

14 August 2018

Indicative Terms Sheet with Scout Ventures

Highlights

Auctus Alternative Investments enters into a non-binding terms sheet with Scout Ventures, a New York based early stage venture capital investment firm

Auctus will invest up to \$1,000,000 to acquire 10% economic interest in Scout Ventures Fund III, G.P.

Auctus may also receive initial and ongoing fees for funds invested in Scout Ventures Funds and Special Purpose Vehicles

Scout Ventures will assist Auctus in identifying future investment opportunities in emerging and frontier technology industries and provide strategic advice on its existing investments

Auctus Alternative Investments Limited [ASX:AVC] (**Auctus** or **the Company**) is pleased to announce that it has entered into a non-binding indicative terms sheet (**Terms Sheet**) in relation to proposed transactions with Scout Ventures Fund III, L.P. (**Scout Fund III**), Scout Ventures Fund III, GP, LLC (**Scout Fund III GP**) (both Delaware limited partnerships) and Bradley C. Harrison (**Harrison**) (those parties collectively referred to as the **Scout Parties**).

Overview of Scout Ventures

The Scout Parties are entities associated with Scout Ventures LLC an early stage venture capital firm based in New York that targets investment in emerging and frontier technologies and supports, and seeks to cultivate relationships with, otherwise hard-to-access, experienced technology business founders.

Scout focuses on sectors where its experience and relationships allow it to best support its investments; namely frontier technology (AR/VR, AI, drones, robotics, autonomous mobility and IoT), enterprise SaaS, Cyber, security, and Big Data.

Since its inception in 2012, Scout Ventures has achieved a lifetime blended IIR of 18.4%, taken in excess of a dozen companies from discovery phase to exit, profitability or other liquidity event. With over 65 investments across three fund vehicles, Scout has made cash distributions for each of its previous funds.

For more information on Scout Ventures please visit www.scoutventures.com

Indicative Terms Sheet

The non-binding indicative Terms Sheet provides for various transactions involving Auctus and the Scout Parties, all of which are subject to execution of formal documentation the material terms of which, including any conditions precedent, will be disclosed by the Company upon, and subject to, execution.

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It is proposed that Auctus will acquire up to a 10% economic interest in the Scout Fund III GP in consideration of the payment of up to \$1,000,000¹ to Bradley C. Harrison. The \$1,000,000 is to be paid as follows:

- \$250,000 upon the signing of formal documentation;
- \$250,000 upon completion of Tranche 2 of the Company's proposed capital raising of up to 75 million shares (which is subject to shareholder approval and was announced earlier today); and
- \$500,000 upon Scout Fund III reaching an aggregate of \$50m in capital commitments (with this payment to be reduced proportionately in the event Scout Fund III does not meet that threshold at its final closing which is to be a date determined by Scout expected to be prior to 31 December 2018).

The Scout Fund III GP is proposed to be a US\$50M fund deployed across approximately 24 companies in the target sectors identified above. Auctus proposes making the Scout investment via its wholly owned subsidiary High Line Alternative Investments Pty Ltd (**HLIA**).

In addition to potential returns from its economic interest in the Scout Fund III GP, it is proposed that Auctus (or its group entities, namely HLIA) will receive initial and ongoing fees in respect of funds invested, or arranged by, it for the Scout Fund III or for funds invested, or arranged by, it for any future special purpose vehicles which may be established for investments outside of the Scout Entities identified above.

The Terms Sheet provides for a period of exclusivity of 60 days (**Exclusivity Period**). If the Company does not execute definitive agreements for the investment in the Scout Fund III GP described above within the Exclusivity Period, other than as a result of the fault of the Scout Parties, the Scout Parties may terminate the Terms Sheet whereupon Auctus shall be required to pay a break-fee of \$50,000. The provisions of the Terms Sheet which relate to the Break Fee and the Exclusivity Period are binding, whereas the remaining provisions are indicative and subject to negotiation and the execution of definitive documents

Separate to the transactions described above, it is envisaged that the Company will work with Scout Ventures, and utilise the benefit of Scout Venture's expertise and experience to, identify future investment opportunities in emerging and frontier technology industries and to assess and provide strategic advice on its existing investments.

Proposed Appointment of Bradley C. Harrison

Subject to conclusion of definitive documents for the Company's investment in the Scout Fund III GP, Auctus will take appropriate steps to cause Bradley C. Harrison to be appointed a member of the Board of Auctus.

Brad is an entrepreneur and seasoned business development executive with a passion for technology, media, entertainment and lifestyle. He was recently named by Forbes as one of the [top 50 Angel Investors Based On Investment Volume And Successful Exits](#). Brad has a great deal of experience launching new ventures. While attending MIT, he worked as a Partner in a seed stage venture fund, ITU Ventures, and helped launch a joint

¹ This, and all other, dollar amounts in this announcement are in USD unless otherwise specified.



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MIT-Harvard incubator. During this experience, Brad worked at the earliest stages with many dynamic companies including Endeca Technologies.

While serving as Director of Media Strategy and Development at AOL, Brad co-authored 3 patents in search, geo-tagging, and personalization, with Edmund Fish, Senior Vice President and General Manager at AOL. Following AOL, Brad helped raise \$40M in venture funding for a contextual online advertising network. Prior to launching his business career, Brad was a graduate of the United States Military Academy at West Point and served in the United States Army for five years, earning both Airborne and Ranger qualifications before retiring as Captain. He resides in Tribeca with his wife, Angie, his son, Elvis and his daughter, Scout.

The key terms of Harrison's proposed appointment are anticipated to include the grant of up to 30 million options, in various tranches, having an exercise price, expiry date and vesting terms which are to be agreed.

"We are thrilled to be working with Scout Ventures," Said Campbell McComb, Managing Director of Auctus Alternative Investments, "Scout's proven track record and strong reputation as seasoned early stage investors position Fund III to continue to outperform."

According to Mr. Harrison, "Scout couldn't be more excited about working with the Auctus team and increasing our exposure to a broader base of investors, as well as gaining visibility into some key strategic markets that are producing amazing frontier technologies."

The Board will announce further details of the progress of negotiations for formal documents to record the indicative agreements reached in Terms Sheet in due course.

On behalf of the board:

Campbell McComb
Managing Director

For all shareholder enquiries please contact:
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