

ASX Announcement 7th June 2019

Crowd Media Holdings Limited (ASX:CM8)

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Execution of Convertible Securities Agreement

Crowd Media Holdings Limited (**Company**) is pleased to advise that it has entered in to a Convertible Securities Agreement with Obsidian Global Partners, LLC (**Investor**), pursuant to which the Investor may invest up to \$1,500,000 in cash (less fees and expenses) across two tranches in return for convertible notes in the Company (**Agreement**).

The Company intends to use the funds received under the Agreement for working capital purposes and for the implementation of certain cost saving and cost reduction initiatives developed by the Company, which have previously been advised to the ASX including as part of announcements issued by the Company on 15 May 2019 and 20 May 2019.

1. Structure of Agreement

The Agreement regulated the relationship between the Company and the Investor, including each parties' respective obligations with respect to each other. Investment in the Agreement is to occur across two tranches, and as detailed below.

1.1 First tranche of investment

The first tranche of investment is scheduled to take place within 3 trading days of the execution of the Agreement, subject to the satisfaction of certain conditions by the Company. As part of the first tranche, the Company will receive \$750,000 in cash (less fees and expenses) and in return will issue convertible notes to the Investor or its nominee (**Initial Convertible Notes**).

The Company will issue the Initial Convertible Notes, and fully paid ordinary shares in the capital of the Company (**Shares**) to satisfy the Commitment Fee (as detailed in paragraph 1.3, below), under the Company's existing capacity pursuant to ASX Listing Rule 7.1. The aggregate maximum number of new Shares that the Company may or is required to issue, on the conversion of all of the Initial Convertible Notes plus the Commitment Fee Shares is 33,004,365 Shares.

The Company intends to call a shareholders' meeting following the issue of the Initial Convertible Notes, to among other things, approve the issue of new convertible notes to the Investor to replace the Initial Convertible Notes (**Replacement Convertible Notes**). The terms of the Replacement Convertible Notes will be the same as the Initial Convertible Notes except with respect to the maximum conversion limitation noted in the above paragraph.

1.2 Second tranche of investment

The Investor may also invest a further \$750,000 in the Company. The second tranche is intended to occur no earlier than 90 days after the date of the Agreement subject to the Company satisfying certain conditions, including obtaining the approval of its shareholders for the purposes of the Agreement.



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1.3 Commitment Fee

Simultaneously with the issue of the Initial Convertible Notes, the Company will issue Shares to the Investor to the value of \$37,500 (being a 5% commitment fee with respect to the first tranche of investment), based on an agreed share price equal to the lowest daily VWAP (the volume weighted average price of the Shares on a trading day), during the 5 trading days prior to the date of issue (**Commitment Fee Shares**).

On the issue of the second tranche convertible notes, a further commitment fee equal to 5% of the relevant investment amount is payable by the Company. This fee may also be paid by the Company via the issue of Shares, subject to Company satisfying certain conditions including not having breached the Agreement in the intervening period.

1.4 Conditions to investment, and shareholder approval

The Investor's performance of its obligations under the Agreement is subject to numerous conditions being satisfied. These conditions include, but are not limited to technical matters such as the Company being able to issue the relevant securities under the Corporations Act and for the purposes of the relevant ASX Listing Rules (and/or where required having obtained shareholder approval to do so), the Company not being in breach of, the Agreement including any warranties or negative covenants provided by the Company and/or certain equity conditions.

The Company intends to call a shareholders' meeting to be held no later than 90 days after the date of the Agreement to approve the transactions contemplated under the Agreement, including:

- (a) the replacement of the Initial Convertible Notes with the Replacement Convertible Notes (including the change of terms);
- (b) the issue of convertible notes for the second tranche;
- (c) the issue of further 'commitment fee' Shares; and
- (d) the issue of Shares on conversion of any convertible notes.

If the shareholder approval is not obtained by Company, the Maturity Date of the Initial Convertible Notes will be 3 months after the date on which they are issued, at which time each convertible note must be redeemed at the Redemption Amount (as defined below).

1.5 Use of proceeds

The Company intends to use the funds received under the Agreement for working capital purposes and for the implementation of certain cost saving and cost reduction initiatives developed by the Company.

1.6 Warranties and indemnities

Under the Agreement, the Company provides the Investor with warranties and indemnities including with respect to its structure and operations which are typical for transactions of this nature and size.



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1.7 Sale Restrictions

The Investor has agreed not to sell any Shares without first issuing a conversion notice under the Agreement to the Company in respect of those Shares. The Investor has also agreed not to, on any given trading day, engage in any trading which exceeds the greater of (a) 25% of the Company's daily trading volume and (b) \$10,000.

1.8 Shareholding limitation

The Company and the Investor intend that the Investor's voting power in the Company remains below 4.99% at all times.

2. Basic terms of convertible notes to be issued under the Agreement

Item	Description	Particulars
1.	Maturity Date	In relation to each tranche, the Maturity Date of the convertible notes are 15 months after the date of the issue of the Initial Convertible Notes. However, if the shareholder approval is not obtained by Company, the Maturity Date of the Initial Convertible Notes will be 3 months after the issue of those notes.
2.	Number of Convertible Notes	The number of notes to be issued is derived by dividing the amount invested by the face value of a convertible note subject to the prevailing AUD:USD exchange rate. For example, if the prevailing exchange rate of AUD:USD with respect to the first tranche of investment is AUD\$1.00:USD\$0.75, then 4,688 convertible notes will be issued (being the Initial Convertible Notes).
3.	Face value of Convertible Notes	US\$120 per convertible note. If during the term of the Agreement, an event of default occurs which is unremedied, the face value of all outstanding convertible notes will automatically increase by 10% and thereafter by an additional 2% for any further unremedied events of default.
4.	Maximum number of Shares on conversion	The maximum number of Shares to be issued pursuant to the conversion of all of the Initial Convertible Notes will not exceed 33,004,365 less the Commitment Fee Shares to be issued by the Company simultaneously with the Initial Convertible Notes. This limitation does not apply with respect to the Replacement Convertible Notes or any notes issued pursuant to the second tranche. The number of shares that may be issued thereunder will be determined based on the prevailing conversion price at the time of conversion.
5.	Conversion	Subject to item 4 above (with respect to the Initial Convertible Notes), the Investor may at any time following the date of issue elect to convert any or all of the convertible notes issued to them into Shares at a price equal to the lesser of:



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Item	Description	Particulars
		<p>(a) a 10% discount to the lowest daily VWAP during the 10 actual trading days prior to the relevant conversion; and</p> <p>(b) a 25% premium to the VWAP in the 5 trading days prior to the execution of the Agreement, subject to typical anti-dilution adjustments, (Conversion Price).</p> <p>If the Company is unable to issue Shares on a conversion (for any reason, other than due to the limitation set out in item 4 above), the Investor may either defer the conversion to a later date (but maintain the relevant conversion price), or require the Company to pay the Parity Value (as defined below) on the Maturity Date.</p>
6.	Redemption	Redemption occurs subject to the payment of the Redemption Amount (as defined below), on the Maturity Date, by the company at any time (subject to the issue of a notice), or following a capital raising by the Company. Where a capital raising has occurred, the Company may be required by the Investor to pay a proportion of the proceeds instead of the Redemption Amount.
7.	Redemption Amount	110% of the face value of a convertible note.
8.	Parity Value	<p>Is in summary, an amount determined in accordance with the following formula:</p> $PV = P/CP \times MV$ <p>Where:</p> <p>PV = the Parity Value;</p> <p>P = the amount of the payment required to be made under the Agreement (which has not been paid);</p> <p>CP = the applicable Conversion Price; and</p> <p>MV = the highest average VWAP of any period of 3 consecutive trading days during the period starting 5 trading days prior to date of 'failure' and ending on the day immediately prior to the date on which the relevant payment is made.</p>
9.	Interest rates	<p>Delayed payments accrue interest at a rate of 10% per annum.</p> <p>Events of default accrue interest at a rate of 15% per annum.</p>

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