



GAIN

GHANA ANGEL INVESTOR NETWORK

POLICY DOCUMENT



We know potential when we see it

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Overview & Philosophy

The Ghana Angel Investor Network (GAIN) is a network of Angel investors who demonstrate a passion for investing in early stage businesses, which have the significant growth potential. The members of GAIN are high net worth individuals with leadership in entrepreneurship and strong operational experience or background of creating new and successful ventures. GAIN members invest their personal money in addition to contributing management, industry, and networking expertise to start up firms. GAIN's philosophy for investing is predicated on the fact that early-stage companies require more than just capital to grow. Critical ingredients as mentoring and inputs on strategy and execution, marketing opportunities, networking, and green channels are necessary for start-ups to grow and create value. The objective of GAIN is to enhance the success rate of the early stage businesses significantly.

The Ghana Angel Investor Network seeks to be a major catalyst and driver in creating a robust and vibrant early stage entrepreneurial landscape in Ghana. It aspires to be the largest player in this eco system and the preferred choice and first option for any serious entrepreneur with an innovative idea, intellectual property, business plan, a start up venture or one needing the first round of institutional investment. GAIN will actively engage with the government to educate and help facilitate adoption of policies and procedures which will create an enabling environment for entrepreneurs and angel investors. GAIN looks at investing in ventures from across Ghana. Its members are drawn from all over Ghana and some from overseas.

Ghana Angel Investor 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 **GH¢10,000** per annum. GAIN 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 Ghanaian startups. All members will sign this document in acceptance of the broad principles that govern the functioning of the Ghana Angel Investor 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.

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.

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 GAIN publishes from time to time. The fees for institutional members are higher than for individual members.
- All members will be required to pay an annual membership fee to be announced by the Secretariat from time to time.
- 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 three members from the institution would be given access to deal flow.
- Membership is open to Angels resident in Ghana and 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. Members are expected to do their own due diligence on the person /



organization 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 Advisory Board (AB). The AB will be responsible for resolution of such issues.

- Invitations will then be sent out persons who are accepted as Members of the network. They become members of GAIN on payment of the requisite fees and the signing of the Policy Document.

Areas of interest

Ghana Angel Investor Network will invest in early stage businesses, with a potential to create disproportionate value in any sector of the Ghanaian economy. However, businesses that engage in direct import to sell will not be encouraged to seek funding from the Network.

Investment Amount

Investment sizes will be restricted to funding needs of seed and start-up businesses, bearing in mind, the merits of each business proposal. Funding requests shall be considered with respect to the value of existing Angel commitments per sector. No matter the size of investment, a key requirement for Angels is a high level of involvement in investee companies.

Investment Process

- Entrepreneurs can send in their proposals / business plans directly to the Secretariat or through a GAIN member. Members are encouraged to refer deals that they find attractive to the Network.
- If any entrepreneur is "sponsored" by a GAIN 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 have to go through GAIN's standard short listing process, which involves vetting on parameters such as clarity of proposition, founder / team profile, broad financials, market, competition, etc. The process also involves a 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 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 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. GAIN 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 GAIN Secretariat Administrator.
- The term sheet along with the business case for the investment developed by Subgroup lead would then be circulated by the Secretariat to all GAIN 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 GH¢10,000 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.
- The lead team also has the option of applying for matching funds from the Venture Capital Trust Fund to augment commitments made by members to a particular deal in order to execute the deal. When such matching funds are necessary, the Secretariat shall apply for the matching fund on behalf of the Network, giving all details of the investment case, including the level of commitment offered by members.
- 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 investing subgroup will invest through a fund vehicle called the Angel Fund, which is a Limited Liability Company registered under the Company's Code 1963 (Act 179). 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. The Share Purchase Agreement will reflect the same broad governance framework as defined in this document. 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 Administrator 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.

- 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 GAIN investor group would have the right, by majority, to change the person / persons at any time.
- 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.

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 GAIN 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 GAIN making an investment, then the deal can come to the table with all the necessary disclosures. However, if the deal comes to GAIN within 90 days of any such arrangements having been concluded then GAIN 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 GAIN 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 GAIN within 90 days of any such arrangements having been concluded then GAIN members would get the same terms as the member bringing the deal to the table.
- Once a plan has been rejected by the GAIN, 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.



Secretariat

The Ghana Angel Investor Network will have a central secretariat in Accra, headed by a qualified investment professional nominated by the Venture Capital Trust Fund and team members. The Secretariat will be constituted by the Venture Capital Trust Fund who will be an anchor investor in the Network. The Gain Secretariat will engage in the following activities:

- 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 deal flows, etc
- Coordinate due diligence and investments on behalf of the Investing group
- Interact with Network members
- Handle publicity and public relations
- Handle investment administration and reporting of performance to the network

Membership contributions

1. Individual members
 - Recurring Annual fee: GH¢1,000
2. Institutional members
 - Recurring Annual fee: GH¢5,000

The fees are subject to review by the Network from time to time. The membership to the Network will be annualized i.e. effective for 12 months from the date of becoming a member.

Governance

The Network will be governed by an Advisory Board, made up of seven (7) elected members from the membership list. Based on this framework, the specific rules and processes will be communicated from time to time by the Advisory Board. An overall principle of broad agreement will be adopted when dealing with significant changes.

The Advisory Board 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 GAIN Secretariat, its employees and management 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 Ghana Angel Investor Network Secretariat and its employees, the Venture Capital Trust Fund and its employees and Trustees, other than has been expressly provided for herein.

Affiliations

Ghana Angel Investor 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 that can provide value to GAIN and its investee companies.

