

MIT

(An Autonomous Institute affiliated to Savitribai Phule Pune University)

Academy of  
Engineering



MIT AOE  
Entrepreneurial  
Development  
Foundation

Innovation and Startup Policy

# Innovation and Startup Policy of MITAOE Entrepreneurial Development Foundation

Version 1.2

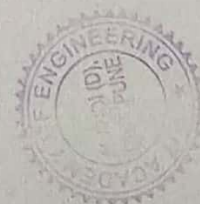
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26-Dec-2020



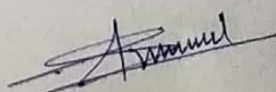
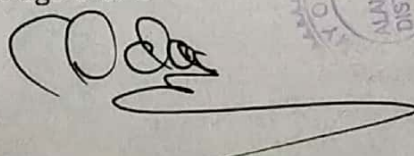
**Revision History:**

Prepared and Approved by	Date	Description of Changes	Version
Mr. Tukaram Sonawane, Dr. A. M. Malge & ISP committee members	17 Oct, 2020	Initial draft of startup policy, definition, policy objective, goal (till 2021), mentoring and startup generation, startup eligibility and admission, Intellectual Property, Startup infrastructure requirement, Periodic Assessment, and Declaration.	1.0
Mr. Tukaram Sonawane & ISP committee members	28-Nov, 2020	Updated the revenue sharing percentage clause.	1.1
All Board of Director, ISP committee members	26-Dec, 2020	Final draft copy of Innovation and Startup policy approved in Board Meeting of MITAOE entrepreneurial Development Foundation	1.2




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## 1. Definition

- 1.1. Startup: An entity that have scalable and sustainable business idea based on product or service innovation.
- 1.2. Student startup: A student or a group of students studying under MIT AOE have an idea and want to initiate as a startup.
- 1.3. Faculty startup: It may consist of faculty members alone or with students or with faculty of other institutes or with alumni or with other entrepreneurs.
- 1.4. Individual Entrepreneur: An individual who has an entrepreneurial mindset and have an idea that he wants to convert it into a commercial viable product.
- 1.5. Mentors: An individual who have the experience of entrepreneurship journey or a skill manpower willing guide the startup in their journey.

## 2. Policy Objectives

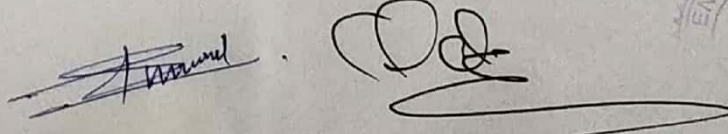
- To inculcate social responsive behaviors among students, faculty, staff members and incubatee those who aspiring to launch start-ups.
- To motivate students, faculty, staff members and incubatee to convert their idea or projects into commercially viable products.
- To offer students, faculty, staff members and incubatee, training in business opportunity and identifying the problem statements in their local areas and which leads to sustainable solution.
- To provide handholding support to students, faculty, staff members and incubatee for launching their startups during the incubation period.
- To equip students, faculty, staff members and incubatee with the necessary skills for managing their business enterprise.

### 2.1 Vision

To be a leading contributor in the field of Incubation to cultivate, foster and stimulate the entrepreneurial aspirations and provide an ecosystem to create innovative, sustainable, profitable and job creating startups.

### 2.2 Mission

- To encourage and support students and youngsters to opt for entrepreneurship as a career opportunity
- To strengthen the students, alumni and local entrepreneurial ecosystem by providing the necessary information, knowledge, support, facilities and organize community-level programs and summit to develop the start-up culture



- To connect the start-up aspirants with the respective domain experts, entrepreneurship mentors, consultants and investors
- To work and network with various organizations in the field of entrepreneurial development

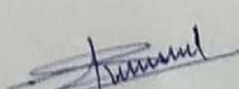
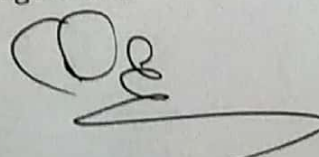
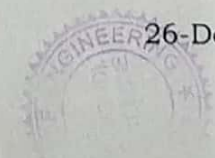
### 3 Goal (Till 2023-24)

#### 3.1 Action items

- Organize the events, hackathons, ideathons, and summits for strengthening the network.
- Encourage interested students, faculty and staff members for Project to Product (P2P) Transformation Program (for Engineering and other disciplines) in collaboration with School of Design
- Contribute in long term institute branding activities
- Conduct upskilling and outreach programs
- Execute the capacity building program in Pune region
- Execute and evaluate the outcome of minor specialisations in innovation, entrepreneurship and startup/venture.
- Amendment of existing IPR and Innovation & Startup policy
- Constitute the alumni council for startup and innovation.
- Encourage to adopt and strengthen the NISP (National Innovation and Startup Policy for Students and Faculty) policy for all stakeholders of the institute.

#### 3.2 Outcome

Performance Indicator	2021- 2022	2022- 2023	2023- 2024
Innovation and Entrepreneurship Awareness and Promotional activities	10	12	12
Networking events	4	6	6
Upskilling and Outreach program	4	4	6
Alumni engagement activities	3	4	4
Project to Product (P2P) Transformation Program	4	6	8



Innovation Entrepreneurship and Venture course offering	Offering Minor course	certification course in IEV	Continue the existing activities
Crazy quilt with mentor, investor and channel partners	20`	30	40
No of student startups	20	25	30
Infrastructure and facilities - Incubatee Seating space	15	20	25
Patents at MITAOE and MITAOE-EDF	14	21	28

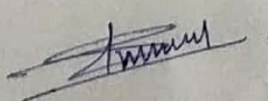
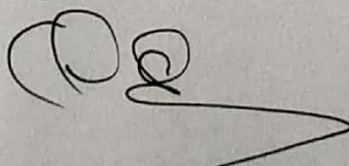
## 4 Mentoring and Startup Generation

4.1 Pre-Startup planning: It is very important to primarily identify which ideas have scalable and sustainable business plan and can successfully face the real time market challenges. This phase of pre- startup can prepare student entrepreneurs for the incubation phase by providing them prerequisite skills and knowledge that will help them validate and assess their ideas as well as define their business models in detail. In the pre-startup phase, the following activities are to be performed:

- Idea Validation: Incubatee can discuss their idea with the mentors and do its basic market analysis just to understand the current market challenges and their competitors.
- Promoters Details: Relevant details of promoters are required to be validated before allowing start-ups to enter into this process.
- Development of rapid prototype: The incubatee can start with the development of a prototype of their idea to understand its development challenges
- Registration of Startup: The start-up needs to be registered under a form of business entity like Partnership Firm, LLP, Private Limited Company and One Person Company. Start-ups should be able to provide a copy of the registration certificate/letter to his/ her academic institution.

4.2 Startup Acceleration: The startups will be supported by the institute in terms of incubation and laboratory support, space of the incubatee, technical expertise, mentor connections, service provider connects, and any other support based on mutual understanding.

4.3 Startup Mentors: The mentors will be industry experts and or entrepreneurs from field like IT, electronics, R&D, sales, legal, finance, and many more.

## 5 Startup Eligibility and Enrollment

### 5.1 Startup enrollment is open to:

- Students and alumni
- Faculty and staff members (current and in the recent past),
- MIT AOE's R&D partners
- Local residence of nearby location.

### 5.2 Startup Eligibility:

- Startup should have innovative idea that have scalable and sustainable business model.
- Startup's idea should have commercially viable solution.
- Startup should be ready to incubate with the MIT AOE-EDF (depending to their mutual understanding).

## 6 Intellectual Property

The intellectual property (IP) that can be a patent, software code, copyright, design registration, developed product, or alike will be shared by the startup and MIT AOE. During the transfer of / licensing of/ permission to use IP, the startup will have to approach to MIT AOE and MITAOE-EDF for its request.

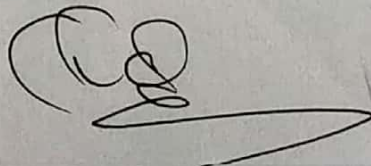
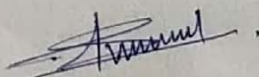
***Refer to the IPR policy documents attached herewith the startup policy.***

## 7 Startup infrastructure facilities

- Space for startup to operate
- Personal computer
- Internet connection
- Closed space for small meeting
- Training room
- Laboratories and research lab access

## 8 Periodic Assessment

MITAOE Entrepreneurial Development Foundation (MITAOE-EDF) management and mentors will evaluate the performance of startups periodically. Startups will submit information to MIT AOE-EDF on quarterly basis in a prescribed format. The companies may also be subject to an annual assessment by a committee comprising of external experts.

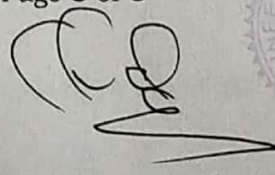
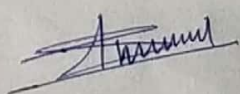




## 9 Declaration

In lieu of support and services to be provided by MIT AOE or MITAOE-EDF, the startup companies will be subject to consideration on following accounts to the extent applicable:

- 9.1 Consideration in the form of equity and/or revenue sharing of the respective startups for transfer/ licensing of / permission to use IP in favor of the startup companies and the facilities provided by MIT AOE. The percentage of equity can be in the range on 2% to 4% (ideally it should not be more than 4% as per the National Innovation and Startup Policy 2019 for students and faculty of Higher Education Institutions (HEIs) policy documents). The percentage of equity or revenue sharing will be decided by MIT AOE management and Startup Company.
- 9.2 Any damage to any equipment provided by MIT AOE or MITAOE-EDF shall be repaired or replaced by the startup.
- 9.3 Refer to the Mentor agreement form attached herewith
- 9.4 Refer to the Incubatee agreement form attached herewith
- 9.5 Refer to the IPR policy of MIT Academy of Engineering and MITAOE Entrepreneurial Development Foundation form attached herewith





## MENTOR ENGAGEMENT AGREEMENT

THIS MENTOR ENGAGEMENT AGREEMENT IS MADE AT \_\_\_\_\_ ON THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2020.

Between

MITAOE ENTREPRENEURIAL DEVELOPMENT FOUNDATION, a Company registered under the Companies Act 2013, having its registered office at Dehu Phata Alandi D Taluka Khed District Pune, Alandi Devachi Pune-412105 through its Directors and the promoter \_\_\_\_\_ (hereinafter referred to as 'MITAOE' which expression shall include unless it be repugnant to the context all its Directors, Key Managerial Persons, Promoters and assigns) of THE FIRST PART.

AND

M/S \_\_\_\_\_ registered under \_\_\_\_\_ having its registered office at via Mr/ M/S \_\_\_\_\_, Director/Partner/Owner (Which expression shall unless it be repugnant to the context or meaning thereof mean and include administrators and legal representatives (hereinafter referred to as 'the Mentor') of the Second Part

AND WHEREAS MITAOE is formed with a mission to promote science, technology and research through promoting technology incubator center for encouraging the potential technology ideas and innovations by effectively utilizing expertise and infrastructure of the promoters and to use benefits of the grants received for these benevolent and educational activities and also to provide foundation to individuals having ideas bearing potential of creating new technology and thereby helping them to overcome on technical and other fronts while developing technology.

AND WHEREAS Mentor is working in field of \_\_\_\_\_ from last \_\_\_\_ year. (Define work expertise of mentor-TO BE OBTAINED FROM MENTOR)

AND WHEREAS the MITAOE requires the expert services of a person having the experience and specialized knowledge in \_\_\_\_\_ field.

AND WHEREAS the Mentor has the requisite expertise, specialized knowledge and experience in the field of \_\_\_\_\_ and has expressed his wish to get associated as an Mentor with the MITAOE on a principal to principal basis;

AND WHEREAS MITAOE has agreed to appoint the Mentor (hereinafter referred to as the "Mentor Services") more particularly set out hereinafter, on the terms and conditions stipulated hereinafter.

NOW IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:

### 1. APPOINTMENT

1.1. The MITAOE hereby appoints the Mentor to render Mentor Services and the Mentor hereby accepts the same upon the terms and conditions hereinafter set forth.

1.2. The services will be rendered by the Mentor to the MITAOE in accordance with the directions and requirements of the MITAOE.

1.3. The Mentor shall devote his attention and energy to rendering the services under this Memorandum of Understanding in accordance with the directions of the MITAOE.



MITAOE ENTREPRENEURIAL DEVELOPMENT FOUNDATION

## 2. TERM

2.1. The services to be provided under this MOU shall be for a period of 1 year commencing with effect from ----- and shall continue in force up to ----- unless a notice of termination is given by either party as per clause 6 hereunder.

## 3. SCOPE

3.1. The scope and obligation of the services to be rendered by the Mentor shall include amongst others the following:

***Define scope of work as per expertise of respective mentor.***

## 4. FEES/EXPENSES

4.1. Mentor shall be providing mentoring services free of cost to the MITAOE

4.2. Mentor shall be paid honorarium in the paid events/seminar conducted by MITAOE in which he is requested to address the audience.

a) Mentor shall be reimbursed all Cost of domestic travel, including air travel (economy class) undertaken by the Mentor as per the instructions and advice of the MITAOE and communicated by email.

b) Mentor shall be reimbursed Cost of accommodation incurred by the Mentor for the above purposes.

c) Mentor shall be reimbursed Telephone/Fax/Stationery charges resulting from business use on producing the proof of expenditure.

4.3 Mentor shall be free to charge Incubatee, his charges for services rendered by him to incubatee in addition to mentoring program.

## 5. TERMINATION

5.1. Either party shall have the right to terminate this contract by giving written notice of termination to the other by registered post on the address given hereinabove. The Agreement shall terminate on the 15th day after such notice of termination.

5.2. Notwithstanding anything hereinbefore contained, the MITAOE shall have the right to terminate this Agreement at any time without assigning any reason whatsoever.

5.3. The Mentor shall return all documents including papers, memoranda, notes, programmes, data and all copies thereof including any electronic record containing any business and technical information disclosed to the Mentor by the MITAOE or in any manner procured, received by the Mentor during his term of appointment with the MITAOE.

5.4. Upon the termination of this Agreement for any reason whatsoever all amounts due and payable to the Mentor shall be paid within 30 days from the date of termination of this Agreement.

## 6. CONFIDENTIALITY

6.1. The Mentor shall keep confidential all confidential information provided to him by the MITAOE excepting only such information as is already generally known to the public and that he shall not release use or disclose of the same except with the prior written permission of the MITAOE. However, the Mentor will be entitled to divulge the information to those who are directly concerned or as may be necessary in order to obtain certain information necessary for the performance of his obligations.



IN THE WITNESS WHERE OF, the parties have caused this Memorandum to be executed through their authorized representatives on the day and year first above written, Signed and delivered by within named MITAOE Pune through the hands of

**For & on behalf of (MENTOR)**

\_\_\_\_\_

Signature

Name

Designation

Seal

Witness (Name & Address)  
Address)

1. ....

**For & on behalf of**

MITAOE

Signature

Name

Designation

Seal

Witness (Name &

1. ....



MITAOE ENTREPRENEURIAL DEVELOPMENT FOUNDATION

**INCUBATION AGREEMENT**

This Agreement is made on this ..... day of ..... 2020 by and between

MITAOE ENTREPRENEURIAL DEVELOPMENT FOUNDATION, (herein after referred to as the MITAOE-EDF) a Company registered under the Companies Act 2013, having its registered office at Dehu Phata Alandi D Taluka Khed District Pune, Alandi Devachi Pune 412105 through its Directors and the promoter Mr. Manish M. Patil (hereinafter referred to as 'MITAOE-EDF' which expression shall include unless it be repugnant to the context all its Directors, Key Managerial Persons, Promoters and assigns) of THE FIRST PART.

AND

Mr./Ms. \_\_\_\_\_, a Potential entrepreneur residing at \_\_\_\_\_ age \_\_\_\_\_ (herein after referred to as the INCUBATEE which expression repugnant to the context shall be deemed to mean and include its successors and assignees) OF THE SECOND PART

AND WHEREAS MITAOE-EDF is formed with a mission to promote science, technology and research through promoting technology incubator center for encouraging the potential technology ideas and innovations by effectively utilizing expertise and infrastructure of the promoters and to use benefits of the grants received for these benevolent and educational activities and also to provide foundation to individuals having ideas bearing potential of creating new technology and thereby helping them to overcome on technical and other fronts while developing technology.

AND WHEREAS To foster successful entrepreneurs and develop industry MITAOE-EDF has launched its initiative.

AND Whereas Incubatee is a Student/Owner of \_\_\_\_\_ (Name of Collage)/Name of Company. He is having academic experience in area of \_\_\_\_\_. He has developed technology in field of \_\_\_\_\_ (specify Field) which has commercial utility as device used in \_\_\_\_\_

NOW IT IS DULY COMMUNICATED AND HEREBY AGREED BY AND BETWEEN THE PARTIES AS FOLLOWS:

**1. Objectives**

MITAOE-EDF agrees to incubate \_\_\_\_\_ in the Incubation Centre at \_\_\_\_\_. The purpose of incubation unit will be to:

- Promote & interact with, and resource technology/expertise from faculty members and research scholars and laboratory infrastructure in the various departments and centers of the MITAOE-EDF.
- Help in getting other kinds of techno-managerial expertise required that is not available within MITAOE-EDF.
- Incubating novel technology and business ideas into viable commercial products or services.





## 2.0 Tenure of Incubation

Incubation shall be for period of \_\_\_\_\_ years/Months.

2.1 MITAOE-EDF will permit Incubatee Company to commence incubation with effect from \_\_\_\_\_ and the incubation shall expire on \_\_\_\_\_.

2.2 The period of Incubation can be extended only by MITAOE-EDF at its discretion if a request is made by the company.

## 3. Facilities and Infrastructure

- That MITAOE-EDF will provide facilities on the basis of availability to the resident company/incubatee as per the regulations framed by MITAOE-EDF in this regard and as amended from time to time. The facilities and infrastructure more specifically are as in Annexure 3A.
- Upon admission to MITAOE-EDF, certain facilities as given in Annexure 3A, will be offered to the Resident company/incubatee on payment basis as prescribed in Annexure 4.
- MITAOE-EDF has the right to inspect and examine the premises allotted to the resident Company/incubatee at any point of time during the incubation period/stay at the MITAOE-EDF premises.
- On the completion of the incubation or when the Resident company leaves MITAOE-EDF due to any other reason, all the furniture, space and any other facilities provided shall be surrendered to MITAOE-EDF in good condition (after allowing for normal wear and tear in the case of equipments).
- All costs incurred for such restoration to good condition shall be borne by MITAOE-EDF.
- All outstanding dues shall be recovered from the incubate company or its directors and/or promoters.

### 3.1 Common infrastructure

MITAOE-EDF provides a common pool of hard and soft infrastructure to be shared by all incubatee/resident companies. Certain resources can be provided on charge basis by MITAOE-EDF on request of the resident company and subject to the rules and regulations in this regard as applicable from time to time.

### 3.2 Institute infrastructure

MITAOE-EDF will facilitate access to infrastructure of various Institutes' on request of the resident company/incubatee as per regulations made by MITAOE-EDF in this regard. The facilities will remain under the overall control of MITAOE-EDF and will be available to the resident company only for specific activities.



### 3.3 Services of Professionals

MITAOE-EDF may identify and associate professionals for accounting, IP, legal and management expertise on a part-time basis. Incubatee/Resident Company can avail of their services on their prescribed charges. Any direct services provided to an incubatee would have to be paid for by the incubatee to the service provider on mutually agreed terms and conditions.

MITAOE-EDF may also provide soft infrastructure and business services by third party to the incubatee companies, if MITAOE-EDF so agrees on the request of the resident company/incubatee. Possible services and support items on payment basis are listed as in Annexure 3B. MITAOE-EDF may also, if its regulations permit, to assist the Resident Company/Incubatee in getting consultancy services through partner organizations and identified consultants, in the areas such as Market research and opportunity identification, Valuation of Businesses, Competitor Research, Market analysis and sizing, Customer Search, Electronic Research, Marketing plan formulation Consulting on strategies at various stages: Launch, Growth and Harvest of businesses. However it is made clear that MITAOE-EDF acts merely as a facilitator for any services and the resident company/incubatee shall have to make an agreement with the service provider towards terms and conditions for availing the service. MITAOE-EDF may on its discretion provide certain services on subsidized or no-charge basis.

**3.4 Mentoring and Advisory Facilities:** Each Resident Company or Incubatee is required to have a mentor from MITAOE-EDF or if permitted by MITAOE-EDF, from any other Institute as a Faculty Mentor/ Advisor, primarily for technical issues. The terms and conditions in this regard have to be worked out by the resident company/incubatee with the faculty concerned and intimated to MITAOE-EDF.

### 4. Consideration

**4.1 a)** The Incubatee/Resident Company is required to provide a Non-Dilutable Equity (as defined in Annexure 2) equivalent to 2 % of the promoter's equity to MITAOE-EDF. ☐

**OR**

**b)** The Incubatee/Resident Company is required to pay an upfront fees of 5 % of funds raised (the fees will be against the help received for all types of funds) to MITAOE-EDF, ☐

Further: -

**4.2** MITAOE-EDF shall levy charge on the resident company/incubatees for infrastructure and facilities, current rates are given in Annexure 4.

**4.3** Charges for seed money and MITAOE-EDF's Intellectual Property would be as decided by MITAOE-EDF.

**4.4** MITAOE-EDF may change the above rates from time to time at its discretion and date of implementation of the amended charges shall be applicable with immediate effect.

**4.5** A monthly charge other than office space, will be charged by MITAOE-EDF and shall be payable strictly within seven days from the date of the communication in this regard.



**4.6.** The Resident Company/Incubatee shall have to execute separate agreement for seed money and/or Intellectual Property/know-how, Technology owned by MITAOE-EDF, as and when a request is made and agreed upon by MITAOE-EDF.

**4.7** The resident company will pay to MITAOE-EDF a charge for utilization of the space allotted to it.

(i) **Default in payment:** If the company defaults to pay at any time any dues then they shall have the option to pay such dues at the time of exit with 12% interest.

**4.8** On the request of resident Company/Incubatee access to any other facility of MITAOE-EDF infrastructure shall be made available and shall be charged as per the MITAOE-EDF regulations.

**5.0** As a statement of faith on the value of partnership with MITAOE-EDF the company is committed to issue equity shares to MITAOE-EDF as per clause 4. At the time of disposal the decision of MITAOE-EDF regarding buyback of full or part of the 2% equity issued shall be conveyed to the company and the company shall abide by the decision. The buyback and equity disposal rules are as contained in Annexure 2 and the SALIENT RULES FORMING PART OF THE INCUBATION AGREEMENT annexed to this Agreement.

**5.1** That the resident company shall surrender and vacate the premises of MITAOE-EDF on a notice by MITAOE-EDF. No advance notice is required to be given by MITAOE-EDF to the resident company.

**5.2** That MITAOE-EDF shall have lien on the assets of the resident company at the incubation center till such time that the resident company clears all the outstanding dues.

**5.3** That the 'SALIENT RULES FORMING PART OF THE INCUBATION AGREEMENT' Annexure 1 forms part and parcel of this agreement and is hereby accepted by the resident company in its entirety and the resident company and its directors hereby indemnify MITAOE-EDF and undertake to remain responsible for all dues payable or losses suffered on account of any act, negligence, default on the part of the Resident Company/ Incubatee and its Directors and employees.

**6. Amendments** Notwithstanding anything contained hereinabove or in the 'SALIENT RULES FORMING PART OF THE INCUBATION AGREEMENT' annexed thereto MITAOE-EDF may at any time amend all or any part of the agreement and its annexure and the Resident Company/ Incubatee shall be bound by the said amendments. The amendments shall be applicable with immediate effect.

**7. Arbitration:** Any/all disputes between the resident company/ incubatee shall be referred for arbitration to the person so nominated by the Directors of MITAOE-EDF under the Indian Arbitration & Conciliation Act whose decision shall be final and binding upon the parties. The place of arbitration shall be office of MITAOE-EDF.

**8.** MITAOE-EDF reserves its right to nominate a representative on the Board of Director of the Resident Company/Incubatee till the time MITAOE-EDF holds equity. The Incubatee/Resident Company shall indemnify to MITAOE-EDF or nominee any loss suffered or expense incurred in as a result of such nomination.

In witness whereof parties hereto have signed this Incubation Agreement on the date and year mentioned hereinbefore.

**For & on behalf of**

\_\_\_\_\_

Signature

Name

Designation

Seal

**For& on behalf of**

MITAOE-EDF

Signature

Name

Designation

Seal

Witness (Name & Address)

1. ....

2. ....

Witness (Name & Address)

1. ....

2. ....



**Annexure 1** to the Incubation Agreement**SALIENT RULES FORMING PART OF THE INCUBATION AGREEMENT**

The company hereinafter called the "Resident Company/Incubatee" as per the Incubation Agreement with the MITAOE-EDF has been permitted. If there is any conflict in the rules and byelaws given below, with any of the clauses of the agreement mentioned above, the rules/clauses of the said agreement will prevail.

**RULES AND/OR BYELAWS:****Rule-1****Tenure of Incubation**

The resident company/Incubatee will be permitted to incubate in MITAOE-EDF for a period of Twenty four Months. Two further extensions can be granted for 6 months each at a time, at the sole discretion of MITAOE-EDF.

**Exit**

The resident company/Incubatee will be required to leave the incubator under the following circumstances:

- After the completion of the Incubation including extended incubation period, if any.
- Underperformance or in-ability to perform business as evaluated and decided by MITAOE-EDF on case to case basis
- Irresolvable promoters' disputes in opinion of MITAOE-EDF on case to case basis
- Violation of any Statue, rules and regulations of MITAOE-EDF in the opinion of MITAOE-EDF on case to case basis.
- Capital cash flow exceeds Rs 2 crores in the opinion of MITAOE-EDF on case to case basis
- Number of employees of the incubatee exceeds 20
- When the annual gross revenues of the incubatee (excluding all the taxes) exceeds Rs. Two crore or the Net Profit After Tax exceeds Rs. Fifty Lakhs
- When the company enters in an acquisition, merger or amalgamation deal or reorganization deal resulting in a substantial change in the profile of the company, its promoters, directors, shareholders, products or business plan
- Incubatee plans for a public issue in the opinion of MITAOE-EDF on case to case basis
- Change in promoters'/ founders' team in the opinion of MITAOE-EDF on case to case basis.
- Any change of more than 50% of equity ownership unless approved by MITAOE-EDF, in the opinion of MITAOE-EDF on case to case basis
- Any other reason for which MITAOE-EDF may find it necessary for an incubatee resident company to leave.

***Notwithstanding anything written elsewhere, MITAOE-EDF's decision in connection with the exit of an incubatee company shall be final and shall not be disputed by any incubatee company.***

**Rule-2**

The Resident Company/Incubatee shall undertake Research & Development, Design/Testing, prototype development from MITAOE-EDF's premises but shall not carry out warehousing, storage, marketing sales or other commercial routine activity.

**Rule-3**

The MITAOE-EDF address can be used as the address of the Registered Office of the resident company/incubatee.

#### Rule-4

Subleasing or subletting of any kind of the space given by MITAOE-EDF is not allowed. Non-observance of this rule will result in immediate expulsion.

#### Rule-5

If an incubatee/resident company require more space or has vacant space, a request for additional space/surrender of the space is required to be made to MITAOE-EDF in writing.

#### Rule-6

The resident company/Incubatees are required to provide a list, as per the following format, of their full time and part time employees at least once every month:

S.No.	Name	Age	Sex	Full time or Part time	Qualification & Experience	Designation & Responsibilities /Duty	Address	Signature

#### Rule-7

All the visitors to the MITAOE-EDFComplex are required to sign in the visitor's register and collect their visitor's badges/passes. They must bear these passes/badges at all times while in the MITAOE-EDF facility. They are required to return these passes/badges while leaving the building.

#### Rule 8

The space given at MITAOE-EDF complex is with a limited furniture. The resident company or the Incubatee are required to submit their lay out plan for any modifications, permanent fixtures etc which they are planning in the space provided to them. Without the prior approval of the lay out plan from MITAOE-EDF they cannot undertake such work. After the completion of incubation, the space should be returned in the same condition as it was in the time of taking the occupying the space of MITAOE-EDF excluding normal wear and tear, decision of MITAOE-EDF in this regard will be final.

#### Rule-9

The resident company or Incubatee should observe that noise levels are kept at minimum and, no abnormal noise by any machine or by their employees or visitors should be made. Any complaint of high noise level will result in appropriate action by MITAOE-EDF.

#### Rule-10

All resident companies/Incubatees are required to observe health and safety standards. No hazardous material can be brought inside the complex without the prior approval of MITAOE-EDF. All the incubatee companies are required to keep a first aid kit in the space provided to them.

#### Rule-11

No resident company or its employee can display notices or signage except in the space or Boards provided for such signage by MITAOE-EDF.



**Rule-12**

It is the responsibility of all the resident companies and their employees to use the common facilities e.g. common area, fax & other machines etc. with due diligence and care.

**Rule-13**

The Resident company or incubatee shall be required to submit to the MITAOE-EDF, an unaudited/audited financial statement before the \_\_\_\_ of every month to MITAOE-EDF office. Non-compliance with the same would result in a fine of Rs. \_\_\_\_\_ and if the same is not given for three months continuously the offices of the company would be sealed without any further notice. The company should also inform MITAOE-EDF on the progress on the incubation projects and should make presentations to the Committee on a quarterly basis and non-compliance would result in similar penalties stated above. The Incubatee is also obliged to submit to MITAOE-EDF one copy each of the Memorandum of Association, Articles of Association, and Annual Report (as and when approved by their Board of Directors).

**Rule-14**

It will be obligatory for the resident company or incubatee to involve MITAOE-EDF area experts and/or use existing laboratory facilities during the developmental activities for mutual benefits. The consultancy charges payable to MITAOE-EDF area experts/ mentor will be according to the norms as laid down by MITAOE-EDF in this regard.

**Rule 15**

Notwithstanding any issue/dispute pending between the Company and MITAOE-EDF at the time of completion of the agreed tenure of incubation period, or if given an exit notice by MITAOE-EDF the incubatee must vacate the allotted space unconditionally.

**Rule-16**

The resident company/Incubatees are required to keep the MITAOE-EDF informed about any visitor from abroad, foreign collaboration and/or foreign partner or director, and abide by the rules/procedures in vogue in the MITAOE-EDF.

**Rule-17**

MITAOE-EDF reserves the right to nominate one representative to the company's Board of Directors till MITAOE-EDF exits from the company.

**Rule-18**

The Resident Company/Incubatees are required to keep the MITAOE-EDF informed in advance and obtain their concurrence in writing for the following during the incubation period:

- a) Change of Name of Incubation Company to any other form of legal entity
- b) Any Major change in their incubation/business plans
- c) Change in their ownership pattern
- d) Change in their Board of Directors
- e) Disposal of assets

**Rule-19**

MITAOE-EDF reserves the right to release information regarding the Incubatee /the Incubation / the product or service to the media to promote MITAOE-EDF for all purposes.

**Rule-20**

All resident Companies incubated in the Centre would be required to submit their audited annual Balance Sheet to the Centre after graduating from the Centre.

**Rule-21**

On issues wherein no rules and/or byelaws are clearly defined, MITAOE-EDF rules and/or byelaws shall prevail.

**Rule 22**

**Disclaimer**

The incubatee/Resident company understands and acknowledges that MITAOE-EDF intends to provide supports facilities to the Company in good faith to pursue its objective to promote entrepreneurship by converting innovative technologies by incubating and supporting new enterprises. It is understood that by agreeing to provide various supports and facilities, MITAOE-EDF does not undertake responsibility for:

- Ensuring success of an incubatee/resident company, its products/ process/ services or marketability,
- Ensuring quality of support provided by MITAOE-EDF to the complete satisfaction of the incubatee companies or their promoters/ founders.
- Ensuring quality of services of the consultants engaged by the incubatee companies through MITAOE-EDF. Incubatee companies will have to apply their judgments before getting in to a relationship with them.

The incubatee/resident company agrees that MITAOE-EDF or their employees shall not be held liable for any reason on account of the above.



## ANNEXURE 2

*Clarification to the word "Non-Dilutable" appearing in **Clause 4** of the Incubation Agreement.*

### What is **Non-dilutable**?

This is clarified for the interests of the parties and to avoid any confusion or ambiguity.

The Company and their Promoters agree that the MITAOE-EDF is providing incubation facility which is very critical for growth and sustenance of the Company in early days, in return MITAOE-EDF shall be provided with \_\_\_\_% shares of the "promoters' holding" in the company free of cost and this shall be duty of the promoters to maintain MITAOE-EDF's 2% equity of promoters' shares till MITAOE-EDF decides to sell or give buy back option to the Company or promoters.

### Who are **Promoters (For the purpose of this agreement)**?

Promoters are natural persons, including their close relatives and family members, who have formed the company and have signed the Articles of Association before the Registrar of Companies and have approached MITAOE-EDF for Incubation Proposal and have signed the Incubation Agreement.

### **Method of valuation for Equity Disposal:**

The method of maintaining the equity of MITAOE-EDF at the stipulated level and the mechanism for equity disposal are as follows:

- A) On a price as mutually agreed;
- B) On a price calculated by an expert so appointed with mutual consent
- C) In case the parties do not agree with the amount calculated through mode as given in A & B paras above the valuation shall be done on the basis of the expenditure incurred and/or the assets (tangible and intangible) generated. All expenditure incurred including salaries shall be compounded on a quarterly rest basis by a risk adjusted rate of return of \_\_\_\_%. This rate has been arrived keeping in general, that the expected rate of return in successful ventures is of order of 40-50%. The value of the company shall be treated as equal to this value. In case where the Director/promoter are working in the company without or nominal salary/remuneration, their contribution shall be calculated for this purpose as equivalent to the Total emoluments drawn on the date of valuation by an Assistant Professor of MITAOE-EDF includes such emoluments like Basic, Dearness, House Rent Allowance and other allowances.

*Illustration:* Suppose "A" and "B" form a Company "C", here A & B are the promoters for the purpose of calculation of 2% equity. Assuming that the paid-up capital of the C is 2, 06,000 and authorized capital 5,00,000 with equity holding distribution given below:

Share holding of Promoter "A"	10,000 Shares
Share holding of Promoter "B"	10,000 Shares
2% of MITAOE-EDF equity of Promoters (A+B)	400 Shares
<b>Total</b>	<b>20,400 Shares</b>

*Case 1:* Suppose a Venture Capitalist (VC) invests in the company against 25 % equity in the company. The structure of the shares holding will be:

Share holding of VC	5100 Shares
Share holding of Promoter "A"	10,000 Shares



Share holding of Promoter "B"	10,000 Shares	
2% of MITAOE-EDF equity of Promoters (A+B)		400 Shares
<b>Total</b>	<b>25,100 Shares</b>	

Equity holding of Promoters (A+B) remains same, so there is no requirement to give additional shares to MITAOE-EDF

Case 2: Suppose Promoters increase their shares by 5000 by any mode like but not limited to issuing additional shares, bonus shares then MITAOE-EDF's equity will also be increased, without any consideration from MITAOE-EDF for the same this is to ensure that at all time the shares of MITAOE-EDF are equal to 2% of the equity of Promoters. However this condition shall apply only up-to a period of one year from the date of exit from MITAOE-EDF

Share holding of Promoter "A" and 'B'	25000 Shares	
2% of MITAOE-EDF equity of Promoters (A+B)		500 Shares
<b>Total</b>	<b>25,500 Shares</b>	

Case 3 Subsequent to this, any dilution of the equity may be based on the valuation of the promoters holding at the times of valuation. The Incubatee Company can issue additional equity at a premium based on the valuation. In case the shares are issued at a rate less than the full value (value arrived as per valuation defined herein above), the MITAOE-EDF's share holding shall also be increased in such a ratio that equity is maintained at 3% value of the pre-issue valuation.

Suppose the promoters are "A" & "B" have 1000 shares with valued at Rs. 100/- upon valuation.

Share holding of Promoter "A" and 'B' of Rs 100 each	1000 Shares	
MITAOE-EDF equity of Promoters (A+B) of Rs. 100 each		30 Shares
Total present value		Rs 1,03,000/-

A & B issue additional 1,000 shares at a premium of Rs 40 (Rs 50 × 1000), which is less than full value (Rs. 100/-)

Total Capital is Rs 50 × 1,000 + 1,03,000 = Rs 1,53,000

Share of MITAOE-EDF = (30 + X), X = additional shares to be issued to MITAOE-EDF as a result of under valuation

Total Shares = 1000 + 1000 + (30 + X) = 2000 + (30 + X)

Value per Share =  $\frac{1,53,000}{2000 + (30 + X)}$

MITAOE-EDF Value =  $\frac{1,53,000 \times (30 + X)}{2000 + (30 + X)} = 3,000$  (Value of MITAOE-EDF share)

(Promoters pre issue share value is Rs. 100 × 1000 shares)

$$= 1,53,000 \times (30 + X) = (2000 + 30 + X) \times 3000$$

$$= 4590000 + 153000X = 6000000 + 90000 + 3000X$$

$$= 153000X - 3000X = 6090000 - 4590000$$

$$= 150000X = 1500000$$

$$= X = 10$$

So according to this hypothetical illustration the Incubatee Company has to issue **10** additional shares to MITAOE-EDF against this MITAOE-EDF shall not pay any money.

**Please note that these hypothetical illustrations are only for the purpose of Clarification and should not be construed as actual which may be different from these figures.**



**Annexure 3A.****Facilities and infrastructure to the resident companies subject to the Rules and Regulations and as mentioned in clause 3 of the Agreement.**

- Office space ..... Square feet.
- Personal Computers – up to one, depending on the team size
- Common Printer
- Internet connection one e-mail ID for the promoters who shall be responsible for any misuse of use by unauthorized persons.
- Common Phone lines (Intercom)
- Furniture.
- Electricity in single phase maximum of 5 KVA.
- Any other facility requested and granted by MITAOE-EDF.

**ANNEXURE 3B.**

- Training in business management: structured short courses
- Training in business communication: written as well as verbal
- Accounting tools/ software
- Common secretarial pool/staff
- Experiences of successful companies – a knowledge/ information site would be created where management concepts, intellectual property evaluations, deal making, negotiations, networking, VC funding, company registrations etc are provided
- Networking events/ showcases
- Tie-ups with chartered accountants and other professional organizations as required

**ANNEXURE 4*****Consideration for infrastructure facilities in addition to other:***

The consideration payable by the company for the use of the incubation centre facilities and infrastructure will be as follows:

Office Usage Fee	@ Rs.____/sq.ft/month
PC usage fee (up to 1 PCs)	@ Rs.____/month/comp
Printer	@ Rs.____/month/(inkjet)
@ Rs.____/month/(laser-jet)	
Internet connection	@ Rs.____/quarter/Month
Accommodation (Studio Apartment - 1)	@ Rs.____/ month

Electricity charges including air-conditioning On actuals per month

Telephone charge On actuals per month

Any other facility required by incubate/ On actuals per month  
Resident