

The Bloody Adventures of Ghana's 4G Pioneers

If you are a certain age and live in Accra, Tema, Kasoa, Takoradi, and their environs, there was probably a time when you thought Surflin was like, man, going to bankrupt MTN & Vodafone for real!

Nowadays, I hear folks on social media cursing and cussing, and shaking their fists at their Surflin modems gathering dust on corner stools. Some bought into the euphoria at its peak. And now the bloody devices won't connect,

How we got here is both thrilling and tragic.



1. The spunky startup was founded in 2011 by one of Ghana's most formidable fuel and real estate magnates. The company's impetus was a new policy by the government to limit 4G broadband internet provision to local, Ghanaian-owned, companies. The big telco incumbents, all foreign-owned, were to be denied.
2. In 2013, Surflin and Blu were given shiny new 4G licenses, at \$6m a pop. The next year, Surflin launched in Accra with support from Alcatel, IBM, Oracle, etc. It was a big deal. The only 4G network in West & Central Africa, that was the story.
3. In the ensuing years, other licensed local 4G players went live: Blu, Telesol, Broadband Home, and Busy Internet. Goldkey, one of the early licensees, however did not. Its owners chose to wait and see.

MOBILE NETWORK OPERATOR	DATE OF FIRST ISSUE OF LICENCE
Surflin Communications Limited	12 th June, 2013
Blu Telecom formerly G-Kwiknet	13 th June, 2013
Telesol Limited	3 rd July, 2017
Ghana Telecommunications Company Ltd. (Vodafone Ghana)	19 th March, 2019
Scancom PLC (MTN Ghana)	21 st June, 2016

4. By June 2016, Surflin had ~81k subscribers, representing ~75% of the entire broadband 4G internet consumer base in Ghana. It was on course to \$100 million in annual revenue, a major milestone on its medium-term commercial roadmap.
5. But what politicians give, they can also take away. That same year, policy changed. The government decided to allow the big telcos to play in the 4G space.

6. Surflin, all this while, had been burning cash fast. To sustain growth, it approached a South African investor, Vantage. Vantage brought German development fund, DEG (part of the behemoth KFW group), on board.
7. Thus, in 2015, Surflin raised \$30m from the two foreign investors, guaranteed with the personal assets of its founder. The facility had a 5-year term and a dollar interest rate of 12%, to be jacked up to 15% if any interest payment was missed. A guaranteed minimum dividend of \$10m linked to convertible equity was also in the mix.
8. MTN's entry in February 2017, however, blocked further growth for all 4G broadband internet operators. Surflin began its terminal decline. By December 2020, it had lost 50% of its subscribers.
9. The shrewd real estate magnate and fuel nabob behind Goldkey took one look at the whole affair and simply sat on the license. At the first opportunity he flipped it to MTN and recouped his money.
10. Blu, which never really signed on more than 1500 customers throughout its rocky journey, left the scene around April 2021.
11. By December 2022, Broadband Home was down to less than 300 subscribers countrywide. Busy had given up the ghost a few months earlier. Telecol limped on till January 2023 and then bit the dust. MTN reportedly lapped up most of the licenses of these dead pioneers, thus increasing its spectrum resources, whilst its executives sang Master KG's *Jerusalema*.
12. Four months later, in May 2023, Surflin's creditors finally pulled the plug. Its datacenters and masts powered down. Modems and dongles and MiFi pads blinked, sputtered, also went offline in over 30,000 homes. The telecom regulator, NCA, mumbled something about "investigations" when folks pressed about their prepaid, now apparently worthless, credit on their Surflin devices.
13. For most Surflin subscribers, this is the story as they know it. But there was another tragic timeline. As the company started to bleed, it missed interest payments to Vantage in 2017 setting off a chain of events, which will lead to the founder's real estate empire, Bay Developers, being taken over by the investors.



BANK OF GHANA
THE SECRETARY

**REQUEST TO GAZETTE THE APPOINTMENT OF RECEIVER
PURSUANT TO SECTION 31, BORROWERS AND LENDERS ACT,
2008 (ACT 773)**

The Collateral Registry of the Bank of Ghana is mandated to register charges created by lenders over the collateral of borrowers for the purpose of securing credit facilities and other ancillary activities.

Furthermore, Section 30 of the Borrowers and Lenders Act, 2008 (Act 772) provides that:

1) A person who

a) appoints a receiver or manager....shall, within ten days after the date of appointment...give notice of the fact to the Registrar.

2) The Registrar shall enter the notice of appointment of receiver or manager in the register of the particulars of charges relating to the borrower.

Additionally, Section 31 of the Act provides:

The Registrar shall cause a copy of the notice give under section 30 to be published in the Gazette.

Pursuant to the provisions in Section 30, on 10th April 2017, ENS Africa Ghana Ltd acting on behalf of its client:

Vantage Mezzanine Fund II (PTY) Ltd

3 Melrose Boulevard, Melrose Arch 2076,

Johannesburg - South Africa.





registered on the Collateral Registry's electronic register the appointment of Paa Kwesi Morrison of ENSafrica Ghana Ltd., 31 Asafoanye O. Broni Crescent, Osu Ringway Estates, Accra-Ghana as Receiver over the shares of John Taylor, Surflin Communication Ltd. P.O. Box 214, Accra-North in Bay Developers and Realty Ltd. under the registration number 2016-30835, as per an agreement between 1. Vantage Mezzanine Fund II (PTY) Ltd.; 2. Deutsche Investitions and Entwicklungsgesellschaft MBH on the one hand and Surflin Communications Ltd. on the other hand.

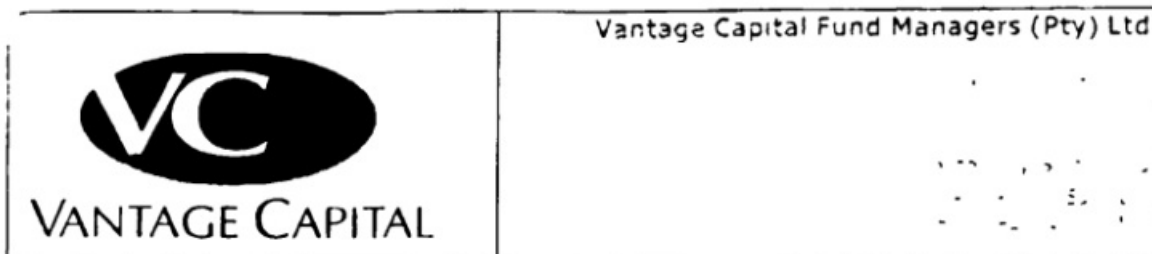
In accordance with the provisions of Section 31 of the Act we request that you take the necessary steps to publish the notice of appointment of the Receiver in the Gazette as per the details above.

We have attached for your perusal a copy of the document appointing Paa Kwasi Morrison as Receiver.

Yours faithfully,


CAROLINE OTOO (MRS)
THE SECRETARY

14. The takeover of Bay Developers, at a valuation of \$15 million, was supposed to be part of a broader settlement of the indebtedness, in which shares of Surflin were to be transferred to Vantage and DEG, and the personal guarantee of Surflin's founder vacated. A settlement agreement and consent judgment would even be secured to this effect.



7 April 2017

The Registrar
Collateral Registry
Bank of Ghana
Cedi House
Accra

Dear Sir,

RE: NOTICE OF APPOINTMENT OF RECEIVER

We refer to a facility agreement dated 29 September 2014, as amended and restated by an amendment and restatement agreement dated 2 April 2015 (the "Facility Agreement") between Vantage Mezzanine Fund II Partnership, an en commandite partnership, acting through its ultimate general partner Vantage Mezzanine Fund II (Pty) Limited ("Vantage") and DEG – Deutsche Investitions- Und Entwicklungsgesellschaft MBH (together with Vantage, the "Lenders") and Surflin Communications Limited (the "Borrower"), pursuant to which Vantage and DEG provided a US\$30 million loan facility to the Borrower

We refer to a share charge agreement dated 29 September 2014 as amended and restated by an Amended and Restated Share Charge Agreement dated 2 April 2015 (the "Amended and Restated Share Charge Agreement") between John Taylor and the Lenders pursuant to which John Taylor charged all his shares in Bay Developers and Realty Limited (the "Charged Shares") as security for the performance of the obligations of the Borrower under the Facility Agreement. The security created under the Amended and Restated Share Charge Agreement was registered with the Collateral Registry on 29 September 2016, with registration number 2016-30835, in accordance with the Borrowers and Lenders Act, 2008 (Act 773)

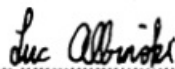
We refer to a notice of default letter dated 21 February 2017 (the "Notice of Default"), pursuant to which Vantage notified the Borrower that it had breached certain terms of the Facility Agreement which amounted to Events of Default, and further that as the Events of Default were continuing, Vantage was intending to take action to exercise its rights to accelerate the outstanding Loan, interest, the Special Dividend Floor Value and all other amounts accrued or outstanding under the Finance Documents, following the expiry of the 30 days' notice required to be given to the Borrower under the Borrowers and Lenders Act, 2008 (Act 773)

We hereby notify you that, pursuant to the Notice of Default, and by a letter dated 29 March 2017, we have appointed Paa Kwesi Morrison of ENSAfrica Ghana, 31 Asafoanye O. Broni Crescent, Osu Ringway Estates, Accra, Ghana (the "Receiver") as receiver in relation to the Charged Shares or any part thereof (of John Taylor in Bay Developers and Realty Limited) pursuant to the Amended and Restated Share Charge Agreement

We kindly request you to enter the notice of appointment of the Receiver in the register of particulars of charges and to cause this notice to be published in the Gazette.

Thank you for your usual cooperation.

Yours faithfully,



FOR AND ON BEHALF OF VANTAGE MEZZANINE FUND II PARTNERSHIP
acting through VANTAGE MEZZANINE FUND II (PTY) LIMITED

15. However, as the company's operational challenges deepened and debt piled up, an incoming strategic investor, the Botswana Development Corporation, backed off. Seeing as the transfer of shares from Surflin to Vantage had delayed because, according to Surflin's principals, a no-objection was being sought from another investor, Vantage wrote to Surflin in June 2018 to revoke any commitment it had to a settlement that will extinguish the guarantee. All this drama while interest was compounding like mad.

16. Vantage was now committed to do everything to collect the outstanding amounts. Having sent a letter to Surflin in July 2018 calling on the guarantee, it shifted to war footing.

17. The next year, in 2019, DEG also declared a default on its \$15 million portion of the facility. The total amount due DEG at

this point was ~\$34 million. Such is the power of compound interest.

SCHEDULE

(Details of Outstanding Payments as of 21 February 2017)

A. OUTSTANDING PAYMENTS DUE TO VANTAGE MEZZANINE FUND II PARTNERSHIP ACTING THROUGH VANTAGE MEZZANINE FUND II (PTY) LIMITED

Loan Principal	\$15,000,000
Accrued Interest	\$4,781,365
Special Dividend Floor Value	\$10,000,000
Total	\$29,781,365

B. OUTSTANDING PAYMENTS DUE TO DEG-DEUTSCHE INVESTITITIONS-UND ENTWICKLUNGSGESELLSCHAFT MBH

Loan Principal	\$15,000,000
Accrued Interest	\$3,516,906
Special Dividend Floor Value	\$10,000,000
Total	\$28,516,906

Total outstanding payments **\$58,298,271**

18. Surflin was under massive competitive pressure from the big telcos all through this ordeal. Faced with savage odds on all fronts, it chose to double down on promotions to win marketshare and grow revenue.



19. In early 2021, Vantage was all set for war. It demanded that the accumulated interest and dividend of \$27 million be paid in full. Then it activated the arbitration clause in the facility agreement. It also engaged DEG, and after discussions had the DEG portion of the facility assigned to it.

20. Surflin decided to fight back by suing Vantage in the Ghanaian courts and demanding that an injunction be placed on the arbitration process in London. That matter, in the usual fashion, soon got bogged down in the courts as the arbitration proceeded unabated.

21. In December 2022, after nearly two years of arbitration, the single arbitrator concluded that Surflin's founder was personally liable for ~\$59.4 of liabilities. The amount is to accrue interest of 15% annually from October 2022 so long as it remains unpaid.
22. The Founder of Surflin naturally feels aggrieved. He borrowed \$30 million. He has been forced to hand over his real estate company to pay half of it. He was willing to relinquish equity in the business to the lenders to satisfy the remainder of the obligation, and perhaps even trade more for additional cash infusion. Instead, he is now saddled with over \$70 million in debt and the corpse of a company. Unsurprisingly, he refuses to pay.
23. Vantage (also acting on behalf of DEG) are, on their part, determined to collect every cent. In their view, Surflin's execution had been shoddy, and poor strategic choices, including failing to agree terms with the Botswanans and the decision to force out a strong CEO, had led to the squandering of their investors' money.
24. So, we have an irresistible force in an encounter with an immovable object. Vantage has been scouring the Earth looking to trace and locate assets belonging to the Founder of Surflin and seize them. From Barclays bank accounts in the UK to various assets in Italy, Bermuda, Malta, and elsewhere. Its latest assault happened just two and half weeks ago, in the United States. It has eyes on a certain plump Bank of America account in New York belonging to their antagonist.
25. Throughout the arbitration proceedings it became clear that the wording of the loan agreement had received very limited input from the borrower. As is typical, the lender had crafted powerful covenants that bind like demonic chains. To the extent that arbitration tribunals and courts these days focus a lot on the "construction" of terms and provisions in contracts, Surflin's founder had almost no chance of extricating himself.
26. If you are an angry Surflin customer, I suppose you now have some additional context as to how come your credit is now useless.
27. Business is war everywhere. In Africa, it can be Armageddon. And, as they say, you can always tell the pioneers by the arrows in their back.