

PHOENIX PARTNERS
Thrissur's First Angel Investment Forum
Framework Document

Framework Document

Overview

PHOENIX PARTNERS (PP) will be formed as a non profit entity (Section 8 company) for enabling Angel Investments in startups preferably with atleast one of the co founders having roots in Kerala. The aim is to create a startup funding ecosystem in Thrissur with the participation of professionals and businessmen and NRIs. PP 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 consistently. In line with this philosophy, the PP members, who have had prior entrepreneurial and/or strong business management and operational experience, collectively commit not just money, but also their time and expertise to investee companies. PP always endeavors to be fair to entrepreneurs and provides invaluable mentoring, advice and guidance to entrepreneurs. PP will closely work with the scalable start ups.

We at PP do not intend to maintain a fixed corpus and does not have a fixed time horizon for making investments. As a broad outline, we would prefer to have members who have the financial capacity to invest atleast 10 lakhs per year.

The investments shall be either done in a maner that the Investment amount will be remitted directly by members into the start up and they will be individual shareholders of the start up, holding shares in their names. Or If the investors in a particular startup are able to arrive at a common understanding on the expectations from the investment, then in such scenario an LLP would be formed and the LLP would invest in the startup.

It is advised that the members invest in at least 5 to 10 PP investee companies over a period of 2 to 3 years.

PP could look at selecting certain investment areas and building special interest groups. These special interest groups would be created to highlight the kind of investment areas & position PP as a player in that specific eco system, engage the relevant investors from within PP and outside, allow for relevant investment structures and return expectations.

PP has it's operational headquarters in Thrissur. All members will sign this document in acceptance of the broad principles that will govern the functioning of the angel network. The Network members will also agree to adhere to a 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. Except the office bearers, it is suggested that no one will interact with other angel investors' network for exchanging views on functioning of the network and deal related matters.

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

1. Social Impact Ventures
2. Agriculture, Food Processing and natural foods
3. Tech enabled Education
4. Clean Technology & Water
5. HealthCare
6. Internet - Web and Mobile
7. IT Products / Services
8. Manufacturing and Devices
9. Any other area that PP may find exciting

Investment in ventures

- PP looks at investment on an average Rs 50 lakhs to 1.5 Crores per venture.
- The amount could be higher for special cases, subject to interest of members
- PP would also look at co investment with other angel networks such as Indian Angel Network and Native Angel Leads, with whom MOUs have been signed already.

Membership

- There are two categories of membership, Individuals or Institutional. Both categories become members of PP on signing of the framework document and attached subscription form and payment of the requisite fees.
- Individual members are inducted in their individual capacity only and not as representatives of any organization. Members in this category can make investments in the PP 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 senior member from the institution would be given access to deal flow i.e., only one member, who is represented by the institution, can participate in the investment processes and not all. If a member is representing an institution, the member should provide documentation to the satisfaction of PP showing that he is duly authorized to represent such institution.
- Both categories of members need to abide by the governance rules set out in this framework document and any other rules that PP publishes from time to time.

Process for Membership Registration

Interested persons or institutions shall apply for membership by filling and submitting the subscription form attached to this document to the Board.

- As a policy, new members may only be proposed by existing members of PP. Interested persons or institutions who have not been proposed by an existing member, may approach the Board, who may, at its discretion, assist you in finding a sponsor from the existing members.
- The board will do a due diligence on the person / organization interested in joining the network on their ability and inclination to invest, any areas of conflicts, etc.
- In either case, the board will circulate profiles of all proposed invitees as well as the recommending member's note to all Network members. If any member of PP has an objection to any proposed name, they should communicate the same to the Board or any member(s) of the Statutory Board. The same will be responsible for resolution of such issues. Invitations will then be sent out to the accepted members.
- Members in the network will be members only in the network and not the share holders of the section 8 company.

Investment Process

- Entrepreneurs can send in their proposals / business plans directly to the board or through PP member. Members are encouraged to refer deals that they find attractive to the board
- Any proposals received by the board will be sent to a committee of experts for an analysis and based on the analysis and decision by the majority of the committee the proposal may be either rejected or presented to the members for investment.

- Once approved, a slide deck with brief executive summary will be circulated to all the PP members ahead of the presentation at the periodical forum. However, at the investor forum a more detailed slide deck will be presented by the entrepreneur.
- At the periodical forum, the members can directly interact with the startup founders and collect information/ ask doubts.
- Once the presentation is done, a list of interested members would be prepared along with the terms suggested and shared with the startup.
- Among the investors 2 lead investors would be selected by the members investing in that investment and the lead(s) will lead all discussions on deal valuation, structure and closure with the entrepreneur with the board in the loop for all communication. For the entrepreneur, the lead member will be the single point of contact for such discussions. No member would engage in discussions with the entrepreneur without the knowledge of the lead(s) and board at any point of time regarding the business. The lead will be assisted by legal and financial due diligence wings of the board.
- If the lead(s) decides to decline an investment, then this must be done within 15 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 lead(s) decides to progress the deal, then it should aim to have an agreed term sheet within 30 days of the deal being presented at the periodical forum.
- The standard term sheet would be used in all cases. PP member will attempt to seek at least one board seat in each investee company. If any lead(s) feels a compelling need to change any of the terms, then they would need to refer to the board which will take appropriate legal opinion on the implications and revert. The term sheet will have to be co-signed by the lead(s), the entrepreneur/s as well as as a representative of the PP Board.
- For investment deals, the terms of the investment along with the business case for the investment developed by the lead(s) would then be circulated by the Board to all PP members. After 2 working days, an investor call would be set up where the entrepreneurs and the lead(s) would present the company and investment rationale to investors. Subscription to the investment will open immediately after this conference call and commitments for subscription will remain open for 8-10 days from the end of the call. Members may reverse / change their commitments during these 8-10 days but no change will be permitted once the 8-10 day's period is over.
- For each deal, PP Board will inform the upper limit of investment and the number of members who can subscribe to the deal. This would vary from case to case, depending on the total investment required.
- All investment announcements and investor calls will be made between 7 pm and 8 pm IST.
- The lead(s) would have the right but not the obligation, to collectively invest up to 40% 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 subject to pari passu. 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.
- PP Board members will be allowed to invest in PP investee companies on the same terms as the members, without any minimum requirement.
- The PP Board will be kept in the loop and will coordinate the entire process. On the completion of 8 days, the Board 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 8 days is obligated to invest and if he / she backs out from the investment, then they will forfeit their membership of the Network.
- The PP Board will work with the lead(s) to get the due diligence done for the company and then have the Share Holder Agreement signed. As in the case of the term sheet, any deviations from

the standard will have to be referred back to the PP Board which will take appropriate legal opinion for implications before reverting.

- Investment by PP members to the investee companies will be done in minimum two tranches. Subsequent tranches will be milestone based investment within 6 to 12 months of the first tranche investment. In exceptional cases, single tranche investment will be done, with sufficient justification.
- The investment process for next rounds of tranche investment will be the same as followed for the first tranche investment.
- Investee companies will be charged by the third party service providers for auxiliary services such as financial and legal diligence & compliances, etc. The PP Board will use best efforts to negotiate with the service providers to provide quality services at the lowest prices. This amount will need to be paid at the close of the first tranche investment.
- To ensure that the PP members enter and exit the company together and work on a consensus basis for major discussions, the members will agree and sign an Investor Relations Agreement (IRA) which defines the intense relationship between investors. The IRA will not be shared with the entrepreneur. However, a clause will be included in the SHA (Share Holders Agreement) signed with the entrepreneur, which links the IRA and SHA to ensure that the provisions in the IRA are implementable through the SHA.
- The Board of PP execute all such documents on a deal by deal basis through board resolutions. For the avoidance of any doubt, all other matters relating to the investee companies will be governed by the PP board and the PP investors in the company, as prescribed in the IRA.
- PP 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 or as Advisor, based on their ability to mentor and guide the company at strategic / operational levels. The PP investor group would have the right, as outlined in the IRA, to change the person / persons at any time.
- Board members / Advisors 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 PP Board.

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 PP 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 PP making an investment, then the deal can come to the table with all the necessary disclosures. However, if the deal comes to PP within 90 days of any such arrangements having been concluded then PP 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 PP Board and would then be excluded from all further discussions.
- If any PP member, institutional or individual, was already pursuing a deal before it came to PP, then he/ she would need to immediately notify the PP Board and they will then be excluded from the process going forward for that particular deal, unless they are agreeable to investing as part of PP on *pari passu* basis.

- While the process is on, no PP member (individual or institutional) would 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 PP, 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 honoring commitments to invest, non- payment of membership fees, violating any of the restrictions outlined above during the investment process, etc.

Bank Account:

Any fund related to PP will be accounted through a separate bank account.

Governance

Phoenix partners is governed by a Statutory Board, an Advisory Board (committee)

Statutory Board

The Statutory Board shall comprise of the founding members of PP and shall be responsible for:

- All statutory and compliance related matters of the company.
- Formulating all major strategies and management decisions related to PP.

Advisory Board

- The Advisory Board comprising of eminent entrepreneurs, investors, and experts in othe fields such as technology, marketing and operations and persons in the startup ecosystem.

The operations will be managed by the statutory Board. The Board will have full time employees to manage all the activities to do the following:

- Create and develop investment opportunities
- Identifying entrepreneurs
- Evaluate the opportunities at the first stage, including initial interviews
- Handle membership drive, communications and relationships
- Interact with PP members
- Handle publicity and public relations
- Knowledge Sessions
- Evaluating and preparing entrepreneurs for presentations to the Network
- Organize different types of pitch sessions (phone/video/direct)
- Help providing requested details to investors on entrepreneurs and their ideas
- Upon interest, assisting in closing the deal with the entrepreneur
- Adherence to defined process for deal flows, etc.
- Assisting in arriving at investment deal structure among investors
- Managing the comprehensive due diligence aspects
- Help companies post investment on request
- Post investment coordination on board meetings, reporting etc., on request.
- These boards will periodically meet to review the functioning of the network.
- Once a year, preferably at the beginning of the financial year, a meeting with all investors will be held to report the progress of the network in its previous year of functioning. Board will also send quarterly progress reports to all members.
- Based on this framework, the specific rules and processes will be communicated from time to time by the Board. An overall principle of broad agreement will be adopted when dealing with significant changes.
- All member engagement, breach or conflict issues will be resolved by the Statutory Board.
- The Board 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 PP, its employees, consultants, committee members and board members 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, PP, its employees, consultants, committee members and board members, other than that which has been expressly provided for herein.

Affiliations

PP 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 PP and its investee companies.

MEMBER’S DETAILS

Joining Fee	Individuals - INR 10,000 (Rupees Ten Thousand only) plus applicable taxes Organization – INR 15,000 (Rupees Fifteen Thousand only) plus applicable taxes
Subscription Fee	1-year Subscription (INR 15,000) + INR 2,700 (GST) Details of Bank account of investor, from where remittance for investment will be made and proceeds of exits would be remitted.

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
- Media & Entertainment
- New Media
- Education
- Healthcare / Pharma / Biotech
- Social Impact
- Manufacturing
- Others (*please mention*):

Subscriber Details

Name of Subscriber :
 Address :
 PAN Card / Aadhar No.:
 Principal Contact :
 Phone Number :
 Email ID :
 Referring Member, if any :

.....
 I/We hereby accept and agree to the terms and conditions overleaf.

Payment Details:

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TERMS AND CONDITIONS

PP, through its legal entity, shall provide the following Services to you:

1. Providing data and reports on start-up's and the related market information;
2. Reviewing of start up profile, financial plan, pitch deck and fundraise details submitted by You;
3. Provide you with access to participate via teleconference and/or physically at the periodic forum for startup presentations/pitching event subject to ticketing charge, if any;
4. Facilitation of legal documentation, pre-closure and post-closure activities;
5. Program management and coordination activities in relation to the proposed investment;
6. Coordination with third parties for financial and legal due diligence on your behalf; and
7. Facilitation of investor reporting, disclosure requirements and other investor information rights in accordance with the definitive documentation.

Principal Understanding

As part of providing the Services, PP conducts a vast market study and evaluates various investment plans. PP provides constant access to high quality mentoring, vast networks and inputs on strategy as well as execution. However, you are informed that PP provides no warranty regarding the information provided to you and all such information is provided based on information provided by the startups/SMEs and PP has relied on the information provided by such entities as being true and accurate.

Consideration

As consideration for providing access to the network and information provided by PP, you agree to pay to PP the following Fees:

1. **Joining Fee:** At the time of applying to become a member of PP, you shall pay a one-time non-refundable fee of INR 10,000 (Rupees Ten Thousand) or Rs 15000/-, as the case may be, towards processing your application.
2. **Subscription Fee:** You shall pay an amount of Rs 15,000 +GST per annum for a minimum period of 3 years. PP reserves the right to revise the Subscription Fee for any subsequent year and shall intimate you of such revision before the due date for payment.

Certain activities included in the Services are provided by third party service providers such as documentation, due diligence, filing, compliance, etc. and PP shall only identify and facilitate such service providers and activities respectively and provides no warranties in respect of the activities performed by such parties. The costs for such services will have to borne pro-rata by those members investing in that particular transaction. The same maybe collected back from the startup. It is clarified that all payments made are non-refundable. No amount shall be refunded in the event of termination of the engagement by You or PP.

Investor Acknowledgements

You have represented and warranted that:

- You have the full legal capacity to enter into these terms and conditions and to perform its obligations therein, and has taken all action necessary to authorize such execution, delivery, and performance of such obligations;
- The acceptance of these terms and conditions has been validly executed and delivered and constitutes a legal, valid and binding obligation on you;
- No part of the Services provided shall be construed as legal advice, investment advice, financial advice or corporate secretarial advice;

- You are a sophisticated investor with sufficient knowledge and experience in business and financial matters as to be capable of evaluating the merits and risks of an investment in startups and other unlisted companies;
- You understand and is able to bear the economic risk and lack of liquidity of an investment in startups and other unlisted companies, and is able to bear the risk of loss of its entire investment in such companies.
- You will invest in such companies only after fully reviewing the documents and information provided by such company and your decision to invest shall solely be on the basis of such documents and shall not be made in reliance upon any other representation, warranty or information provided by PP.
- You are solely responsible for obtaining such tax, investment, legal and other professional advice as you consider appropriate in connection with your investment in the investee company and you are investing in such company on that basis.
- You acknowledge and covenant that your investment in the investee company and engagement with PP shall fully comply with all laws applicable to you.

Legal Terms:

This is a continuously evolving document owing to the changing landscape of the startup eco system. Parties are advised to regularly check the legal terms and conditions. All legal terms governing this engagement including terms in relation to Confidentiality, Intellectual Property, capacity to contract, Severability and Assignment, can be found at the detailed terms and conditions available at_. You hereby represent that you have read this Framework document, these terms and conditions and the detailed terms and conditions and agree to be bound by such terms and conditions. You further understand and agree that in the event of a conflict between the Framework document and these terms and conditions on the one hand and the detailed terms and conditions provided at_on the other, the detailed terms and conditions shall prevail.

Limitation of Liability

You acknowledge and agree that Phoenix Partners shall not be liable to you for any loss associated with the investment in the Fund, including loss: (i) applicable to the performance of any company included in the Startup Data; or (iii) due to gross negligence, fraud, wilful default, misrepresentation, breach on your part or on part of the investee company, and/or other service providers. You agree to indemnify and hold Phoenix Partners harmless, from any losses incurred due to gross negligence, fraud, wilful default, misrepresentation, and breach on Your part.

Effective Date and Termination

This engagement shall commence as on the date of payment of the Subscription Fee and thereafter shall be in force until the end of the financial year unless renewed by payment of Subscription Fee for the succeeding financial year or until the engagement is terminated by either Party. The provisions of confidentiality, limitation of liability and any other provisions that by their very nature survive or are expressly intended to survive, shall survive the termination of this engagement.

Notice

Any notice or other communication to be given under this Agreement must be in writing and delivered or sent by post or courier or email to the Party at the addresses set forth above or at any such other address or email of which a Party has given notice for this purpose to the other Party under this section.

Independent Parties

You acknowledge that Phoenix Partners is an independent contracting party and nothing contained hereunder shall be construed to be inconsistent with this relationship or status. Neither Party shall refer to or treat this engagement as a partnership, joint venture or other such businesses or take any action inconsistent with the terms hereunder.

Governing Law and Dispute Resolution

These terms and conditions and any non-contractual obligation arising out of or in connection with this engagement shall be governed by the laws of India. The courts of Cochin, Kerala, India shall have the exclusive jurisdiction with respect to matters ancillary to the arbitral process, including, in particular, proceedings to compel or otherwise in support of the arbitral process and the Parties exclusively submit to the jurisdiction of such courts. All disputes, differences or claims arising out of or in

connection with this engagement including, any question regarding its existence, validity, construction, performance, termination or alleged violation

(Dispute) shall be resolved by binding arbitration pursuant to this section. The venue for such arbitration shall be Kochi, Kerala and all proceedings shall be conducted in English. The parties to the Dispute shall jointly appoint a mutually acceptable sole arbitrator within 30 days from the occurrence of the Dispute. Such arbitration shall be conducted in accordance with the provisions of the (Indian) Arbitration and Conciliation Act, 1996, as amended from time to time.

