

Empowering Investors to Connect. Invest. Succeed.

Research shows that businesses which are female led, or that value gender diverse leadership teams, can achieve superior investment returns.

- Companies with women on the executive team are more successful than companies with no women¹.
- Female-lead companies, when investor backed, bring in 12% more revenue than male lead companies, and earn 35% higher return².
- Women are highly efficient with capital, running companies on two-thirds of funds of their male counterparts³.
- Companies with women entrepreneurs are more likely to achieve higher valuations⁴.

Yet, despite research showing quantitative and qualitative advantages to investment in female lead and gender diverse businesses:

- In Australia, only 4% of investor-backed start up founders are female⁵.
- Female founded businesses have greater difficulty in accessing capital, and therefore receive a small portion of total venture capital investment.
- Evidence from the US shows that although 60% of businesses are founded or co-founded by women, only 7% of venture capital funding goes to companies with female chief executives⁶.
- Women typically start their businesses with less capital than their male counterparts, and tend to seek loans too small to meet the needs of their business. They have a tendency to understate their business potential, and be more risk averse when contemplating seeking investment.

As was noted by the lead author of the *'Diana Report: Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital'*, this represents an enormous untapped investment opportunity for venture capitalists smart enough to look at the numbers and fund women entrepreneurs.

Scale Investors Ltd ('Scale') is doing just this.

Launched in July 2013 (with the support of the Victorian Government), Scale is the first female-focused, member based Angel investor network in Australia.

1 http://www.goldenseeds.com/content/PDFs/WomenPE_report_final.pdf

2 *Women in Technology: Evolving, Ready to Save the World*, Vivek Wadhwa & Lesa Mitchell

3 *Whitepaper: High Performance Entrepreneurs*, Illuminate Ventures

4 <http://www.babson.edu/Academics/centers/blank-center/global-research/diana/Documents/diana-project-executive-summary-2014.pdf>

5 <http://www.babson.edu/Academics/centers/blank-center/global-research/diana/Documents/diana-project-executive-summary-2014.pdf>

6 <http://www.babson.edu/Academics/centers/blank-center/global-research/diana/Documents/diana-project-executive-summary-2014.pdf>

Currently comprised of a network of almost 100 members across Australia, Scale is doing its part to bridge the gender gap in angel investing and venture capital, by empowering sophisticated investors to **connect with, invest in and support Australian female entrepreneurs in early stage businesses.**

As a recognised 'thought leader' on early stage investments in Australia, Scale is at the forefront of a cultural shift towards capturing the untapped investment opportunity in female founders

Scale is achieving this by:

- Creating pathways for female entrepreneurs in Australia to access a greater portion of venture capital, and scale globally successful businesses.
- Equipping female entrepreneurs with the education and skills necessary to position their business for investment, and be empowered to seek investor capital by articulating a clear value proposition for their business.
- Equipping pre-qualified Australian Scale investors with investor education and networking opportunities to give them the confidence to invest in high growth, gender diverse early stage businesses.
- Creating an opportunity for Scale investors to maximise investment returns via the establishment of a new closed-end fund to raise total minimum committed capital of A\$20m to invest in a balanced portfolio of female led, high growth companies.



The Scale Story (So Far!)

Modelled on the highly successful US female-focused investment firm Golden Seeds, in the 3 years since it launched, Scale Investors has:

- Grown a sophisticated investor network of 100 members (both male and female) across Australia.
- Reviewed investment enquiries from over 600 female-led Australian businesses, with more than 200 having formally applied for investment through Scale's secure online deal platform.
- Coached over 50 female entrepreneurs of Australian businesses to the stage of being investor ready.
- Invested A\$4m across 8 female-led portfolio companies.
- Invested across diverse industry sectors including messaging technology, image recognition software, an online vertical marketplace, building automation software, neurodegenerative disorders, influencer marketing, events management and water and sanitation products.
- 10 Scale investors are in Board and Advisory roles (including 2 Chairman) and are actively involved post investment.



Scale Investment Criteria

Scale requires companies to fulfill the following criteria to be considered for investment:

1. Female founder or woman at the executive level with significant equity and influence.
2. Raising A\$100,000 to A\$700,000 capital from Scale. Typically we will lead early stage rounds with valuations of less than \$2m. We have joined syndicates for later, larger rounds.
3. A scalable product with proprietary features or channels to market that provide barriers to entry for competition and a business model with potential to generate A\$20m revenues in 5 years.
4. A commitment to achieving an exit for Scale investors via a trade sale, MBO or PE exit within 5 years and the potential to realise 10x returns for Scale investors.

The Scale Investor

Our investors generally fit into one of 5 archetypes:

1. Non-Executive Directors with a portfolio of ASX, private company and not for profit board roles.
2. High Net Worth (HNW) families, primarily with property or retail assets.
3. Successful entrepreneurs seeking investment diversification.
4. Experienced investors who value the diverse experience of the Scale investor network.
5. Professional services Partners, restricted or excluded from certain ASX investments owing to conflicts of interest.

Eligibility to become a Scale Investor

To ensure that the Scale network is viable, and populated by investors who are able to fulfil the expectations of an active Angel investor, all Scale investors **must qualify as “sophisticated investors” as defined in Section 708(8)(c) of the Corporations Act** (in that they must satisfy either the net assets test (A\$2.5m), or gross income test (A\$250,000 or more per annum in each of the previous 2 financial years)).

Investing in early stage companies involves a high degree of risk. Potential investors must independently assess the merits and risks of early stage investing and make all of their investment decisions independently. All investors are strongly encouraged to seek legal and other professional advice prior to making such investments. Scale is unable to, and will not make recommendations regarding the appropriateness of angel investing for any investor, or with respect to any specific investment opportunities.

Whilst female focused in terms of its investment mandate, Scale recognises the benefits and necessity of diversity in successful investment decision making. Therefore, Scale actively seeks applications from both male and female investors who share its vision of maximising returns by supporting early stage businesses that value gender diverse leadership.

The Scale Education & Investment Process

Investment Structure

In the interim, until the Scale Women’s Fund is established, Scale operates as a collaborative angel investment network with a common investment philosophy.

The majority of early stage businesses to which Scale investors are introduced are typically of interest to a number of investors. Where this is the case Scale investors are encouraged to work together to assess these investment opportunities.

Where Scale investors choose to invest alongside each other in any investment opportunity, they may elect to do so individually, or through a pooled investment structure such as a company or unit trust. However, they will still remain individually responsible for making that investment decision and for determining and documenting the terms and the structure of any investment.

Scale is unable to and will not make recommendations regarding the appropriateness of Angel investing for any investor or with respect to any specific investment opportunities of which Scale Angels may become aware through Scale’s networks.

A detailed overview of the investment process is set out in Appendix B.

Scale’s primary focus is to empower investors to undertake Angel investments by providing education, information support and related resources to its members.

Scale Investor Education Sessions

The Scale annual application fee provides unlimited access to Scale's bi-monthly (proprietary) Investor Education Program.

Scale investors are required to complete Sessions 1 and 2, and will be expected to participate in Sessions 3, and 4.

As part of developing and strengthening the Scale network, investors will be encouraged to attend training sessions from the Investor Education Program more than once. The program will be repeated in Melbourne and Sydney. Further details of the program are set out below:

Session	Summary of contents
1	Risks and Rewards of Angel Investing: what is an Angel investor, portfolio diversification, target multiples, global/local market trends, case study introduction, investing via SMSF.
2	Scale Valuation, Term Sheets and Cap Table Requirements: explanation of cap tables, valuation terminology and formulae, Term Sheets and the impact on investment returns, standard deal terms, funding sequence.
3	Leading a Scale Deal: kicking off due diligence, ensuring returns are appropriate, working through due diligence, negotiating the Term Sheet, syndicating and closing the deal, monitoring investment and exit.
4	Preparation for Exit: market exit data, knowing competition and board, financial vs strategic buyers, audit, other documents required, working with advisors. Board Membership in Early Stage Companies: Creating a board, board roles and responsibilities, board processes, board and CEO expectations, advisory boards.

Each session will run for approximately 3 hours, and include case studies and guest speakers of investors and entrepreneurs in the ecosystem together with the formal education co-delivered by the Scale CEO and Angels with relevant technical expertise or who are experienced investors.

Scale Investment Process

Stage	Summary of activities
1	Submit an Application Entrepreneurs who believe they are ready to be funded, apply to Scale for funding by submitting an online application on Gust (the secure deal management software used by Scale). Scale encourages the use of Gust by Scale investors to ensure efficiency within its investment network and each Scale investor will be given access to the system.
2	Present at Investor Screening Session If the applicant entrepreneur fulfils the Scale investment criteria, they are invited to attend one of Scale's monthly Screening Sessions. Screening Sessions are held at 9.00am on the third Tuesday of every month (via

	Skype). All Scale investors are welcome to attend.
3	<p>Present at Investor Forum</p> <p>Every other month, three or four female entrepreneurs who are successful in the Screening Sessions are invited to present to the bi-monthly Investor Forums, held at 4.30pm-7.30pm on Mondays and repeated the following morning 9.00am – 12.00pm, in Melbourne, repeated 4.30pm-7.30pm in Sydney</p> <p>At the Investor Forum, Scale investors will determine which companies they are considering investing in, pending Deep Dive and Due Diligence.</p>
4	<p>Attend Deep Dive:</p> <p>Companies gaining adequate investment interest move to a Deep Dive meeting, held at 9.00am the Friday after the Investor Forums, and if interest continues, a six to eight week Due Diligence process commences.</p> <p>Board Membership in Early Stage Companies: Creating a board, board roles and responsibilities, board processes, board and CEO expectations, advisory boards.</p>
5	<p>Deal Close</p> <p>Scale aims to sign Term Sheets within four to six weeks and finalise closing documentation and transfer funds to investee companies within eight weeks.</p>

Commitment Expected from Scale Investors

Research from the Angel Capital Association and the Kauffman Foundation shows a strong correlation between the returns from Angel investing and the number of investments that are made.

In order to provide a strong and vibrant network for Scale investors and entrepreneurs, Scale investors will be encouraged to build a portfolio of Angel investments in a minimum of 6 to 8 investee businesses during a 3 to 5 year period.

To achieve this, Scale investors will be expected to invest in 2 to 3 deals per year (either new investments or follow on deals), and **at least 1 new deal per year.**

Scale anticipates that in order to maintain a viable investment network, **the minimum amount required to be invested by a Scale investor with any prospective entrepreneur will be approximately A\$25,000.**

Scale investors are encouraged to be active participants in the Scale investment community. Scale invites investors to speak on panels and attend start up events in the ecosystem.

Once admitted as a Scale member investors are expected to attend Scale Screening Sessions and Investor Forums where they will be introduced to other Scale Angels and potential Angel investment opportunities, and have the opportunity to further assess those potential investment opportunities by joining due diligence teams alongside other Scale Angels.

Scale investors are **encouraged to participate in at least 2 due diligence teams per year and/or take a leading role in investigating at least 1 potential investment opportunity every other year.**

As Angel investors, Scale investors will have the opportunity to invest in and support entrepreneurs at an early stage in their business. At this stage of development an entrepreneur typically needs funds, support with aspects of business and finance and a supportive board. Scale Angels will be expected to be active in providing this support to any entrepreneur.

The Board of Scale will reserve the right to remove Scale investors who do not demonstrate this expected level of commitment.

Annual Scale Investor Fees

Scale is a membership based organisation. There are currently three types of membership:

Type	Description	Annual Fee
Individual	Individual investor applicants	A\$3,000
Family	Applicant investors who are spouses/partners or part of the same family	A\$5,000
Corporate	Corporate employer sponsorship of group (employee) applicants annual membership.	

Renewal fees will be due and payable on the anniversary the Scale investor joined. These fees will be subject to review and amendment each year at the discretion of Scale.

The annual fee includes:

- Access to Gust, a secure deal management software used by most angel investor groups globally.
- Access to deal flow of Australian female entrepreneurs in early stage, high growth, businesses.
- Access to experts during Scale Investor Education Sessions.
- Unlimited access to the Scale Angel Investor Education Program, and materials, which will run twice a year.
- Opportunities to connect and co-invest with highly experienced colleagues.
- Ability to leverage Scale connections to support personal investments.
- If requested, Scale email address and Scale business cards, with the title Scale Angel.
- Monthly Scale Newsletter.
- Annual Scale portfolio review day.

Tax Incentives⁷

⁷ Scale Investors Ltd **does not provide tax, legal or accounting advice**. This material has been prepared for informational purposes only, and is not intended to provide, and **should not be relied on** for, tax, legal or accounting advice.

Potential investors must independently assess the merits and risks of early stage investing and make all of their investment decisions independently. All investors are strongly encouraged to seek their own legal, tax, and

With effect from 1 July 2016, the Australian Government has implemented changes to the tax system to incentivise investors to direct their funds towards innovative, high-growth potential startups.

Tax Incentives for Investors

Under the *Tax Laws Amendment (Tax Incentives for Innovation) Bill 2016*, concessional tax treatments will be made available for investors who invest in qualifying Early Stage Innovation Companies (ESIC).

The tax incentives will provide eligible investors with:

1. A 20% non-refundable carry-forward tax offset on investments in qualifying ESICs, capped at \$200,000 per investor, per year.
2. A 10 year capital gains tax exemption for investments held as shares in an ESIC for at least 12 months, provided that the shares held do not constitute more than a 30% interest in the ESIC.

The incentive will be available for investments in companies that:

1. undertake an eligible business;
2. were incorporated during the last three income years (note there are some exceptions);
3. aren't listed on any stock exchange;
4. have expenditure and income of less than \$1m, and \$200,000 in the previous income year respectively.

New Arrangements for Venture Capital Limited Partnerships

As currently proposed, the Scale Women's Fund will be a Limited Partnership, that will be registered as an Early Stage venture Capital Limited Partnership (ESVCLP).

The *Tax Laws Amendment (Tax Incentives for Innovation) Bill 2016*, will deliver changes to the tax treatment ESVCLPs, to attract more investment into venture capital.

1. Investors will receive a 10% non-refundable carry forward tax offset on capital invested through an ESVCLP.
2. The maximum fund size for new and existing ESVCLPs will be increased to \$200m with a number of reforms made to the income tax treatment of venture capital more generally.
3. ESVCLPs will no longer need to divest a company when its value exceeds \$250m.
4. Relaxation of eligibility and investment requirements to allow managers to undertake a broader range of investment activities and greater diversity of investors.

accounting advice prior to making any investments. Scale is unable to, and will not make recommendations regarding the appropriateness of angel investing for any investor, or with respect to any specific investment opportunities.

The Scale Team

Susan Oliver, the Chair of the Scale board, commenced researching the potential for a female focused angel investor network in Australia after she met Golden Seeds in New York in May 2012.

She founded Scale with Annette Kimmitt and Carol Schwartz and these three businesswomen, together with Co-CEO's Amanda Derham, Sabine Dejeu and PWC's Sean Gregory now comprise the Scale board.

The Scale Women's Fund Investment Director is Lynne Thornton, and the Scale Member Relations Coordinator is Aoibheann Dolan.



**Susan Oliver, Founding Chairman
B Bldg, FAICD**

Susan is an experienced chairman and company director serving on the boards of major Australian listed companies. Her current appointments are Director of CNPR, Coffey International and deputy chair of Simonds Homes. She is an entrepreneur and co-investor of two software systems. Susan has extensive experience in technology commercialisation, policy development and strategy consulting. She has contributed significantly to the innovation, IT and arts policy agendas in Australia and was awarded a Centenary Medal in 2001 for service to Australian society in Business.



**Annette Kimmitt, Founding Director
B Bus, FCA, FAICD**

Annette is the Global Leader for Middle Market at EY, the Asia Pacific Accounts Leader and a member of the firm's Asia Pacific Executive Committee. She is also a Director of Airservices Australia and The Melbourne Business School. She has held a range of senior roles with EY and, before that, the International Accounting Standards Board and has authored many research reports and journal articles. Through her involvement in EY's Entrepreneur of the Year program, Annette has become acutely aware of the challenges women entrepreneurs face in gaining access to capital and to the networks that capital can open up.



**Carol Schwartz, AM, Founding Director
BA, LLB, MBA, FAICD**

Carol has extensive experience in business, property, the arts, community organisations and has been a director on a large number of public and government boards. Her current appointments include Chairman of Our Community, Creative Partnerships Australia and Temple & Webster, Non Executive Director of the Bank of Melbourne and Stockland, and Founding Chair of the Women's Leadership Institute Australia. Carol is an advocate for gender equality and led the consultation process that informed the reporting framework for the Workplace Gender Equality Act. As a successful female entrepreneur and investor Carol brings a valuable perspective to Scale.

Sean Gregory, Director & Managing Partner, Deals, PwC Australia



BA (History)

Sean is responsible for transaction advice, specifically in the financial services and private equity industries as part of PwC's global Deals business. The Deals team provides expert advice to Australian and international clients pursuing complex deals and financing objectives. Clients include leading global private equity and venture capital clients. Sean started his career with PwC in London, having graduated from Exeter University with a BA in History. He is married to Colleen with three young boys.

Lynne Thornton, Investment Director & Director, Aubrey Capital Management



B.Sc., Finance & Law, MBA

Lynne is a Co-Founder & Director of Aubrey Capital Management, a global equities boutique with A\$700m FUM based in the UK and Australia. She has specialised investment expertise in the consumer sector in Asia and the US. Prior to starting her career in funds management with Colonial First State, Lynne held management roles in industrial and consumer sectors in both the US and Europe. Lynne is a Scale Angel, and Investment Director and member of the Investment Committee for the Scale Women's Fund.

Scale's Key Partners



Scale and PwC

In May 2014 Scale announced a three year partnership agreement with PwC. PwC's contribution includes a cash component, hosting Scale events in both Sydney and Melbourne, and the provision of managers from their Deals team on a full time rolling secondment basis to Scale. Sean Gregory, PwC Managing Partner Deals and member of the PwC Australia Executive Board, has been appointed to the Scale Board.



Scale and Ernst & Young

In March 2016 Scale finalised a 3 year partnership agreement with EY. EY's contribution includes a cash component, hosting Scale's annual Portfolio Review Day, and providing company secretarial support and market research capabilities for Scale. Annette Kimmitt, EY's Global Leader for Middle Market at EY, and member of the firm's Asia Pacific Executive Committee is a Founding Director of Scale.



Scale and Norton Gledhill

Norton Gledhill have been a Scale partner since 2013 and perform all of our legal work. Alasdair McLean is a Principal in Norton Gledhill's corporate and commercial group and is committed to providing his clients with accessible, timely and pragmatic legal advice. He has broad experience in advising Angel, venture capital and private equity investors with respect to their investments in early and growth stage businesses, and with three young daughters is a passionate supporter of Scale's activities.

Scale and National Australia Bank



In June 2016, Scale announced a relationship with NAB. NAB is underwriting 10 NAB female Senior Executives to join Scale Angels. NAB are also creating opportunities for Scale to present the Angel network and Scale Women's Fund opportunities to their private clients and to collaborate with the Women in Banking and Finance to increase exposure for Scale.



Scale and the Victorian Government

The Victorian government provided initial seed funding to establish Scale and contribute to operations from 2013 to 2016.

Scale and Golden Seeds



Scale maintains a close working relationship with Golden Seeds in the US. This provides a fantastic opportunity for the Scale management team and Scale Angels to leverage off Golden Seeds' significant experience.

In 2014 Scale completed its first co-investment with Golden Seeds.

The Golden Seeds story provides an encouraging precedent for Scale's growth path. Since Golden Seeds inception only 8 years ago, the organisation has grown to have over 275 members and has raised more than US\$30m in committed capital from investors via 3 managed funds, which co-invests with Golden Seeds Angels. Golden Seeds members have now invested in >65 companies and achieved 8 exits, including one exit that provided a 10x return on invested funds. Golden Seeds has also grown its executive team that supports these investments and networks, and currently has 4 Managing Partners and 7 full time staff.

Contact Details

If you have any questions, please feel free to contact **Amanda Derham, Co-CEO**, or **Aoibheann Dolan, Executive Assistant and Member Relations Coordinator** on the details below.

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Appendix A - Scale Timetable for June - December 2016

July 2017	August 2017	September 2017
Education Forum 2 – Term Sheets & Cap Tables <ul style="list-style-type: none"> Mon 3 Jul, 4:30pm, for 5pm – 7pm, Melbourne Tues 4 Jul, 9.30am, for 10am - 12pm, Melbourne Wed 5 Jul, 5:30pm, for 6pm – 8:00pm, Sydney 	Investor Forum 4 <ul style="list-style-type: none"> Mon 7 Aug, 4:30pm, for 5pm – 7pm, Melbourne Tues 8 Aug, 9.30am, for 10am - 12pm, Melbourne Wed 9 Aug, 5:30pm, for 6pm – 8:00pm, Sydney 	Education Forum 3 – Leading A Deal <ul style="list-style-type: none"> Mon 4 Sep, 4:30pm, for 5pm – 7pm, Melbourne Tues 5 Sep, 9.30am, for 10am - 12pm, Melbourne Wed 6 Sep, 5:30pm, for 6pm – 8:00pm, Sydney
Entrepreneur Office Hours <ul style="list-style-type: none"> Wed 5 Jul, 10:00am – 11:00am, Sydney Friday 7 Jul, 11:00am – 12:00pm, Melbourne 	Entrepreneur Office Hours <ul style="list-style-type: none"> Wed 9 Aug, 10:00am – 11:00am, Sydney Friday 11 Aug, 11:00am – 12:00pm, Melbourne 	Entrepreneur Office Hours <ul style="list-style-type: none"> Wed 6 Sep, 10:00am – 11:00am, Sydney Friday 8 Sep, 11:00am – 12:00pm, Melbourne
	Deep Dive Teleconference <ul style="list-style-type: none"> Fri 11 Aug, 9:30am – 10:30am 	
July Screening <ul style="list-style-type: none"> Tues 25 Jul, 9:00am – 12:00pm, Melbourne 	August Screening <ul style="list-style-type: none"> Tues 22 Aug, 9:00am – 12:00pm, Melbourne 	September Screening <ul style="list-style-type: none"> Tues 19 Sep, 9:00am – 12:00pm, Melbourne
October 2017	November 2017	December 2017
Investor Forum 5 <ul style="list-style-type: none"> Mon 9 Oct, 4:30pm, for 5pm – 7pm, Melbourne Tues 10 Oct, 9.30am, for 10am - 12pm, Melbourne Wed 11 Oct, 5:30pm, for 6pm – 8:00pm, Sydney 	Education Forum 4 – Boards & Exits <ul style="list-style-type: none"> Mon 13 Nov, 4:30pm, for 5pm – 7pm, Melbourne Tues 14 Nov, 9.30am, for 10am - 12pm, Melbourne Wed 15 Nov, 5:30pm, for 6pm – 8:00pm, Sydney 	Scale & Girls Invent Schoolgirl Pitch Event <ul style="list-style-type: none"> Mon 4 Dec, 4:30pm – 8:00pm, Melbourne
Entrepreneur Office Hours <ul style="list-style-type: none"> Wed 11 Oct, 10:00am – 11:00am, Sydney Friday 13 Oct, 11:30am – 12:30pm, Melbourne 	Entrepreneur Office Hours <ul style="list-style-type: none"> Wed 14 Nov, 10:00am – 11:00am, Sydney Friday 16 Nov, 11:30am – 12:30pm, Melbourne 	
Deep Dive Teleconference <ul style="list-style-type: none"> Friday 13 Oct, 9:30am – 11:30am, Melbourne 		
October Screening <ul style="list-style-type: none"> Tues 24 Oct, 9:30am – 12:00pm, Melbourne 	November Screening <ul style="list-style-type: none"> Tues 21 Nov, 9:30am – 12:00pm, Melbourne 	

Appendix B - Overview of Scale Investment Process

Phase	Timing/ Key decisions/ actions
<p>Office Hours</p>	<p>During scheduled Scale 'Office Hours', prospective female entrepreneurs will be provided with a brief overview presentation of Scale and the Scale investment process.</p> <p>Attending 'Office Hours' provides an opportunity to ask for advice from the Scale CEO (Scale Angels are also welcome to join us). This is not a forum to pitch for funding, and does not guarantee attending entrepreneurs that the entrepreneur will be considered for investment by any Scale member.</p>
<p>Pre-screening</p>	<p>A prospective female entrepreneur will be able to submit an application on 'Gust' (no fee) to be considered by Scale Angels for potential investment.</p> <p>Any application will be expected to fulfil the following Scale suitability criteria:</p> <ul style="list-style-type: none"> a) Female founder or woman at the C level with significant equity and influence. We believe businesses that value gender diverse leadership teams achieve higher returns. b) Raising \$50,000 to \$500,000 capital from Scale. Typically we will lead early stage rounds with valuations of less than \$2m. We will consider joining syndicates for later, larger rounds. c) A scalable product with proprietary features or channels to market that provide barriers to entry for competition and a business model with potential to generate \$20m revenues in 5 years. If the business is pre revenue, a product roadmap reflecting identified client input. d) A commitment to achieving an exit for Scale Angels via a trade sale, MBO or PE exit within 5 years and the potential to realise 10x returns for Scale Angels. <p>An initial assessment by the Scale CEO of each application against the Scale suitability criteria will be undertaken and communicated to the applicant in <1 week.</p>
<p>Screening</p>	<p>The Scale CEO will arrange for a follow-up in person meeting with each applicant who has met the Scale suitability criteria in the pre-screening phase to:</p> <ul style="list-style-type: none"> • confirm the applicant's details and that the applicant meets the Scale suitability criteria; and • explain in further detail to the applicant the process for presenting to Scale Angels and the subsequent investment process and timeline. <p>At this stage, the Scale CEO may require the applicant to prepare and provide further information prior to any presentation to Scale Angels. This may take some time depending upon the readiness of the entrepreneur.</p>

Phase	Timing/ Key decisions/ actions
	<p>We anticipate that, in line with Angel network industry norms, Scale will screen 75% of applications received, 25% of entrepreneurs will present to Scale Angels at forums, 5% of applicants will complete due diligence, and Scale Angels will invest in approximately 3% of applications received.</p> <p>All rejected applicants will be provided with timely, constructive feedback and are invited to reapply at a later date.</p>
<p>Once an application has passed the screening phase, the applicant will be invited to attend and present to Scale Angels. Angels are encouraged to attend and observe the screening process.</p>	
Investor forum	<p>Wk 1: Female entrepreneurs present to Scale Angels at investor forum; typically 2-3 entrepreneurs deliver a 10-15 minute presentation plus 30 minutes Q&A every other month.</p>
Deep dive (dial in)	<p>Wk 1: Determine if Scale Angels have adequate interest to fund and therefore lead deal and start Due Diligence (DD) – this will typically require > 5 investors to be interested or interest from Angels to collectively invest > \$100k</p> <p>If adequate interest exists, Scale Angels must identify and appoint a Scale member to act as lead investor and should identify deal breakers.</p>
<p>Scale Angels are now expected to indicate on Gust if they are considering investing in any application that has passed the Investor forum and Deep dive stage, and if so, what A\$ amount they are considering investing. This indication will be on the basis that it is subject to a positive outcome during the DD phase.</p>	
Kick off due diligence	<p>Wk 2: The Scale lead investor (with assistance from interested Scale Angels) will be expected to: focus the interested Scale Angels on the relevant DD issues; form the DD team; ensure that appropriate DD resources are available and delegate DD tasks as appropriate (including engaging Scale technical panel where a technology is concerned); send DD checklist to entrepreneur and ensure that entrepreneur is appropriately engaged in the DD process; create deal close timeline; consider syndication partners.</p>
Research	<p>Wk 3: As issues surface, the Scale lead investor (with assistance from interested Scale Angels) will be expected to: determine whether there are any deal breakers to the investment by Scale Angels; complete the DD (including calls with the entrepreneur to review information received from DD checklist (including financial model, marketing plans)); complete reference checks.</p>
Valuation/ draft terms	<p>Wk 4: The Scale lead investor (with assistance from interested Scale Angels) will be expected to: determine valuation, amount of funding, voting %; prepare and review draft terms of investment (including investment type (e.g. ordinary shares or preference shares), management</p>

Phase	Timing/ Key decisions/ actions
	compensation and option pool, board representation, conditions precedent to investment); agree legal fee cap for closing documents; determine proposed closing date.
Complete deal memorandum	Wk 5: the Scale lead investor (with assistance from interested Scale Angels) will be expected to put a final deal memorandum together (which will describe the proposed investment) and distribute to interested Scale Angels and syndication partners if necessary.
Interested Scale Angels are now required to commit on Gust the A\$ amount that they will invest	
Submit terms sheet	Wk 6: The Scale lead investor (with assistance from committed Scale Angels) is expected to: ensure that there are sufficient \$ funds committed by Scale Angels to close; arrange for a call to discuss Scale Angels queries on deal memorandum and to determine the appropriate vehicle through which committed Scale Angels will invest; send terms sheet to company (and when signed, engage lawyer on behalf of committed Scale Angels).
Negotiate documents	Wk 7: The Scale lead investor (with assistance from committed Scale Angels) is expected to: prepare and negotiate the formal investment documents with the appointed lawyer and investee company; arrange additional conference calls with committed Scale Angels and any other syndicate partners; finalise the details of the investment vehicle; confirm the closing date.
Close deals	Wk 8: Complete document negotiation; send final documents to Scale Angels (allow 5 business days for review and signing). Close deal.
On closing of the deal, committed Scale Angels are now required to fund the A\$ amount of their commitment.	

Appendix C – Scale Code of Conduct

Scale Investors Limited (ACN 162 966 609) (**Scale**) and Scale Angels are committed to developing and maintaining high levels of respect and trust with respect to their activities and the investment opportunities they consider and undertake. To achieve this, each Scale Angel is required to comply with the following standards of conduct.

1. Scale Angels must actively support Scale and the Scale investment process by working constructively, diligently and in good faith in all of their dealings and activities, including by:
 - 1.1. using their best endeavours to regularly attend education sessions and investor forum sessions;
 - 1.2. using their best endeavours to regularly participate in due diligence investigations and negotiations for investment opportunities they wish to explore, and where possible taking the lead role in investigating and negotiating those investment opportunities.
2. In all of their dealing and activities Scale Angels must maintain high standards of personal and professional conduct and act ethically and honestly, including by:
 - 2.1. not taking improper advantage of their position as a Scale Angel or as an actual or prospective investor in an investment opportunity;
 - 2.2. ensuring that any confidential information they receive as a Scale Angel is not disclosed to anyone outside of Scale, Scale Angels and their professional advisers unless there is a proper and specific authority to disclose, or there is a legal or professional right or duty to disclose, that information;
 - 2.3. promptly and properly managing any conflict of interests which may arise as a result of their position as a Scale Angel, including as an actual or prospective investor in an investment opportunity; and
 - 2.4. developing and maintaining high levels of personal competence with respect to their dealings and activities as a Scale Angel through a commitment to ongoing professional development, including through attendance at, and participation in, Scale training and professional development activities.