

Lankan Angel Network - Framework Document

Overview & Philosophy

The Lankan Angel Network (LAN) is an association of investors who are committed towards nurturing and investing in early stage businesses in Sri Lanka. Apart from providing funding for startup companies in Sri Lanka, LAN also believes in facilitating mentoring and guidance to entrepreneurs whereby the exchange of knowledge between investors and investee's can significantly enhance the success rate of early stage businesses. Keeping 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. LAN endeavors to be fair to entrepreneurs and to provide invaluable mentoring, advice and guidance thereby becoming a major catalyst and driver in creating a robust and vibrant early stage entrepreneurial eco-system in Sri Lanka.

Members pledge their commitment to these broad principles by signing this document. They shall also agree to adhere to a code of confidentiality regarding all investment proposals that are submitted. Details of any deal, entrepreneurs, etc. will be kept strictly confidential and will not be discussed or revealed outside LAN.

This document seeks to stipulate a framework of some basic rules and operating guidelines under which likeminded members can “network” together and work synergistically to achieve common these objectives.

Membership

- Members are inducted in their individual capacity only and not as representatives of any organization. Members can make the payment of their annual fees only in their own name.
- Members of LAN can be from Sri Lanka or overseas. However, if they belong to the latter category, they must personally ensure that they comply with the laws of Sri Lanka.
- New members may only be admitted through sponsorship by an existing member. Sponsors of new members are expected to perform their own diligence on person(s) they nominate, and are expected to take into account the applicants area of expertise, commitment to the Network's activities, their ability and inclination to invest, potential conflicts, etc. Profiles of all applicants along with the Sponsors note will be circulated to all Network members. If any member of the Network has an objection to any applicant they should communicate the same to the Management and Investment Committee (MIC) of LAN. The MIC will be responsible for resolution of such issues.
- Applicants who are accepted shall be invited to join LAN and shall become members of LAN on payment of the requisite fees and the signing of the Framework Document.

Investment Process

- LAN will accept proposals / business plans from entrepreneurs directly or through any LAN member. LAN members are also encouraged to direct potential deals and entrepreneurs to the Network. All investment proposals must be submitted in electronic format via email.
- All investment proposals shall be circulated to all LAN members electronically immediately upon receipt.
- The MIC or LAN member through whom the investment proposal was submitted will thereafter liaise with the entrepreneur on submitting further information to LAN and presenting the investment proposal at the LAN monthly meeting.
- After its presentation to LAN, 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 and evaluation. The process will be carried forward in the spirit of mentorship and guidance as mentioned earlier. Members must have a significant direct or indirect beneficial interest in the investor entity where the investment is not being made in the Members own name. Members will be held personally accountable for the actions of the investor entity that is investing on the Member's behalf as if the said investment was made in their own name.
- Each subgroup will elect a member or members as Lead Manager(s) who will lead all discussions on deal valuation, structure and closure with the entrepreneur. The Lead Member(s) shall be the single point of contact with the entrepreneur in any discussions. No member shall engage in discussions with the entrepreneur without the knowledge of the Lead Manager(s).
- A subgroup is ideally expected to make a decision within 90 days after the deal has been presented at the monthly forum. The decline may be accompanied by feedback and advice that can be given to the entrepreneur.
- In the event the subgroup decides to invest in a deal, a term sheet adhering to the general standards and objectives of LAN shall be used. LAN will always seek at least one board seat in each investee company. The term sheet will have to be co signed by the Subgroup Lead Manager(s) and the entrepreneur.
- The subgroup will have first preference in subscribing to the investment as finalized in the term sheet agreed with the entrepreneur up to a limit of 50% of the investment with the balance 50% open to subscription from the LAN membership excluding the subgroup members. In the event of under subscription by either the subgroup or the general membership, the balance under subscribed amount will be open to any member after the 7th calendar day of the subscription opening.
- The term sheet along with the business case for the investment developed by the Lead

Manager will be circulated to all LAN members and commitments for subscription will remain open for 10 calendar days. Members may reverse / change their commitments during these 10 days but no change will be permitted after the expiry of the 10 day period. In all of the above cases, investors will be accepted on a “first come first served” basis.

- Lankan Angel Network (Pvt) Limited shall be entitled to charge Investee companies a facilitation fee equivalent to 1% of the monies raised through LAN members to meet the cost of operating the member network. However, in the event an investment has been referred by an existing LAN member, the referring LAN member will be exempted from paying the 1% fee to Lankan Angel Network (Pvt) Limited for the said investment.
- Investee companies may also be charged by the third party service providers who will conduct the financial and legal diligence.

Restrictions on Members, individual or institutional, during investment process

- No member, may 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 LAN members making an investment. However, if any such arrangement is an existing condition (eg. 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) which is not contingent on LAN members making an investment, the deal may be tabled with all the necessary disclosures. If the deal comes to LAN within 90 days of any such arrangements having been concluded then LAN members should be entitled to 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 MIC and thereafter not participate in further discussions.
- If any Network member was already pursuing a deal before it came to the Network, he/ she would need to immediately notify the MIC of that fact and not participate in the process going forward for that particular deal, unless they are agreeable to investing as part of LAN on an equal basis with other LAN members.
- While the LAN investment process is proceeding, no network member (individual or institutional) shall have parallel discussions with the entrepreneur outside of the process, nor enter into any separate understanding for any consideration.
- Once a plan has been declined by LAN, members are free to engage directly with those entrepreneurs in any manner they want.

Forfeiture of Membership

Any member breaching any material term/s of this framework document shall be subject to forfeiture of their membership. Examples of such breaches would be: failing to honour commitments to invest, non- payment of membership fees, violations of restrictions outlined above during the investment process, etc.

Governance

Management and Investment Committee (MIC)

- The activities of the Network will be governed by a Management and Investment Committee elected by LAN members. The MIC will ensure compliance by all members with the guidelines outlined in this Framework.
- The MIC will comprise of not less than 5 (five) and not more than 12 (twelve) persons elected by the LAN members from the LAN membership.
- The initial members of the MIC will comprise of the following individuals
 - B.C.Tan
 - Dumindra Ratnayaka
 - Harin De Silva Wijeyeratne
 - Mano Sekaram
 - Zulficar Ghouse
 - Rohith Pradeep
 - Hiran Wickramasinghe
 - Eric Wikramanayake
 - Ruwindhu Pieris
 - One representative from the founding members of the Lankan Angel Network Pvt Ltd
- The MIC shall elect a Chairman to lead and coordinate the activities of the MIC with the members of the MIC.
- A LAN member may not serve on the MIC for more than 3 (three) consecutive years.
- The Members of the MIC will be elected at the first general meeting of the LAN membership each new calendar year and no later than the 31 January of each calendar year.

Lanka Angel Network Private Limited (LANPL)

- To facilitate the operations and activities of LAN, a legal entity named Lankan Angel Network Private Limited has been incorporated by the founding members of LAN. Members will not be required to be shareholders or Directors of this company to become “Members of the Network”. The founding members who are also shareholders of Lanka Angel Network Private Limited are:

- Apurva Udeshi
- Jeevan Gnanam
- Mafaz Ishaq
- Prajeeth Balasubramaniam
- Sanath Fernando

- All financial matters of LAN shall be transacted through LANPL including the collection of membership dues, collection of facilitation fees on capital raised, payment of LAN expenses, etc.
- The Board of Directors of LANPL shall be responsible and accountable to the Members of LAN for the proper discharge of all financial matters relating to the operation LAN for the benefit of its members. LANPL shall publish quarterly or monthly accounts as required by the members of LAN and circulate them to all members.
- In the interest of transparency and good governance, the LAN membership will elect two of its members to the Board of Directors of LANPL before the 31st of March of each calendar year. One of these LAN members will serve as the head of the audit committee of LANPL.
- Members elected from the General membership of LAN to LANPL shall serve for a period of one year on the Board of LANPL and shall not serve more than once every three years.

Code of Conduct

We, the members of the LAN, hereby commit ourselves to the highest standards of ethical and professional conduct and agree to comply with this Code of Conduct. We shall, in respect of any investment, or related activity in which we, as members are actual or prospective investors or advisors, comply with the following standards of conduct:

- We shall act with honour, integrity, dignity, diligence and in good faith in order to merit the trust of our peers and of the community.
- We shall act with honesty, equity and a spirit of non discrimination towards all individuals in the community.
- We shall be ethical in judgments and actions.
- We shall not take improper advantage of our position as an actual or prospective investor, or advisor.
- We shall, where relevant, take reasonable steps to inform ourselves, our peers, our portfolio companies and our advisors of the social, environmental, economic and other possible consequences which may arise from our actions.
- We shall not make improper use of information acquired by us as an actual or prospective investor, or advisor.
- We shall promptly and properly manage any conflict of interests that may arise.
- Confidential information received by us in the course of considering, making, or advising on an investment remains the property of the person or company from which it was obtained and it is improper for the us to disclose, or allow to be disclosed that confidential information, unless that disclosure has been authorised by that company or person from whom the information is provided, or is required by law.
- We shall not engage in conduct likely to bring discredit upon our investments, our peers, or LAN.
- We have an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this Code. We shall not assist in or induce a breach of this Code and shall support those who seek to uphold the Code if called upon, or in a position to do so.