries may call a special meeting with the ALN representative (where applicable) to discuss the investment progress.

Aside from standard quarterly and annual reports, the ALN representative may supply periodic updates or invite beneficiaries to meetings regarding their BARE Trust investment.

Any concerns or further enquiries about the Subscriber's BARE trust may be placed directly to ALN by emailing trustee@angelloop.org.

Exit opportunities via the Nominee Service.

1. Convert shareholding directly to Beneficiary's name

The Beneficiary emails instructions to trustee@angelloop.org. No charge for this service.

2. Trade Sale

The Beneficiary will be notified by ALN of the Trade sale of the company and all equitable interests (fee free) will be returned to the Beneficiary.

3. Initial Public Offering

The Beneficiary may request ALN to convert the Subscriber's BARE Trust interest to direct shareholding to comply with any IPO requirements. Notwithstanding constraints surrounding the IPO, the beneficiary is then free to sell their shareholding. No Service Fees.

4. Other

The Beneficiary must instruct ALN.

Available reports on Investments

Report	Entitled
Quarterly Company Progress Reports	Yes
Annual Company Report and valuation.	Yes
Annual BARE Trust Investment Summary	Yes

TAX and the Nominee Service

All advice provided should be considered public general information. A beneficiary should seek their own individual tax advice. ALN does and will not provide any individual tax advice.

Cessation of Trustee Services

The assets held by the trustee are always owned and under the control of the beneficiary. It is not subject to any claim as being the asset of the trustee. The trustee ALN is a charitable private company wholly owned by ALCT and management is contracted to an AFSL Licensee. If the contract with that licensee ends, then the ALCT management will appoint a suitably qualified replacement. In the event ALN ceases operations then the beneficiary will be notified and will have the option to transfer the shares to another BARE trust provider or transfer the shares directly to the beneficiary's name and be listed directly on the company's share register.

Early Stage Innovation Status (ESIC) Investments

For more information:

<https://www.ato.gov.au/Business/Tax-incentives-for-innovation/In-detail/Tax-incentives-for-early-stage-investors/>

The beneficiary of the Subscriber's BARE Trust is entitled to all the benefits associated with ESIC as if they held the shares directly.

Please note the ultimate entity entitled to the non-refundable 20% Tax offset and 10 year CGT holiday.

Beneficiary	Benefit Entity
Direct via Personal Name	Personal Tax
Public or Private Company	Company
Trust (Unit, Discretionary etc)	Beneficiaries of Trust
Family Trust	Beneficiaries of Trust
Self-Managed Superfund (SMSF)	Trustee*

Notes:

1. For a SMSF with a corporate trustee, the trustee must have other income to offset the 20% benefit as it is non-refundable.

Co-Investment Liability

Some investments may include a co-investor that imposes special legal requirements on their investment. (ie PUT and CALL options). **The beneficiary (not the trustee) is required by law to honor all such agreements with a co-investor.**

If the beneficiary elects to not be party to the agreement, then they must notify ALN when placing the investment instruction and the associated investment will not form part of that agreement.

Additional Liability

The Beneficiary holds full liability for the investment as if they held the shares directly. **All legal or otherwise fees or charges accrued shall be the responsibility of the beneficiary.**

Nominee Service Fees

Service Fees	Charge (GST Free)
Investor Subscriber Nominee Service Establishment	
First Entity (Trust)	FREE
Additional Entities (Trust)	\$150 each
Roll-up Subscriber Nominee Service Establishment	\$150 each
Investment Placement Instructions (Not applicable to Roll-up)	
Investor Subscribers	3.0 % (once only)
On-going Portfolio Maintenance	FREE

NOTE:

Investor Subscribers: all fees above are charged in addition to the Investment Instruction. No ALN fees are taken out of any investments placed. There is no ongoing maintenance or exit fees.

Roll-up Subscribers: pay no fees, establishment fees above are paid by the company, there are no further charges for ongoing maintenance or exit.