

Dear Right Lane Consulting Shareholder

Explanatory Memorandum - Implementation of the Restructure

Further to the Information Memorandum circulated to all shareholders of Right Lane Consulting Pty Ltd (**RLC**) on 29 September 2021 (**IM**), I am pleased to inform you that:

- The Right Lane Foundation Ltd (the **Foundation**) has been incorporated and has lodged an application with the Australian Charities and Not-for-profits Commission (**ACNC**) to be registered as a charitable not-for-profit organisation; and
- The following shareholders (**Sellers**) have accepted the conditional offer from the Foundation contained in the IM to sell a number of shares in RLC to the Foundation as noted below (**Sale Shares**):

Name of Shareholder	Number of Sale Shares	Percentage of total issued shares in RLC
████████████████████	██	██
████████████████████	██	██
████████████████████	██	██
████████████████████	██	██
Total	555	55.5%

This purpose of this document is to set out and explain the steps and documentation required to implement the restructure of RLC (the **Restructure**) whereby:

- a) All shareholders currently holding F Class shares issued in RLC (**F Class Shares**) will transfer their F Class Shares to ██████;
- b) Once held by ██████, RLC will:
 - convert all F Class Shares into ordinary shares; and
 - issue the former holders of F Class Shares with a number of E Class Shares which is equal to the number of F Class Shares they have transferred to ██████;
- c) The Sellers will enter into a formal share sale agreement with the Foundation in respect of their Sale Shares;
- d) All RLC shareholders will agree to:
 - consent to the Sellers transferring their Sale Shares to the Foundation without the necessity to comply with clause 9 of RLC's Shareholders Agreement (**SHA**); and
 - sign a deed of amendment to the SHA (**Amending Deed**) required to cater for the Foundation becoming a party to the SHA.

1. F Class Shares and E Class Shares:

1.1. Transfer of F Class Shares

- (a) Each holder of F Class Shares (other than [REDACTED]) (**F Class Holders**) will transfer their F Class Shares to [REDACTED] for \$1.00 per F Class Share.
- (b) [REDACTED] will agree to indemnify each F Class Holder for any capital gains tax (**CGT**) assessed on the transfer of their F Class Shares to [REDACTED] for \$1.00 per share.

1.2. Issue of E Class Shares

- (a) RLC will issue each F Class Holder with a number of E Class Shares which is equal to the number of F Class Shares which they transferred to [REDACTED].
- (b) Each E Class Share will have an issue price of \$1.00 per share.
- (c) Each E Class Share shall be issued on the terms as set out in Annexure A.

1.3. Converting F Class Shares to ordinary shares

- (a) Under Article 9 of RLC's constitution, RLC is empowered to vary the rights attaching to any class of shares if 75% of the holders of that class of share consent in writing.
- (b) As [REDACTED] will be the sole holder of F Class Shares, he will consent to RLC varying the rights attached to F Class Shares so as to convert all of them into ordinary shares.
- (c) This will occur prior to the transfer of any Sale Shares to the Foundation such that there will be no F Class Shares issued in RLC upon completion of the Restructure.

1.4. Documentation required

Enclosed are the following documents required to effect the above actions:

- (a) Share Transfer Forms regarding transfer of F Class Shares to [REDACTED] (to be signed by each F Class Holder and [REDACTED]).
- (b) Deed of Indemnity between [REDACTED] (as the indemnifier) and each F Class Holder (**Indemnity Deed**) whereby [REDACTED] agrees to indemnify the F Class Holder for any CGT assessed on such transfer (to be signed by each F Class Holder and [REDACTED]).
- (c) Application for E Class Shares (to be signed by each F Class Holder).

2. Transfer of Sale Shares to the Foundation

2.1. Background

- (a) Each Seller will enter into a Share Sale Agreement with the Foundation (**SSA**).
- (b) As set out in the IM, the sale price will be [REDACTED] per Sale Share¹.

¹ A discount will be applied to the per share sale price to reflect any minority interest discount received by a Seller when it acquired its Sale shares.

- (c) The Foundation will pay the purchase price for the Sale Shares to the Sellers from future dividends it receives on the Sale Shares held by it.

2.2. Deed of Waiver & Consent

Under clause 9 of the SHA, no shareholder can transfer its shares to the Foundation without first offering to sell them to the other shareholders. As such, all shareholders to sign the **enclosed** Deed of Waiver and Consent whereby all shareholders:

- (a) agree to waive their pre-emptive rights under the SHA; and
- (b) consent to the Sellers transferring their Sale Shares to the Foundation without the necessity to comply with clause 9 of the SHA.

2.3. RLC Shareholders Agreement

- (a) Upon acquiring the Sale Shares, the Foundation will be required to execute a deed of assumption to become a party to the SHA.
- (b) The following clauses of the SHA require amending in order to cater for the conversion of F Class Shares and the Foundation becoming a party to the SHA:
 - i. Clause 2.1(c): so as to provide that there is no limit on the number of shares which can be held by the Foundation. Currently no shareholder other than [REDACTED] is permitted to hold more than 10% of the shares without Board approval; whereas the Foundation will hold 55.5% of the issued ordinary shares in RLC upon completion of the Restructure.
 - ii. Clause 9.10: so as to exclude the Foundation from the requirement to be an employee of RLC in order to retain its shares.
 - iii. Recital B, clause 9.11 and the definition of “F Class Shares” in clause 1.1:
 - These clauses are to be deleted on the basis that there will no longer be any issued F Class Shares.
 - There is no necessity to refer to E Class Shares in the SHA given that:
 - they are non-voting shares;
 - they are automatically redeemed upon the holder, or its related entity, ceasing to be an engaged person; and
 - are otherwise redeemable by resolution of the directors at any time.
 - iv. The definition of “Related Person” in clause 1.1: to delete the words “who holds F Class Shares and”.
 - v. Clause 2.1(a): to remove the reference to the number of shares held by specific shareholders given that shareholdings have, and may continue, to change. The clause will be amended to read as follows:

“The Shareholders acknowledge and agree that:

- (a) on the date of this Agreement they are the sole shareholders in the Company for their respective shareholdings set out in the Company register.”*

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- (c) All shareholders are asked to sign the **enclosed** Amending Deed required to give effect to the above changes to the SHA.
- (d) The Amending Deed will be held in escrow pending completion of the Restructure, at which time it will be dated and released to the shareholders (including the Foundation).

Next steps

I would be grateful if each shareholder could return to RLC (via email at the below address) a copy of the enclosed documents to be signed by them by COB 5 November 2021.

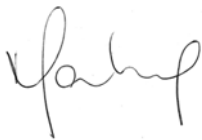
Attention: Jo Bradley

Email: Jo@rightlane.com.au

Please contact me, Jo or RLC's lawyer, Adam Rich (e adam.rich@wisemah.com.au; m 0402 418 825), should you require further information regarding anything relating to this Explanatory Memorandum or the enclosed documents.

Thank you for your prompt attention to this matter and for your ongoing support.

Yours sincerely



Signed by **Dr Marc Levy**, sole director of Right Lane Consulting Pty Ltd

Date: 29 / 10 / 2021

Encl:

- *Share Transfer Forms – F Class Shares*
- *Indemnity Deed*
- *Applications for E Class Shares*
- *Deed of Waiver and Consent*
- *Amending Deed*

ANNEXURE A

TERMS OF ISSUE – E CLASS SHARES

1. Issue of E Class Shares and the issue price:

Each E Class Share shall be issued at an issue price of \$1.00 per share.

2. Entitlements, rights and restrictions

Each E Class Share is issued pursuant to, and with the entitlements, rights and restrictions set out in, Article 5.4 of RLC's Memorandum and Articles of Association (**Constitution**), being as follows:

- a. Each E Class Share is a redeemable preference share which carries no voting rights of any kind.
- b. Each E Class Share confers on the holder the right to payment of such non-cumulative dividends as the directors of RLC may from time to time recommend and declare.
- c. Upon reduction of capital or winding up of RLC, all E Class Shares shall, as regards return of capital, rank in priority to all other shares of RLC but shall carry no right to any further participation in the surplus profits or assets of RLC.
- d. Without limiting paragraph 3 below, at any time prior to 30 June 2050, RLC has the right, at any time or from time to time, to redeem (for \$1.00 per E Class Share) such number of E Class Shares as RLC may, in its absolute discretion, determine to redeem.

3. Redemption of E Class Shares because of exiting Shareholder:

Without limitation to RLC's rights to redeem any E Class Share from time to time in its absolute discretion, if a holder of E Class Shares, or the Engaged Person who nominated a Related Holder, ceases to be an Engaged Person (in this paragraph the relevant Engaged Person or Related Holder, as the case may be, is called an **Exiting Shareholder**), then all E Class Shares held by the Exiting Shareholder must be redeemed for \$1.00 per share and, upon redemption, those E Class Shares shall be cancelled by RLC.

In this paragraph, the following terms have the following meanings:

- a. **Engaged Person** means an employee or consultant contracted to RLC; and
- b. **Related Holder** means the person, entity or trust which holds E Class Shares as nominee for an Engaged Person.

4. No dividend entitlements after redemption of E Class shares

From the date of the redemption of an E Class Share, the former holder of the redeemed E Class Share has no further entitlement to any dividends in respect of the E Class Shares which have been redeemed.

5. No transfer of E Class Shares

E Class Shares are non-transferable.
