

Beneficial Outcomes Linked Debt (BOLD) Financing Agreement – Xceptional

16 August 2019

This Term Sheet summarises the principal terms of the proposed investment offered by the IIG Catalyst Fund and other investors to the Company. Completion of the proposed investment will be subject to, among other things, satisfactory completion of due diligence by the investors and mutual agreement upon definitive documentation.

Please note the offer contained herein shall expire on 13 September 2019.

1	Parties	<p>IIG Catalyst Fund Pty Ltd (ACN 617 676 534) of c/- Australian Philanthropic Services, 65 Gilbert Street, Adelaide, SA 5000 (ICF)</p> <p>Randy Belcher</p> <p>Tripple Ventures Pty Ltd as trustee for Tripple Ventures Unit Trust (together, Investors)</p> <p>Xceptional Testing Pty Ltd (ACN 617 787 836) of 11-31 York Street, Sydney, NSW 2000 (Company)</p>
2	Background	<p>In exchange for the payment by the Investors of their respective proportion of the Principal Amount, the Company will enter into a BOLD Financing Agreement with Investors (BOLD Financing Agreement) under which the Company will agree to make certain payments to each Investor such that each Investor will be repaid its initial investment plus an agreed minimum return on such investment.</p>
3	Principal Amount	<p>\$500,000 to be contributed as follows:</p> <p>\$100,000 from ICF</p> <p>\$143,250 from Randy Belcher</p> <p>\$50,000 from Tripple Ventures Pty Ltd as trustee for Tripple Ventures Unit Trust</p> <p>The remaining from additional parties to be mutually agreed by the Company and the Investors by 13 September 2019.</p>
4	Repayment Amount	<p>The greater of:</p> <p>a) 5% of the Company's gross revenue (as defined by GAAP) for the relevant month; and</p> <p>b) \$5,000.</p> <p>As noted in clause 6, the Repayment Amount must be repaid to the Investors in their respective proportions.</p>
5	Repayment Start Date	<p>12 months after the Closing Date.</p>
6	Repayments	<p>From the first full calendar month after the Repayment Start Date, the Company must make mandatory monthly repayments to the</p>

Investors (in their respective proportions) equal to the Repayment Amount.

Each monthly repayment must be made no later than 30 days following the end of such calendar month.

The Company's obligation to make further repayments to the Investors shall terminate once the Investors have received the Maximum Return Amount.

Each monthly repayment will be applied as follows:

- such amount of the monthly repayment as equals the percentage that the initial Principal Amount bears to the Maximum Return Amount at that time shall be applied towards repayment of the Principal Amount; and
- the balance of such monthly repayment will be treated as an interest payment,

until such time as the Principal Amount has been repaid in full, in which case, any further payment shall be treated as an interest payment.

7 Maximum Return Amount

- a) the amount calculated using the following formula:

$$A = (B \times C) - D$$

where:

'A' means the Maximum Return Amount from time to time;

'B' means the Principal Amount;

'C' means 2; and

'D' means the Impact Adjustment Amount referable to the most recent 12 month period plus the Impact Adjustment Amount for each previous 12 month period; or

- b) if the amount calculated above is less than the Guaranteed Return Amount, the Guaranteed Return Amount.

A worked example will be included in the BOLD Financing Agreement.

8 Guaranteed Return Amount

1.3 times the Principal Amount.

9 Impact Adjustment Amount

- a) On each anniversary of the Closing Date, the Maximum Return Amount will be recalculated to reflect the impact of the Company between the Closing Date and the relevant anniversary of the Closing Date, with the Maximum Return Amount to be updated to incorporate the revised Impact Adjustment Amount.

- b) The Impact Adjustment Amount as at the end of a relevant 12 month period will be calculated using the following formula:

$$A = (B - C) \times D$$

where:

'A' means the Impact Adjustment Amount;

'B' means the Number of Placements for the most recently completed 12 month period;

'C' means the Minimum Number of Placements for such 12 month period; and

'D' means the Placement Value, provided that such amount shall be \$0 if the amount calculated above for 'B - C' is a negative number.

- c) The methodology for determining the Impact Adjustment Amount may only be reviewed and amended by written agreement between the Company and by greater than 75% of Investors (based on the total value of the Principal Amount).

A worked example will be included in the BOLD Financing Agreement.

10 Number of Placements

Number of Placements for the applicable 12 month period will be the number of Xceptional candidates placed in employment during that 12 month period whether by external placement and/or internal placement (for software testing, data analysis, programming or cyber security roles), where such roles deliver not less than the minimum wage for adults applying under a modern award (or other fair work instrument) for the nearest equivalent role. The definition of what constitutes a placement may change from time to time in accordance with 9(c) above.

The following additional rules will be applied in determining the Number of Placements:

- a) placements of 9 months or less in duration will be adjusted by a factor of 2/3;
 - b) placements of more than 9 months in duration but less than or equal to 12 months in duration, will be adjusted by a factor of 2×12 (where x is the number of months) divided by 12;
 - c) a placement must include a minimum of 21 hours a week; and
 - d) if the overall net wellbeing score (to be defined in the Bold Financing Agreement) for candidates placed during the applicable 12 month period is 5 or less, the total number of placements determined using the above principles will then be discounted as follows:
 - a 10% discount, where the overall net wellbeing score is more than 4 but equal to or less than 5;
 - a 20% discount, where the overall net wellbeing score is more than 3 but equal to or less than 4;
 - a 30% discount, where the overall net wellbeing score is more than 2 but equal to or less than 3;
 - a 40% discount, where the overall net wellbeing score is
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		<p>more than 1 but equal to or less than 2; or</p> <ul style="list-style-type: none"> - a 50% discount, where the overall net wellbeing score is equal to or less than 1.
11	Minimum Number of Placements	<p>48 for the 12 month period between the Closing Date and the 1st anniversary of the Closing Date, increasing by 50% for each subsequent 12 month period throughout the first 3 years. The placement numbers and model will be reviewed at the end of the first 3 year period (and subsequent 3 year periods thereafter) in line with market and other conditions to determine the most appropriate targets for the subsequent 3 year period.</p>
12	Placement Value	<p>\$1,000 per Placement.</p>
13	Early Repayment	<p>The Company may, in its sole discretion, at or before the 4th anniversary of the Closing Date:</p> <ul style="list-style-type: none"> - make discretionary repayments from time to time and/or in excess of the Repayment Amount for a calendar month up to the Maximum Return Amount; or - make a one-off repayment equal to the <u>lesser of</u> (i) 1.6 times the Principal Amount less amounts previously repaid, and (ii) the remaining part of the Maximum Return Amount (and on such payment being made the Company's obligation to make further repayments to the Investors shall terminate). <p>The Company may also, in its sole discretion, at any time after the 4th anniversary of the Closing Date:</p> <ul style="list-style-type: none"> - make additional discretionary repayments from time to time and/or in excess of the Repayment Amount for a calendar month up to the Maximum Return Amount; or - make a one-off repayment equal to the remaining part of the Maximum Return Amount (and on such payment being made the Company's obligation to make further repayments to the Investors shall terminate).
14	Default	<p>If the Company fails to pay any Repayment Amounts for two months in a row or for any three months in a rolling 12 month period, or if the Company voluntarily terminates operations or enters into a general assignment for the benefits of the Company's creditors, then the Investors (by a majority of Investors based on the total value of the Principal Amount) have the option in their discretion to require that the remaining part of the Maximum Return Amount to become immediately due and payable.</p>
15	Liquidity event	<p>With effect immediately prior to completion of an Exit, the unpaid part of the Maximum Return Amount will become immediately due and payable. An 'Exit' will be defined to mean the completion of a share sale which results in a change of control, a trade sale or an IPO.</p>

16	Security	All amounts payable to Investors under the BOLD Financing Agreement will be unsecured.
17	Insolvency event	The Investors (by a majority of Investors based on the total value of the Principal Amount) may, by written notice to the Company at any time after the occurrence of an insolvency event, declare the unpaid part of the Maximum Return Amount due and payable. Following receipt of that notice from the Investors, the Company must immediately pay the unpaid part of the Maximum Return Amount to the Investors in full without set off or deduction.
18	Company Covenants and Restrictions	The BOLD Financing Agreement will include customary covenants and restrictions in relation to the Company's activities (adjusted to reflect this Term Sheet) until such time as the Investors have been paid the Maximum Return Amount or other amount payable under clause 13.
19	Investor Acknowledgements	The Investors acknowledge and agree that the Company may source any other debt or equity financing from time to time after entering into the BOLD Financing Agreement provided that it first consults with ICF on its financing plans and obtains the prior written consent of greater than 75% of Investors (based on the total value of the Principal Amount), which consent must not be unreasonably withheld or delayed. It will be reasonable for consent to be withheld if the Investors reasonably consider that the terms of any new debt or debt-like financing (including interest and repayment terms) may adversely affect the ability of the Company to comply with its repayment obligations under the BOLD Financing Agreement.
Offering Process		
20	BOLD Financing Agreement	<p>Entering into the BOLD Financing Agreement is anticipated to take place 20 business days following the execution of this Term Sheet, to account for the time required for satisfactory completion of due diligence and mutual agreement upon definitive documentation.</p> <p>The BOLD Financing Agreement will include customary representations and warranties from the Company which are appropriate for an investment of this type.</p>
21	Closing	The Principal Amount will be paid by the Investors to the Company in full on the date for financial close agreed in the BOLD Financing Agreement (Closing Date) which will be the later of (i) 5 Business Days after the execution of that agreement by the parties, and (ii) 2 Business Days after the satisfaction of any conditions precedent.
Other Conditions Specific to the Proposed Transaction		
22	Confidentiality	The contents of this Term Sheet and the fact that the Investors are considering making this investment is strictly confidential to the Investors and the Company and may not be disclosed by any party to anyone other than that party's partners, shareholders, directors, employee and professional advisers who have a need to know the information in the course of their duties, and only

		under terms of strict confidentiality.
		The BOLD Financing Agreement will provide that ICF has the right to publish or announce details regarding the terms of the investment, including without limitation, in connection with the preparation of a case study regarding the investment, after first consulting with Xceptional on the content and timing of the publication or announcement.
23	Expenses	The Company and Investors will bear their own legal and other expenses with respect to the proposed investment.
24	Currency	All references to dollars or '\$' are references to Australian currency and all amounts payable are payable in Australian dollars.
25	Governing Law	Victoria
26	Exclusivity	The Company must negotiate exclusively with ICF for 10 business days following the execution of this Term Sheet and accordingly, until the end of this period, must not solicit or respond to enquiries relating to any proposed debt or equity investment in the Company (other than as approved by ICF) nor show these terms to any other person or organisation.
27	Non-binding	This Term Sheet has been prepared to set out the agreement in principle between the parties as to the economic and financial terms of a proposed debt investment in the Company by the Investors. This Term Sheet is non-binding on the parties to it except for this clause and clauses 22-26 (inclusive).
28	Expiry of Offer	This offer will expire at 6pm on 13 September 2019.

Please sign below indicating acceptance of the above summary of the proposed terms which is subject to completion of due diligence satisfactory to ICF and definitive documentation.

Executed as an agreement on the basis set out above on this 21 August 2019

Accepted and Agreed to:

Xceptional Testing Pty Ltd (ACN 617 787 836) of
11-31 York Street, Sydney, NSW 2000 (Company)

Director


Director


Name

Name

Accepted and Agreed to:

IIG Catalyst Fund Pty Ltd (ACN 617 676 534) of c/-
Australian Philanthropic Services, 65 Gilbert
Street, Adelaide, SA 5000 (ICF) by:


Director


Director

Rachel Yang
Name

Daniel Madhavan
Name

Accepted and Agreed to:
Tripple Ventures Pty Ltd as trustee for Tripple
Ventures Unit Trust by:



.....
Director

Rebecca Milgrom

.....
Name

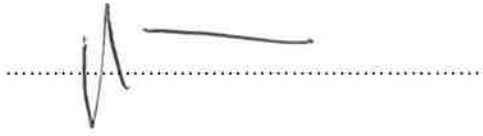


.....
Director

Adam Milgrom

.....
Name

Accepted and Agreed to:
Randy Belcher

A handwritten signature in dark ink, appearing to be "Randy C. Belcher", written over a horizontal dotted line.

RANDY C. BELCHER
Name