

From: Jo Bradley <Jo@rightlane.com.au>
Sent on: Wed 29/09/2021 05:10:44 PM +10:00
To: [REDACTED]
CC: Dr Marc Levy <Marc@rightlane.com.au>
Subject: Right Lane Foundation | Conditional offer to Right Lane Consulting ordinary shareholders and interim dividend payment

Follow up: Follow up

Dear [REDACTED]

On behalf of The Right Lane Foundation, below sets out the conditional offer to ordinary shareholders to sell some or all of their shares in Right Lane Consulting to The Right Lane Foundation. There is also a note at the conclusion regarding payment of an interim dividend to current shareholders.

CONDITIONAL OFFER TO RIGHT LANE ORDINARY SHAREHOLDERS

This document contains a conditional offer to existing ordinary shareholders to sell some or all of your ordinary shares in Right Lane Consulting Pty. Ltd. (**RLC**).

The entity making the offer is The Right Lane Foundation (the **Foundation**), which is still to be incorporated and registered as a charitable not-for-profit organisation, and so this offer is subject to and conditional on the successful establishment of the Foundation and each selling shareholder entering into a formal share sale agreement with the Foundation (**conditional offer**). Our lawyers have advised that incorporation, and registration with the ACNC and the ATO, is highly likely to occur, and so we are proceeding with the offer in this conditional form in the strong belief that it will proceed. We have been advised that we should expect to know more definitively within four to six weeks.

The conditional offer is also subject to each shareholder in RLC waiving its rights under clause 9 of the shareholders agreement with respect to RLC (**SHA**) such that each selling shareholder is not required to first offer to sell its shares to the other shareholders before agreeing to sell its shares to the Foundation (**Pre-emptive Rights Waiver**). On the basis that all shareholders agree to sign a Pre-emptive Rights Waiver, Marc does not intend to exercise his drag along rights under the SHA.

This document outlines the nature and terms of the conditional offer, which opens on 29 September 2021 and will close ten (10) business days later (**closing date**).

All of the information that you will need in order to make a decision in respect of the conditional offer should be included in this document; but if you have any questions about the conditional offer please speak with Jo or Marc. As before, [REDACTED] and Adam Rich, our financial and legal advisors on this project, are available to answer questions too. They can be contacted via Jo.

If you wish to participate, please let Marc and Jo know by email on or before the closing date.

What is the conditional offer?

The Foundation's conditional offer is to buy all or some of the ordinary shares you own in RLC.

The price offered is [REDACTED] (**per share sale price**) based on a total company equity valuation for RLC of [REDACTED]. This valuation was prepared by [REDACTED].

This conditional offer is also subject to Vendor Finance with the Foundation, the terms of which will be incorporated into the share purchase agreement, and will include:

- Annual principal repayments over 5 years as per the indicative table set out in Appendix 1;
- An annual interest rate of [REDACTED] on the balance outstanding calculated on a daily basis; and
- The ability to repay earlier based on the level of dividends declared by RLC.

This conditional offer does not reflect any minority interest discount which a shareholder may have received the benefit of when acquiring a particular parcel of ordinary shares. No minority interest discount upon any sale of shares to the Foundation will be applied unless you received a minority interest discount when you acquired your shares, in which case the same discount percentage will be applied to the per share sale price in respect of your sale shares. If this is the case and you wish to sell all or part of your shares, please contact Marc or Jo to discuss your consideration.

There has been an adjustment to the previous information provided owing to the fact that we no longer expect that all shares in RLC will be sold and transferred to the Foundation.

Attached in Appendix 1 is an example cash flow for the Foundation acquiring 20% of the shares in RLC from a shareholder. The cash flows for the Foundation are also included. This is for indicative purposes only.

Who is being invited to participate?

All ordinary shareholders are being offered the opportunity to participate.

Some shareholders have already indicated that they intend to accept the offer to sell some or all of their ordinary shares to the Foundation; others have said that they would prefer not to sell any of their ordinary shares to the Foundation at this stage.

As previously discussed with shareholders, Marc proposes for each holder of F Class shares (**F Class Shareholders**) to transfer their F Class shares back to him on the basis that they were gifted by Marc to each F Class Shareholder as a dividend only share which cannot be transferred for value other than by Marc. As per the communication to shareholders on 18 August 2021, any CGT implications for F Class Shareholders on the transfer of F Class shares back to Marc will be picked up by Marc.

Marc proposes that, once all F Class shares have been transferred back to him, RLC will convert all F Class shares into ordinary shares prior to the sale of any shares to the Foundation.

Marc also proposes that RLC will issue to each F Class Shareholder a number of E Class shares which is equal to the number of F Class shares currently held by it. Any additional E Class shares will be issued at the discretion of the Board of RLC.

An E Class share is defined in Article 5.4 of RLC's Constitution as a redeemable non-voting dividend only preference share that is redeemable by RLC at any time in the Board of RLC's absolute discretion and for the same value that

was ascribed to the E Class share upon issue, which will in all cases be \$1.00 per E Class share. It will be a term of issue of all E Class shares that they:

- cannot be transferred (and will automatically be redeemed by RLC should a holder of an E Class share seek to transfer it); and
- will automatically be redeemed by RLC for \$1.00 per share upon the holder, or its related person, ceasing to be engaged by RLC.

Any dividends declared on E Class Shares will be at the discretion of the Board of RLC.

What will the Right Lane Foundation do with the RLC shares it acquires?

With dividends it receives from its shares in RLC, the Foundation will initially pay down debts (i.e. instalments of the purchase price) to those shareholders who decide to sell their RLC shares to the Foundation as part of this arrangement; and thereafter commit itself to distributing those funds consistent with its purpose - being to advance the effectiveness of organisations with a charitable purpose ('charitable organisations') in Australia by:

- funding and/or subsidising Charitable Organisations' access to quality consulting and professional services which would not otherwise be affordable for such Charitable Organisations;
- advancing knowledge of Charitable Organisations in the fields of strategy, growth, organisational effectiveness and other related areas (**Relevant Fields**);
- building capabilities in the Relevant Fields within Charitable Organisations by working with current and future Charitable Organisation leaders; and
- providing forums for Charitable Organisations to discuss and learn about best practice in the Relevant Fields.

It is currently anticipated that the Foundation will in effect 'cut cheques' to RLC to fund the above.

If I sell, will I get my money out faster if Right Lane Consulting makes more money than is envisaged by the valuation?

If RLC is more profitable than was envisaged in the valuation prepared by [REDACTED], which is the basis of this proposal, the Foundation will pay down its purchase price debts to the selling shareholders more quickly than is suggested by the projected repayment timings included within this document. How quickly this will be done will be a matter for the boards of RLC and the Foundation. If RLC is less profitable than was envisaged in the valuation it is likely that the Foundation will pay down its purchase price debts to the selling shareholders more slowly.

Period Conditional Offer is Open

As above, this conditional offer is open for acceptance in writing until close of business on the closing date.

Appendix 1.

Foundation					
Cash Flow					
Year ending 30 June	2022	2023	2024	2025	2026
Cash Inflow					
Distribution from Right Lane post acquisition	-	-	-	-	-
Annual Distribution from Right Lane					
Refund of franking credits					
Total inflows					
Cash Outflow					
Vendor debt repayment					
Interest on vendor debt					
Total outflows					
Net movement					
OB					
CB					

Shareholder selling 20% in RLC	
Cash Inflow	
Dividend Received	
Loan repayment	
Interest received on loan	
Total inflows	
Cash Outflow	
Tax on dividend	
Tax on capital gain	
Tax on interest	
Total outflows	
Net cash position	
Cumulative cash position	

Capital gains tax calculated assuming no tax cost base for shares. This is the highest tax scenario. All shareholders other than Marc will have a cost base and pay lower tax.

ADDENDUM TO OFFER: INTERIM DIVIDEND

Due to the creation of the Foundation and the intended sale of shares to the Foundation, the RLC Board is proposing to pay an interim FY22 dividend of [REDACTED] to current shareholders. Note that this payment is at the discretion of the Board and is not indicative of future dividend payments for the remainder of FY22.

Kind regards,

Jo

Jo Bradley | Head of Finance, Governance and Enablement

(Tues - Fri)

Right Lane Consulting Pty Ltd
 Level 9, 60 Collins Street, Melbourne, VIC 3000
 P: 03 9428 5336 | M: 0419 150 142
 W: www.rightlane.com.au
 Find us on [LinkedIn](#)

Right Lane became the first strategy consulting firm in Australia to be B Corp certified in 2015. [More here](#)

29 September 2021

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If you wish to participate, please let Marc and Jo know by email on or before the closing date.

What is the conditional offer?

The Foundation's conditional offer is to buy all or part of the ordinary shares you own in RLC.

The price offered is [REDACTED] per ordinary share based on a total company equity valuation for RLC of [REDACTED]. This valuation was prepared by [REDACTED].

This conditional offer is also subject to Vendor Finance with the Foundation, the terms of which will be incorporated into the share purchase agreement, and will include:

- Annual principal repayments over 5 years as per the indicative table set out in Appendix 1;
- An annual interest rate of [REDACTED] on the balance outstanding calculated on a daily basis; and
- The ability to repay earlier based on the level of dividends declared by RLC.

This conditional offer does not reflect any minority interest discount, which a shareholder may have received the benefit of when acquiring a particular parcel of ordinary shares. No minority interest discount upon any sale of shares to the Foundation will be applied unless you received a minority interest discount when you acquired your shares. If this is the case and you wish to sell all or part of your shares please contact Marc or Jo to discuss your consideration.

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Marc proposes for each holder of F Class shares to transfer their F Class shares back to him on the basis that they were gifted by Marc as a dividend only share which cannot be transferred for value other than by Marc. As per the communication to shareholders on 18 August 2021, any CGT consideration on the capital transfer of F Class shares back to Marc will be picked up by Marc.

Marc proposes that RLC will convert the F class shares transferred back to him into ordinary shares. Marc also proposes that RLC will create a new class of shares which will be Z class dividend only shares. Each Z class share will be issued for \$1.00 and will be a non-voting dividend only share that cannot

be transferred and is redeemable by RLC for \$1.00 upon the holder of the Z class share, or its related person, ceasing to be engaged by RLC. The Z Class shares will be issued at the discretion of the Board of RLC and dividends declared on Z Class Shares will be at the discretion of the Board of RLC.

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- building capabilities in the Relevant Fields within Charitable Organisations by working with current and future Charitable Organisation leaders; and
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