

[REDACTED]

15th February 2022

ASIC review of CO 02/273] Business introduction and matching services

Consultation Paper 357

Submission by Copperstone Capital Pty Ltd,

offering a Business Matching Service as defined under the class order.

Copperstone capital is a one person boutique M&A business focusing on smaller SaaS startups. Typically my clients are one or two founders trying to raise some seed capital to develop an idea. The amount being raised is typically under \$1m, S.A.F.E notes, which are a form of convertible notes being used in the US are a preferred instrument as it avoids valuing the business until a more major capital raise is undertaken.

Most of these founders are unaware of ANY provisions in the Corporations Act with regards to fundraising and are just trying to find a few backers to get their business started. Normally they rely on family and friends. Most of these start-ups are not able to pay upfront costs to an ASIC licenced entity. They do not have audited accounts, indeed many do not have any real accounts, having no revenue. Yet out of these startups many successful businesses are born.

I rely heavily on the class order exemption in helping these companies:

1. Understand their obligation under the Corporations Law,
2. Develop with them some level of disclosure documents, including the class order warnings,
3. Help craft an approach that results in fewer note holders, often in HNW sophisticated investors, but not always.
4. Be an independent source for Family and Friends to understand the risks and rewards involved.

My fees typically are a maximum of \$5,000 to start and a % commission. This would need to be SIGNIFICANTLY higher if I were required to have an AFS license, indeed the compliance costs for even being an agent of a license holder would be too much for me to continue in business.

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[REDACTED] and note that this allows me to sell businesses, even via shares, but cannot sell part businesses for a capital raise.

I strongly believe that the exemption given under the class order fills a need in the market for advisors to help with smaller capital raising rounds and that without this, investors, especially the Mums and Dad investors will be at MORE risk of monetary loss from investing in startup businesses than under the exemption.

I also note that under your policy rationale you state:

"We have formed the preliminary view that the original policy rationale of the relief remains relevant for entities who cannot rely on the CSF regime as they seek to recover from the impact of the COVID-19 pandemic". – clause 40 of Consulting Paper 357.

It is my contention, backed up by experience in the market, that there remain a significant number of businesses that would like to raise funds and that meet the requirements of Section 708, but would be unsuitable for the CSF approach due to:

1. Limited history and size
2. Ability to pay
3. Need to restrict a share registry to a few larger shareholders due to the need to be able to cope with future capital raises.
4. That are mainly targeting sophisticated investors, but rely on the exemptions to be able to approach potential investors prior to qualification.

In particular I rely on the first exemption in the order to sections 6D.2 and 6D.3, together with Sect 992A and 992AA. I do not typically need the extended \$ limit to \$5m offered and would be comfortable working with the 20/12, \$2m limits of Sect 708.

If these exemptions are not extended past April 2022, and indeed I would urge them to be permanently legislated for, then my business, small as it is, would completely disappear.

I estimated that I have raised approximately \$5m under the exemption as I only take on selected clients.

Yours faithfully,

