

CSEF SUBMISSION

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Preface;

I have read the Crowd Sourced Equity Funding (CSEF) Discussion Paper and am encouraged to read that the Australian Government is considering opening channels for small and large investors to participate in CSEF. I make this submission based on many years of experience in Intellectual Property development in the Screen Industry and to some extent in the development of an Innovation project.

Creation of the CSEF's will provide opportunities, especially needed in the areas of Intellectual Property and Innovative development, given that most investors are traditionally 'Brick and Mortar' oriented. In general, people involved in Innovative and Intellectual Property development, the world over, have little money or backing to start-up and bring their projects to a successful conclusion. Through properly structured internet offerings we can now reach investors world-wide. When implemented, CSEF's will boost Australia's image as an innovative nation, welcome local and international investment and create jobs.

Proposal Outline;

Based on my experiences it is my suggestion that Intellectual Properties, specifically for the Screen Industry (SI), should be offered separately from Innovative projects.

The reasoning is simply that the people who are in, or want to be part of the SI, they can be anyone, including fraudsters, (i.e. the 10BA system for the SI). They are able to raise finance for an idea or based on few written words, unless it is managed by SI professionals.

In the Innovation area people generally are concerned with a concept or have developed a (secret) innovation which they wish to protect and are therefore less prone and more careful about fraudulent attacks.

I believe that it is vital for both entities (government bodies and / or organisations) running such CSEF websites, to have people on board with relevant expertise. Also, they must be true equity crowd funding structures, without the limitations of advertising, investor participation restrictions or the expensive and bureaucratic means of the existing systems; DGR, Section 708 or the Prospectus requirements. ASIC's involvement should be limited to facilitating any change to the corporation laws, if required, but not in an ongoing manner.

Intellectual Properties or Screen Industry projects website

There are 2 possibilities, Screen Australia or a Government supported private organisation, (for this purpose I shall name such a private organisation; Screen Industry Resources Australia – SIRA)

Screen Australia – Advantages

- a) It does not require ASIC approval or a license.
- b) It has, or will have experienced personal.
- c) It can operate on a professional selection level, in addition to the Pozible website.
- d) It has a very well developed website, and can easily add elements for CSEF purposes, (similar to the 'Producers Offset' operated on behalf of the Dept. of the Arts)
- e) Screen Australia is obligated to raising additional finance under the SA 2008 Act.
- f) Screen Australia has industry people knowledge to avoid fraudulent activities.
- g) Screen Australia has the means to pursue fraudsters, if required.
- h) Screen Australia has already an international image and is known for quality projects.
- i) Screen Australia can avoid a disastrous happening such as the 10BA debacle.
- j) Screen Australia can operate with no or very low expenses, important for start-ups.
- k) Screen Australia can control the investment money without outside participation.

- l) Screen Australia can operate 'Managed Investment Schemes' without any licensing requirements, keeping costs at a minimum, and
- m) The Screen Australia option can be implemented soonest; importantly it can be the first website for screen projects, well before the Part III US Jobs Act comes into operation, (reported to start late April / May 2014).

Screen Australia - Disadvantages

- i) It will be seen by screen industry participants as the only 'door' available to them, (which is not true, in any case; so what? There is Pozible for Awards crowd funding, DGR funding, Section 708 funding, ASSOBS and Prospectus Financing).
- ii) Screen Australia, as an autonomous Government corporation, may not wish to participate.

SIRA proposal for the SI project website;

To be competitive such a website will need to keep costs at a minimum for Investors and Issuers versus a profit driven SIRA. Therefore, I do not expect a privately financed organisation to be involved. However, I do believe that a SIRA private held entity can be established if it is government supported to establish its website, to advertise itself and to have the expertise on board, plus to have the means to pursue any miss-appropriation of funds or fraudulent activities. (Government supported SIRA proposed funding; \$5 M in the first year, \$4 Million the second year, thereafter, \$3 M, \$2 M and \$1 M in the 5th year).

To keep expenses to a minimum ASIC should license SIRA without demanding the \$5 Million security requirement, or the ongoing disclosure requirements. SIRA must also be able to operate in an unrestricted manner in terms of the number of investors, the type of investors and off course, be able to advertise its website and projects. My reading of the various existing corporation laws do offer a number of opportunities to amend or introduce minimal change to the regulations which could provide the basis for a SIRA to exist.

The disadvantages I predict for a SIRA organisation is a long in-gestation period due to changes of regulations, the search for or the establishment of a SIRA organisation, the limited profit potential, the investors lack of trust of a privately run organisation and the involvement of ASIC.

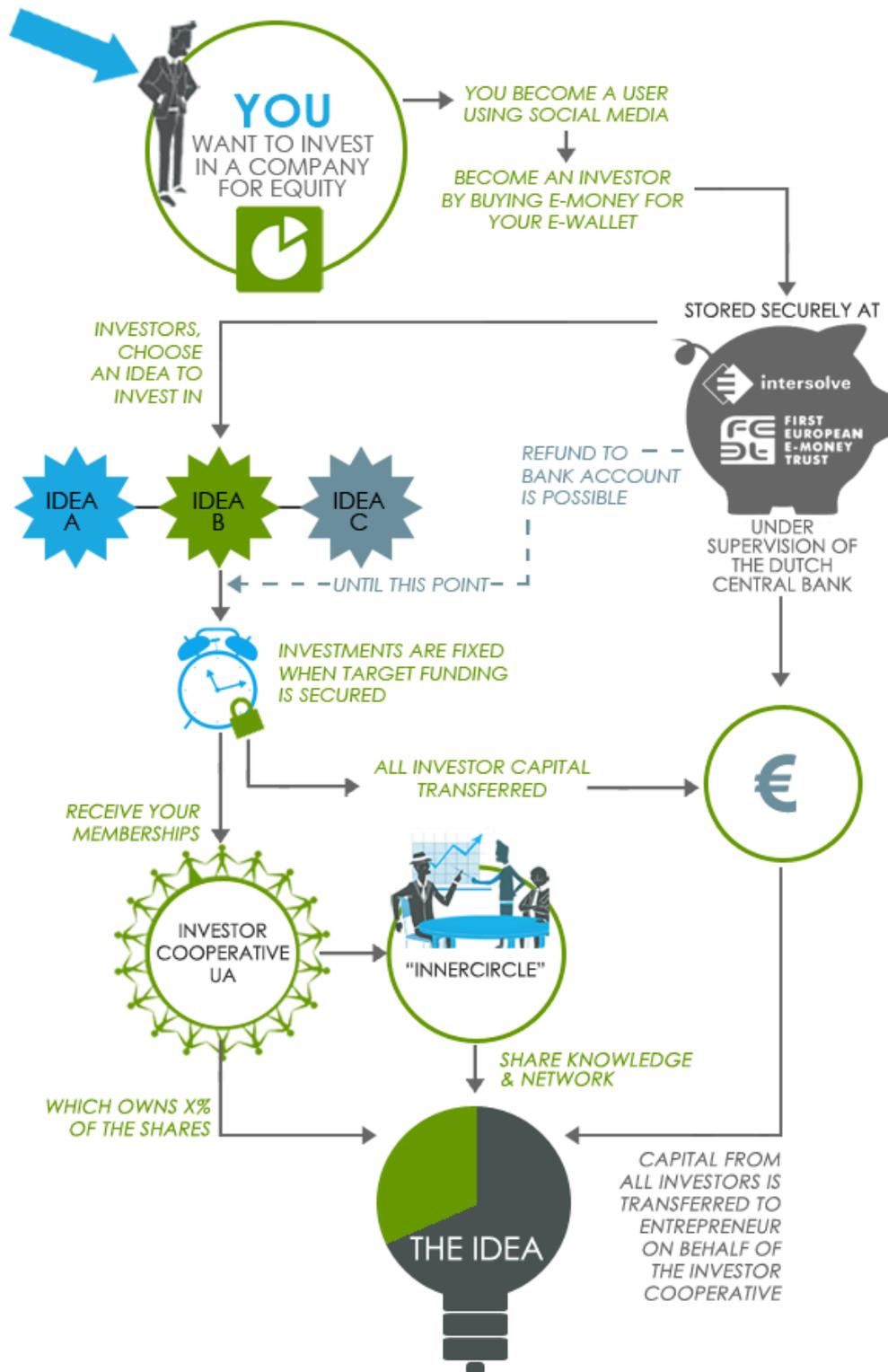
Innovation Projects Website

Again, there are 2 possibilities, IP Australia or a government supported private organisation, (for this purpose I shall name such a private organisation; Intellectual Property Resources Australia – IPRA)

IP Australia, being a government organisation has similar advantages as does Screen Australia.

- a) It does not require ASIC approval or license.
- b) It has, or will have experienced personal.
- c) It can operate on a professional selection level.
- d) It has a very well developed website, and can easily add elements for CSEF purposes.
- e) IP Australia has the knowledge and system to avoid fraudulent activities.
- f) IP Australia has the means to pursue fraudsters, if required.
- g) Already government funded IP Australia can operate with no or very low expenses, important for start-ups.
- h) IP Australia can control the investment money without outside participation.
- i) IP Australia can operate 'Managed Investment Schemes' without any licensing requirements, keeping costs at a minimum, etc.

Similar problems would present themselves for a privately held IPRA entity as would exist for a SIRA privately held entity. However, with the appropriate corporations law changes, government supported, to keep cost at a minimum and the non-involvement of ASIC, a structure similar to the one established on the Dutch website www.symbid.com could be established, see diagram below.



I have made this Submission in an overview manner, principally researching and exploring the concept of two separate entities for the CSEF concept, which in my view attend to and overcome the major considerations which CAMAC addresses in the Discussion Paper.

I'm available to discuss details with the committee, should you feel that this 'Overview Submission' has merit, in order for me to consult and work on a detailed submission.

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