

# MAINE ANGELS

## Bylaws

October 31, 2003 (revised October 2007)

### **Mission**

MAINE ANGELS seeks to provide Maine's entrepreneurs with two critical resources: early stage capital and management guidance from experienced business veterans.

The MAINE ANGELS organization was founded in 2003, and its goal is to continue to grow its Angel Investment group and to be a premier Angel Investment group for high growth businesses in Maine and surrounding areas.

### **Objectives**

- To provide our members with investment opportunities with attractive financial returns.
- To provide pre-venture capital equity to startup and/or expanding companies.
- To promote and enhance entrepreneurship in the region's business community, by working with entrepreneurs, incubators, universities, service providers, government and venture capitalists.
- To offer management participation/mentoring opportunities to our members, which will provide valuable expertise to new businesses.

### **Organization and Operations**

- MAINE ANGELS is an unincorporated club or association. It has the following four (4) officers: Chairperson, Vice-Chairperson, Treasurer and Secretary. The duties and method of selection of each officer are set forth in Attachment A.
- MAINE ANGELS will maintain two standing committees, namely, the Executive Committee and the Governance Committee. The primary duties and method of selection of each committee are set forth in Attachment B.
- All investments made by MAINE ANGELS will be made as personal investments by individual members, i.e., the group will have no legal entity status or any responsibility to members regarding investment decisions. Each member shall remain solely responsible for his/her investments and related decisions. Members will encourage entrepreneurs seeking financing to apply to MAINE ANGELS if appropriate.
- MAINE ANGELS will track all investments by one or more MAINE ANGELS in any company that applied to MAINE ANGELS.
- MAINE ANGELS has formed networking and referral relationships with Maine Investment Exchange (MIX), Finance Authority of Maine (FAME), Small Enterprise Growth Fund (SEGF), Angel Capital Alliance and other Maine organizations (see

Attachment D.) Each MAINE ANGELS member is expected to support the events and activities of these organizations.

### **Target Company Profile**

The following are general guidelines describing the typical investment opportunities MAINE ANGELS members are seeking:

- Individual company investments should be in the \$100,000 to \$1 Million range.
- Each investment should offer a reasonable potential of 35% compounded annual return within seven years.
- New ventures seeking funding through MAINE ANGELS should be at an early, seed-stage of development before Venture Capital funding.
- Venture Capital funds and qualified investors may participate as co-investors in investments led by MAINE ANGELS members. Individuals associated with such Venture Capital funds and other qualified investors may join and participate in MAINE ANGELS activities on a regular basis.
- Investments will primarily be directed at companies in industries in which one or more MAINE ANGELS members has a reasonable level of understanding or expertise.
- MAINE ANGELS may favor candidates for investments which offer one or more MAINE ANGELS members an opportunity for active participation and/or oversight (ex. consultant, board member, board observer or manager.) All such relationships must be fully disclosed as soon as formed and while continuing, and are not to be used for personal advantage by any MAINE ANGELS member to the disadvantage of other MAINE ANGELS members.
- MAINE ANGELS members will strive to be the lead investor group or a substantial minority investor group.
- Candidates for investments should be geographically located such that group involvement and monitoring is practical.

Notwithstanding the previous guidelines, the MAINE ANGELS will consider individual investment opportunities of any kind.

### **Membership Guidelines**

- All members must be Accredited Investors, as defined by the SEC, and able to sustain the financial risks inherent in their investments.
- Each new member must acknowledge the MAINE ANGELS goal that each member should be willing to invest a minimum of \$20,000 per year and a total of \$100,000 over the first five-year period of membership.
- Each new member candidate must have an existing member as his/her sponsor who has invited the candidate to a meeting and reviewed his resume. Members will vote on new member candidates who will be deemed elected unless two negative votes are cast.

- Members are requested to:
  - Provide timely feedback on company business plans.
  - Periodically participate in due diligence and aid portfolio companies.
  - Participate in periodic investments.
  - Bring to the group appropriate potential investment opportunities of which they become aware.
  - Promote the goals and objectives of MAINE ANGELS to the region's business community.
  - Participate in periodic investments.
- Each member will be assessed a nonrefundable entry fee of \$1,000, the money to be used to cover administrative, legal, and other approved group operating expenses. Future assessments will be made as required, subject to 60% majority vote of all then existing members. Annual Dues may be considered in the future.
- The MAINE ANGELS officers will control the operating budget and approve all expenditures by simple majority vote. Expenditures greater than \$1,000 will require the approval of a majority of members in attendance or represented by proxy at a properly scheduled and announced meeting or voting by email prior to such meeting.
- MAINE ANGELS members undertake to uphold high standards of ethical conduct in their professional and business conduct. A critical component of such standards is voluntary disclosure and discussion of potential or actual conflicts of interest. Complaints or allegations of unethical behavior are to be forwarded to the Governance Committee, which will investigate, report and make recommendations for action by the full membership. In the extreme case, membership may be terminated by majority vote of the members.
- A member may withdraw at any time by written notice to the Chairperson.

### **Meeting Schedule and Format**

- Full-group meetings will generally be held on a regular schedule (currently the fourth Friday of each month). Additional full-group meetings will be held as needed as determined by the Executive Committee. All members are encouraged to attend.
- Each meeting will be chaired by the MAINE ANGELS Chairperson or, if the Chairperson is absent, by the Vice Chair.
- An annual meeting of the members will be held upon appropriate notice during the last quarter of each calendar year.
- Meetings of the Executive Committee will be held as necessary and its spokesperson will report back to the MAINE ANGELS membership as appropriate.
- The Governance Committee will meet at least annually and may meet more often as its members determine. The Governance Committee shall meet within thirty (30) days after receipt of a petition for a meeting by three (3) members to discuss issues raised by such petitioners.

## Attachment A

### Duties and Selection of Officers

#### 1. Provisions that apply to all officers.

a) The Governance Committee will present a single nomination for each officer position to the membership, and additional nominations (including self-nominations) can be made by any member.

b) Members can vote in elections of officers in person, in writing, by proxy or by email, sent prior to the meeting at which the election is held.

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c) The nominee must receive a majority of the votes cast to be elected to the office. If a nominee does not receive a majority of the votes cast, the Governance Committee shall present another candidate as nominee, and another vote will be held.

d) Length of Term: Two years. Limit of two successive terms per position.

e) Officers will be elected at the regular monthly meeting first preceding the annual meeting.

#### 2. Chairperson

##### a) Duties:

i) Act as public spokesperson.

ii) Chair meetings.

iii) For planning purposes, assess, through communication with members, available capital for investments.

iv) Monitor the operation of MAINE ANGELS and its committees.

v) Sign checks for group expenditures if Treasurer not available.

#### 3. Vice-Chairperson

##### a) Duties:

i) Automatically assume and discharge duties of Chairperson when that individual is absent or incapable.

ii) Provide backup knowledge and continuity for group.

#### 4. Treasurer

##### a) Duties:

i) Gather and present semi-annual reports on investments (amount and investors) and MAINE ANGELS board positions in those companies.

ii) Have custody of the MAINE ANGELS financial records and bank accounts.

iii) Collect membership fees and dues.

iv) Give an annual financial report to the members.

v) Sign checks for group expenditures.

b) The same person can be both Treasurer and Secretary.

#### 5. Secretary

##### a) Duties:

i) Keep minutes of meetings.

ii) Facilitate communication between and among members.

iii) Maintain MAINE ANGELS records including roster of active and passive members.

## **Attachment B**

### **Duties and Selection of Committees**

#### **1. Executive Committee**

##### **a) Primary Functions:**

- i) Make decisions regarding expenditures.
- ii) Conduct an annual planning process and report at each annual meeting.
- iii) Make such decisions necessary between full-group meetings of MAINE ANGELS.
- iv) Provide leadership to increase membership.
- v) Meet or conduct a conference call at least quarterly.
- vi) Publish standards approved by the MAINE ANGELS membership for screening deals, including:
  - (I) Bring to the membership all completed applications from companies seeking funding.
  - (II) Prepare forms and procedural guidelines for the conduct of deals after the initial screening.
  - (III) Prepare forms and procedures for term sheets.
  - (IV) Prepare guidelines for the mechanics of doing deals.
  - (V) Provide resources for persons leading deals.
  - (VI) Assure maintenance of web site.

##### **b) Method of Selection:**

- i) MAINE ANGELS officers are the members, and may invite participation by other members on a project-by-project basis.
- ii) The Chairperson of MAINE ANGELS will be the Chair of this committee.
- c) If the Executive Committee determines that it would be appropriate to hire a part-time administrator, it shall so notify the membership, outline the anticipated role and compensation of such administrator and specify the full-group meeting at which the members will be asked to vote to approve such hiring.
- d) Vote to fill any vacancy in the membership of the Governance Committee created by resignation of a member thereof.
- e) Create ad hoc committees as needed and appoint the members thereof.

#### **2. Governance Committee**

##### **a) Primary Functions:**

- i) Nominate slate of officers.
- ii) Schedule recall vote of an officer upon written petition of one-third of members and vote for replacement officer if recall succeeds.
- iii) Make such recommendations regarding governance of MAINE ANGELS as it determines, including revisions to the Operating Guidelines and Attachments.
- iv) Investigate, report and make recommendations to the general membership concerning any reported instance of unethical conduct by members.

##### **b) Membership:**

- i) The Governance Committee will annually present candidate(s) for the Committee chosen from the full membership. Initially, one member shall be elected for a three-year term, a second for a two-year term and a third for a one-year term. Annually

thereafter, one new member shall be elected for a three-year term unless further new members are needed to fill vacancies.

c) Call an emergency meeting of the Executive and Governance Committees to address such issues as it deems appropriate.

d) Appoint an officer to fill a vacancy created by resignation, such officer to serve for no more than three months, and call a special election for such position if appropriate.

## **Attachment C**

### **Investment Process**

1. A company seeking financing will submit an Executive Summary Business Plan (not to exceed 5-pages, plus three years of financial projections), along with the application form and fee, if any, through published channel(s) to MAINE ANGELS, and MAINE ANGELS will email all qualifying Executive Summary Business Plans to all members.
2. Any MAINE ANGELS member can email his interest to the members and participate in further investigation of any application.
3. MAINE ANGELS may, but need not, conduct a preliminary investigation of all qualifying investment opportunities. Members who volunteer may be appointed to meet the company or otherwise investigate. Persons meeting with the company at this stage are not volunteering to be champions or deal leaders.
4. Members who participate in a preliminary investigation of the applicant company will make a written report to all MAINE ANGELS members, based at least in part on the company's answers to the standard list of questions.
5. If any MAINE ANGELS members so request at a full-group meeting or by email or written communication after conduct of a preliminary investigation, the company will be invited to make a presentation to the general membership.
6. After the meeting at which MAINE ANGELS decide to investigate the company, the company must have a team leader from among the MAINE ANGELS members, willing to lead the deal forward (including full due diligence, negotiation of definitive terms, etc.). At such meeting other members who are potential investors will be solicited to assist in such due diligence. All members of the due diligence team will be expected to work with the company and should coordinate their activities through the team leader or selected point person to avoid duplicative contacts with the company. During the due diligence phase, other members should not communicate directly with the company. The team leader will assure that the team makes appropriate interim and a final report to all members.
7. All written reports created by the due diligence team or participating members will be made available to the general membership, to enable participation by all interested members, before any investment is made.
8. All out-of-pocket expenses incurred by members of the due diligence team during its investigation of the company will be reimbursed by MAINE ANGELS if so approved by the Executive Committee. All expenses (including legal fees if necessary) incurred by members after the due diligence investigation in conjunction with an investment in a company shall be borne by such members who have invested in the company.
9. If MAINE ANGELS obtains the right to name a board member or observer for a company, a member will be elected to fill such role by members who invest in such company voting on the basis of their respective investments. Any member serving as a board member or observer should provide reasonable reports regarding such company to all members on a periodic basis. All communications with the company must be through such board member or observer. If one or more members who have invested in a company want to change the board member or observer, such members must direct such request to the Governance Committee.

**Attachment D**  
**Relationships Between MAINE ANGELS and Other Organizations**

1. MAINE ANGELS has networking and referral relationships with MIX, FAME, SEGF and other organizations, as described in this section.
2. MIX is a hub that solicits and encourages deal flow from entrepreneurs, using guidelines and an application process that MIX has developed. MAINE ANGELS members will regularly attend and participate at MIX events.
3. MAINE ANGELS will regularly hold public educational events for entrepreneurs and investors, in partnership and with the support of the allied organizations.
4. MAINE ANGELS takes as several of its missions:
  - Educating new MAINE ANGELS members and other investors about angel investing, through its Angel Investing program and other events.
  - Increasing the number of credible applicant companies by educating and networking among local entrepreneurs.
  - Increasing qualifying deal flow by networking with allies and early stage investors in other regions.
5. MAINE ANGELS will consider investments only if the applicant companies submit through the MAINE ANGELS application process, except for co-investment opportunities that originate from non-MAINE ANGELS investors such as investment funds. MAINE ANGELS members should refer entrepreneurs whom they meet to its web site.

**Attachment E**  
**Amendment of Bylaws**

A member may submit written proposed changes to the Bylaws to the Governance Committee which shall consider them within thirty (30) days after receipt. If the Governance Committee so elects by majority vote, it shall submit such changes to the members for a vote at the second following regular monthly meeting. In addition, if two or more members sign a written petition to the Governance Committee requesting submission of proposed amendments to the Bylaws to the members, the Governance Committee shall submit such proposed amendment to the members for a vote at the second following regular monthly meeting. Members can vote in person, in writing, by proxy or by email sent prior to the meeting at which members vote on such proposed amendment.

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