



Framework Document

Overview & Philosophy

The Indian Angel Network is a group of Angels who share a passion for nurturing and investing in early stage businesses, which have the potential to scale and create disproportionate value. By focusing on startups, the Network also addresses the current acute lack of funds available to early stage companies in India. The Network believes that entrepreneurs starting out require more than just money to succeed. They require close mentoring and inputs on strategy as well as execution and the success rate of early stage businesses can be significantly enhanced if such guidance is available on a constant basis. In line with this philosophy, the Network members, who have had prior entrepreneurial and/or strong operational experience, collectively commit not just money, but also their time and expertise to investee companies. IAN always endeavors to be always be fair to entrepreneurs and provides invaluable mentoring, advice and guidance to even those entrepreneurs in whom it does not invest.

The Indian Angel Network seeks to be a major catalyst and driver in creating a robust and vibrant early stage entrepreneurial eco system in India. It aspires to be the largest player in this eco system and the preferred choice and first port of call for any serious entrepreneur with an innovative idea, IP, business plan, a start up venture or one needing the first round of institutional investment. In pursuance of these objectives, IAN is setting up an Incubator (in partnership with DST), which will work with all other incubators and help provide the financial and non financial resources to an entrepreneur right through his / her journey from concept to a stage, where VC's are ready to invest.

IAN actively engages with the government to educate and help facilitate adoption of policies and procedures which creates an enabling environment for entrepreneurs and angel investors, such as the creation of an SME exchange.

IAN 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.

Indian Angel Network does not maintain a fixed corpus and does not have a fixed time horizon for making investments. As a broad outline, it is expected that members will invest at least Rs. 25 lakhs per annum.

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.

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

IAN Framework Document

code of confidentiality regarding all opportunities tabled at the forum. Details of any deal, entrepreneurs, etc. will be kept strictly confidential and will not be discussed or revealed outside the Network.

This document aims to evolve and spell out a framework under which likeminded members can “network” together and work synergistically to achieve common objectives in the above areas, while not having 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 needs to be some basic rules and operating guidelines that all members adhere to and these are outlined in this document.

Areas of interest

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

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

Investment Amount

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 2 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.

Membership

- There are two categories of membership, Individual and Institutional. Both categories of members need to abide by the governance rules set out in this framework document and any other rules that IAN publishes from time to time. The fees for institutional members is higher than for individual members.

IAN Framework Document

- Individual members are inducted in their individual capacity only and not as representatives of any organization. Members in this category can make the payment of their annual fees as also investments in the IAN investee companies only in their name (this of course includes jointly with family members or through wholly owned personal investment companies or Trusts).
- Institutional members will be joining as representatives of an institution. Any investments made in ventures would need to be in the name of that institution only. A maximum of 3 members from the institution would be given access to deal flow.
- Members of the Indian Angel Network are from across India and overseas. It has operations in Delhi, Mumbai, Bangalore and Pune and will continue to extend to other cities.
- 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. Members are expected to do their own diligence on the person / organisation they are nominating such as their areas of expertise, the time they can spend on the Network's activities, their ability and inclination to invest, any areas of conflicts, etc. 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 Secretariat or any member / s of the Management Committee (MC). The MC will be responsible for resolution of such issues.
- Invitations will then be sent out to the accepted members. They become members of IAN on payment of the requisite fees and the signing of the Framework Document.

Investment Process

- Entrepreneurs can send in their proposals / business plans directly to the Secretariat or through an IAN member. Members are encouraged to refer deals that they find attractive to the Network.
- If any entrepreneur is "sponsored" by an IAN member, then they would not need to go through the Secretariat's vetting process and would directly present, in person, at the Network's monthly forum as a "sponsored" deal. Sponsorship does not obligate a member to invest but does imply that the member has vetted the proposal and considers it worthy to be presented to the larger group.
- Deals that come directly to the Secretariat or are simply referred (not sponsored) by members will need to go through IAN's standard shortlisting process, which involves vetting on parameters such as clarity of proposition, founder / team profile, broad financials, market, competition, etc. The process also involves an elevator pitch session where the Secretariat will have the option of calling on any Member to assist / provide inputs on any deal where they think fit. The shortlisted deals will be presented to the

IAN Framework Document

- members at the Network's monthly forum. Else the entrepreneur will be declined with feedback.
- The shortlisted / "sponsored" deal will be circulated to all the Network members ahead of the presentation at the monthly forum.
 - At the monthly forum, members who are interested in a particular deal will form a subgroup to take the discussions with the entrepreneur offline and engage in further due diligence, etc. These meetings will be coordinated by the Secretariat, which will at all times will be kept in the loop on the progress. The process will be carried forward in the spirit of mentorship and guidance as mentioned earlier.
 - Each subgroup will elect 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. A subgroup will be free to choose more than one member as "leads". No member would engage in discussions with the entrepreneur without the knowledge of the subgroup lead / leads.
 - If the subgroup decides to decline an investment, then this must be done within 30 days after the deal has been presented at the monthly forum. The decline must be accompanied by feedback, advice that can be given to the entrepreneur. If the subgroup decides to progress the deal then it should aim to have an agreed term sheet within 45 days of the deal being presented at the monthly forum.
 - The standard term sheet would be used in all cases. IAN will always seek at least one board seat in each investee company. If any subgroup / lead feels a compelling need to change any of the terms, then they would need to refer to the Secretariat which will take appropriate legal opinion on the implications and revert. The term sheet will have to be co signed by the Subgroup lead/s, the entrepreneur and the IAN Secretariat head.
 - The term sheet along with the business case for the investment developed by Subgroup lead would then be circulated by the Secretariat to all IAN members and commitments for subscription will remain open for 10 days. Members may reverse / change their commitments during these 10 days but no change will be permitted once the 10 day period is over.
 - The subgroup lead/s would have the right but not the obligation, to collectively invest up to 20% of the subscription amount or the pari passu amount, whichever is higher.
 - For the balance amount, the basic investment principle for deals that are oversubscribed is pari passu i.e. total investment required divided by the number of investors. The minimum investment a member can opt for is pari passu or Rs. 5 lakhs whichever is lower. Members should also indicate the maximum amount that they wish to invest in the deal as that becomes relevant in a deal which is not over subscribed. IAN Secretariat members will be allowed to invest in IAN investee companies on the same terms as the members, without any minimum requirement.

IAN Framework Document

- The Secretariat will be kept in the loop and will coordinate the entire process. On the completion of the 10 days, the Secretariat will form the final investor group for the deal and communicate the exact investment amount to each investor. Any investor who has committed to invest and not withdrawn that commitment during these 10 days, is obligated to invest and if he / she backs out from the investment, then they will forfeit their membership of the Network.
- The Secretariat will work with the subgroup lead/s to get the due diligence done for the company and then have the standard Share Purchase agreement signed. As in the case of the term sheet, any deviations from the standard will have to be referred back to the Secretariat which will take appropriate legal opinion for implications before reverting. The Secretariat head will need to be a signatory to the SPA as a witness.
- Where the investment is in two or more tranches, investors would provide post dated cheques (PDC) to the Secretariat. The Secretariat will inform the investors 15 days before the PDCs are given to the entrepreneur.
- Investee companies will be charged a fee to cover the costs incurred by the Secretariat, including fees paid to external legal/accounting advisors for all paperwork, due diligence, etc. This amount will need to be paid at the close of the first tranche. This fee will be intimated by the Secretariat at the time of signing the term sheet.
- The investing subgroup may also choose to invest through a vehicle such as an LLP, especially when there are a large number of investors. In such a case the IAN standard LLP agreement would be used, which reflects the same broad governance framework as defined in this document. Again any deviations would need to be referred to the Secretariat which will revert after taking appropriate opinions. The cost of incorporating, maintaining and winding up this LLP would be borne by the investing subgroup. This will be communicated by the Secretariat from time to time. They are currently estimated at Rs. 3 lakhs per LLP, including contingency costs (any remaining monies will of course be refunded to investors at the closure of the LLP) .
- 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) or as Advisor, based on their ability to mentor and guide the company at strategic / operational levels. The IAN investor group would have the right, by majority, to change the person / persons at any time.
- Investee companies would be requested to offer such Advisors and/or board members stock options under the ESOP plan equivalent 0.5% of the equity of the company This would also be incorporated in Share Purchase Agreement / SSHA
- Advisors/ board members are encouraged to keep the investing subgroup engaged and informed about the investee company's strategy and progress and share quarterly reports with them and the nominated person at the Secretariat.

IAN Framework Document

Restrictions on Members, individual or institutional, during investment process

- No member, can bring a deal to the table where he / she has any existing arrangement for equity (stock or stock options), consulting / advisory fees, board positions, etc. which is contingent on IAN making an investment.
- However, if any such arrangement is an existing condition (the member is already on the board of the company or has been getting advisory fees or has stock / stock options which have already been issued) provided the deal is not contingent on IAN making an investment, then the deal can come to the table with all the necessary disclosures. However, if the deal comes to IAN within 90 days of any such arrangements having been concluded then IAN members would get the same terms as the member bringing the deal to the table.
- If a member has any conflict of interest in a deal, he/she needs to immediately notify the Secretariat and would then be excluded from all further discussions.
- 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, unless they are agreeable to investing as part of IAN on pari passu basis.
- While the process is on, no network member (individual or institutional) would have parallel discussions with the entrepreneur outside of the process, nor enter into any separate understanding for any consideration.
- However, if any such arrangement is an existing condition (the member is already on the board of the company or has been getting advisory fees or has stock / stock options which have already been issued), then the deal can come to the table with all the necessary disclosures. However, if the deal comes to IAN within 90 days of any such arrangements having been concluded then IAN members would get the same terms as the member bringing the deal to the table.
- Once a plan has been rejected by the IAN, members are free to engage directly with those entrepreneurs in any manner they want.

Forfeiture of Membership

- Any member, individual or institutional, breaching any material term/s of this framework document, would forfeit their membership.
- Examples of such breaches would be not honouring commitments to invest, non-payment of membership fees, violating any of the restrictions outlined above during the investment process, etc.

IAN Framework Document

Secretariat

- The Indian Angel Network has a central secretariat in New Delhi, headed by a President and team members in each city to do the following :
 - Create and develop investment opportunities
 - Evaluate the opportunities at the first stage, including initial interviews
 - Coach entrepreneurs for presentations to the Network
 - Handle member recruitment, communications and relationships
 - Adherence to defined process for dealflows, etc
 - Coordinate due diligence and investments on behalf of the Investing group
 - Interact with Network members
 - Handle publicity and public relations

Membership contributions

- 1 Individual members
 - A. India based:
 - First year fee : Rs. 85,000/-
 - Recurring Annual fee: Rs. 60,000/-
 - B. Overseas based:
 - First year fee : US\$1930
 - Recurring Annual fee: US\$ 1350/-
2. Institutional members
 - A. India based
 - First year fee : Rs. 420,000/-
 - Recurring Annual fee: Rs. 300,000/-
 - B. Overseas based:
 - First year fee : US\$9540
 - Recurring Annual fee: US\$ 6700/-

In addition service tax, as applicable, would be payable in all cases. The fees are 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.

IAN Framework Document

Governance

- The Network is governed by a Management Committee, currently comprising the following members:
 - Saurabh Srivastava
 - Mohit Goyal
 - Pradeep Gupta
 - Raman Roy
 - Alok Mittal
 - Harish Mehta
 - Sharad Sharma

Based on this framework, the specific rules and processes will be communicated from time to time by the management committee. An overall principle of broad agreement will be adopted when dealing with significant changes.

- The Management Committee and 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.

IAN Framework Document

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**

CATEGORY OF MEMBERSHIP : INDIVIDUAL / INSTITUTIONAL

PLEASE INDICATE YOUR PREFERENCE FOR THE SECTORS FOR 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
- Healthcare / Pharma / Biotech
- Others (*please mention*) :

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Member's Signature

On behalf of

Indian Angel Network Services Pvt. Ltd.

Date :