



## **Indian Angel Network : Framework**

### ***Overview & Philosophy***

Indian Angel Network is a group of Angel investors interested in investing in early stage businesses, which have a potential to create disproportionate value. The members of the Network have had prior entrepreneurial and/or strong operational experience that they wish to bring to early stage businesses. They share a passion to enable more early stage businesses to create scale and value. By focusing on startups, the Network will also address the current acute lack of funds available to early stage companies. The Network believes that early stage businesses require more than just money to succeed. They require close mentoring and inputs on strategy as well as execution. The success rate of early stage businesses can significantly be enhanced if such guidance is available on a constant basis. In line with this philosophy, the network members collectively commit not just money, but also their time and expertise to investee companies. This document aims to evolve and spell out a framework under which likeminded members can “network” together and work synergistically to achieve certain common objectives in the above areas, while not requiring to operate under the more traditional but rigid models such as VCs, etc. At the same time, it is recognized that, in order to ensure longevity and scalability of this new model, there should be some minimum rules and operating guidelines laid down.

### ***Areas of interest***

Indian Angel Network interested in investing in early stage businesses, with a potential to create disproportionate value, in the following domains :

- IT products and services
- High end BPO Services
- Leading edge technology in areas such as telecommunications and embedded domains
- Retail
- Consolidation opportunities in domestic IT products and services
- Biotech
- Media & Entertainment
- New Media
- Any other area that the Network may find exciting

The Network looks at investing anywhere from a USD 100K to USD 500K in most cases but could go up to USD 1 mn. in very special cases. It looks to exit over a 3 to 5 year horizon through an IPO, M&A or strategic sale. The Network may consider investments over a million dollars but is likely to do so through syndication.

### ***Operating framework***

#### ***Organizing Rules***

- All individual members are inducted in their individual capacities and not as representatives of their organizations. Their membership fees may be paid directly by them or their investment company or any organisation they choose. However, members in this category would be able to make investments in ventures brought to the Network only in their name (this of course includes jointly with family members or through wholly owned investment companies or Trusts). The fiduciary ownership of the investment will personally be that of the member (or family) and will not be on behalf of any other person or corporate body.
- Institutional members will be joining as representatives of an institution. A maximum of 3 members from the institution would be given access to deal flow. In such a case any investment made in ventures would need to be in the name of that institution. The membership fees for institutional members is higher than for individual members. Institutional members, just like individual members, would need to abide by the same governance rules set out in this framework document.
- Indian Angel Network is a pan India organization. While its Secretariat is headquartered in Delhi, it looks at investing in ventures from across India (including some overseas ones that have India centricity). Its members are drawn from all over India and some from overseas.
- New members may only be proposed by existing members. Potential new members who may have connected with the Secretariat would be encouraged to find a sponsor from the existing members. In either case, the Secretariat will circulate profiles of all proposed invitees to all Network members. If any member of the Network has an objection to any proposed name they should communicate the same to the Management Committee (MC) members so that the matter can be discussed and decided upon by the MC. Invitations will then be sent out to the accepted members. As a guideline, in case the nominee is not known to the member personally and/ or is not a well known name in his/ her own right, then it is recommended that the member does his/ her own checking on the nominee, in particular, related to areas of expertise, time that he/ she can spend on the network's activities, etc, before proposing the name.
- With reference to investment opportunities that have been tabled at the Network, the members agree that:
  - If any member (institutional or individual) has any interest in a particular deal i.e. as an investor, director or in any other capacity he/she would need to disclose this to the Secretariat immediately on that deal being tabled.
  - If any network member, institutional or individual was already pursuing a deal before it came to the Network, then he/ she would need to immediately

notify the Secretariat and they will then be excluded from the process going forward for that particular deal

- No network member (individual or institutional) would have parallel discussions with the entrepreneur outside of the process, which includes a restriction on a member entering into a separate understanding with an investee company for any consideration.

Members would notify the Secretariat if they are in conflict / competition with any tabled deal and the member would then, be excluded for all discussions for that particular deal

- All members agree that details of any deal, entrepreneurs, etc. will be kept strictly confidential and will not be discussed or revealed outside the Network.
- All members will sign this document in acceptance of the broad principles that will govern the functioning of the Indian Angel Network. The Network members will also agree to adhere to a code of confidentiality regarding all opportunities tabled at the forum.
- A primary source of deal flow for the Network is through member referrals, and members are encouraged to refer deals that they find attractive to the Network.
- Indian Angel Network does not maintain a fixed corpus and does not have a fixed time horizon for making investments.

### ***Deal Flow***

- Indian Angel Network is not a secretive body; in fact, it will proactively seek positive publicity with a view to being seen as the investor group of choice by Indian startups. Members will agree on the publicity strategy. The deal flow arising from such activities as well as the publicity will be coordinated and handled by the Secretariat.
- The primary deal flow for the network comes through its members. Network members should individually assess funding proposals that they might come across. In addition, they might create some startup opportunities with entrepreneurs. All such recommended opportunities will then be presented at the network's monthly forum as "sponsored" deals, ie, there is a member who feels the deal is worthwhile taking forward and will proactively do so
- However, there will be deals that come directly to the secretariat that are not sponsored by any member. These will be handled by the IAN Secretariat shortlisting them for the detailed pitch for presentation to IAN. The Secretariat would be able to access any member of the Network for help in vetting / shortlisting any deal.

## ***Investment Decisions***

After examining the options, it has been decided that investments will be done by direct subscription of shares by the interested investors (rather than through a SPV route). Following broad objectives have been taken into account while coming up with the model for investment decisions:

1. We want to have members who are involved in the network strategy, operations, and actually invest through it. However, some members may spend disproportionate time on not only deal progression and closure but also in adding value to the business going forward. Members are encouraged to suitably incentivise and reward such initiatives and efforts.
2. People with differential ability to invest must be accommodated, especially as we will induct diverse people into the group. Also, adding members will be a continuous activity and not one time (such as fund closure). Both these require a flexible model in terms of where and how much each member invests. This will also ensure that new members feel invited to the network with minimal constraints.
3. Investee companies will be explained the Network's framework for investing and mentoring, as explained in this document, and a concurrence sought early in the discussions.

Given these objectives, it is proposed that the investment decisions be made in following fashion:

- Please refer to the attached "deal flow process" document for details. In summary, Network meetings will be convened every 4 or 8 weeks, depending on the dealflows, to discuss deals that have been either directly sponsored by members or recommended through the "elevator pitch" ("EP") by the Secretariat
- All members present will then discuss and debate each investment and any concerns they might have, any additional information required, etc.

Members who are interested in that investment will then group together to take discussions forward in separate meetings. These meetings will be coordinated by the secretariat. The process will be carried forward in the spirit of mentorship and guidance mentioned herein. As such, it will be expected that, over time, a number of sub groups of members will be meeting "offline" regarding their respective investee companies. While the main forum, consisting of all members, will have a Management Committee, these subgroups would need to form their own quorums, chairs, etc. The details of the company in which an investment has been made, the names of members and the names in which those investments have been made would be communicated to the Secretariat for its records. Decisions on each shortlisted deal, after the detailed presentation, would be taken within 60 days of presentation. A more detailed note will be circulated on the process to bring deals to a closure.

The principle of investment within an investing sub group would be parri passu. However, it would be entirely upto this sub group to mutually agree the individual investment amounts and, also, if it wants to give an incentive by way of disproportionate equity allocation of its holding, to one or more members of that group who will spend extra time and energy on the investee company.

- Each subgroup will nominate a member (the “lead member”), who will lead all discussions on deal valuation, structure and closure with the entrepreneur. For the entrepreneur, the lead member will be the single point of contact for such discussions.
- The secretariat will restrict its involvement only to groups/sub-groups which exclusively have network members and not to any groups/subgroups where there are non-member co-investors, unless such co investors were invited by the investing members to make up a shortfall
- Each member will be free to make his or her individual decision on investing in any given opportunity.
- As a broad outline, it is expected that members will invest in the region of Rs 25 lakhs pa. It is also expected that members who do not invest at all for two years would be deemed not to have received value and must therefore review whether they should at all continue their membership.
- The Secretariat will be involved in all Subgroup discussions and ensure deal closures within 60 days of presentation.

## ***Mentoring***

The Networks' members collectively are committed to contributing money as well as their time and expertise in businesses that they consider worth investing.

- Members, when investing in an opportunity, will identify who, from within their group would be most appropriate to represent them on the Board of the company (there could be more than one board member) based on the ability to mentor and guide the company at strategic / operational levels as also availability of time to do so. The sub group of members investing in an opportunity are encouraged to find ways to appropriately incentivise / reward those amongst the group spending disproportionately more time and effort on mentoring the company (from within the equity negotiated by them) but this is purely at the discretion of the sub group.
- Such Advisors / board members may be given stock options in the company by the entrepreneurs, provided these are over and above the deal negotiated by the investing group of the Network. However, such arrangements would need to be agreed by the investor and promoter groups and the secretariat kept informed..

## ***Secretariat***

- Indian Angel Network has a central secretariat in New Delhi, headed by a Vice President, and a team member in Bangalore to do the following:
  - Create and develop investment opportunities
  - Evaluate the opportunities at the first stage, including initial interviews
  - Coaching entrepreneurs for presentations to the Network
  - Handle member recruitment, communications and relationships
  - Adherence to defined process for dealflows, etc
  - Coordinating due diligence and investments on behalf of the Investing group
  - Interaction with Network members
  - Handle publicity and public relations
- The secretariat will operate through the corporate body IAN Consultancy Services Pvt Ltd, which has been specifically incorporated for this purpose. Members will not be required to be shareholders or Directors of this company to become "Members of the Indian Angel Network", which will only require acceptance of nomination into the Network, payment of the annual fees and conformance to this framework.
- **IAN Secretariat members will be allowed to invest in IAN investee companies on the same terms as the members.** The cost of the Secretariat will be shared by the Network members. For the year 2006-07, the contribution towards such expenses would be as follows

***Individual members will contribute on an annualized basis:***

India based: Rs. 50,000

Overseas based: USD 1200

***Institutional members will contribute on an annualized basis:***

India based: Rs. 250,000/-

Overseas based: USD 5000

In addition service tax, as applicable, would be payable. This is subject to review by the Network from time to time. The membership to the Network will be annualised i.e. effective for 12 months from the date of becoming a member.

- The Network will be governed by a Management Committee, initially comprising the following founding members:
  - Saurabh Srivastava
  - Mohit Goyal
  - Pradeep Gupta
  - Raman Roy
  - Alok Mittal

Based on this framework, the specific rules and future management committee processes will be constituted by the above mentioned management committee. An overall principle of broad agreement will be adopted when dealing with significant changes.

- The secretariat will not be responsible in any way for any investment decisions taken by the members, the correctness of any information that it receives and disseminates, etc. In signing this document, each member specifically indemnifies the IAN Consultancy Services Pvt. Ltd., its employees and Directors against any such liability.
- Nothing stated herein should be deemed to create a partnership among the members; nor give any authorization to any member to act for or assume any obligation or responsibility on behalf of, any other member, the Indian Angel Network Services Pvt. Ltd., its employees and its Directors, other than has been expressly provided for herein.

***Affiliations***

- Indian Angel Network will actively develop close ties with other early stage investors such as state funds and venture capitalists, to leverage the relationships and be able to make larger co-investments than what the Network members may be willing to do as well as with organizations who can provide value to IAN and its investee companies.

**MEMBER'S DETAILS**

NAME:

ADDRESS FOR COMMUNICATION:

OFFICE TEL NO: (Host on website: YES / NO)

MOBILE NO: (Host on website: YES / NO)

EMAIL ID: (Host on website: YES / NO)

Please do indicate if you would like any or all of your contact coordinates hosted on the website: [www.indianangelnetwork.com](http://www.indianangelnetwork.com)

CATEGORY OF MEMBERSHIP:        INDIVIDUAL     /     INSTITUTIONAL

PLEASE INDICATE YOUR PREFERENCE FOR THE SECTORS FROM WHICH BUSINESS PLANS COULD BE SENT TO YOU FOR VETTING

- IT products and services
- High end BPO Services
- Leading edge technology in areas such as telecommunications and embedded domains
- Retail
- Consolidation opportunities in domestic IT products and services
- Media & Entertainment
- New Media
- Education
- Others (*please mention*): .....

.....  
Member's Signature

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On behalf of  
Indian Angel Network Services Pvt. Ltd.

Date: