FACULTY ENTREPRENEURSHIP AGREEMENT

This Agreement is made on this …… day of ………2007 by and between…………., a Company registered under the Companies Act 1956, having its registered office at ………….through its Director and the promoters <*Names*>(herein after referred to as "……………" which expression shall include unless it be repugnant to the context or meaning thereof mean and include their successors, representatives, assigns, promoters, holding company) …………… FIRST PARTY

AND

Indian Institute of Technology, Kanpur an Institute created under the Institutes of Technology Act, 1961 (hereinafter IITK) …… SECOND PARTY

WHEREAS …………. (First Party) is a company formed and one of the promoter is Dr……………. a full-time employee of IIT Kanpur. The Faculty Promoter has some technologies and is desirous to convert it into a business through ……. that is duly permitted as per the Faculty Entrepreneurship Policy (herein after FEP) framed by IIT Kanpur.

WHEREAS the objective of the First Party shall be …………………………

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

1. **Objective:** The Objective of the Agreement is to optimally use the IIT Kanpur's resources and infrastructure for mutual benefit, more specifically as per the Faculty Entrepreneurship Policy.

2. **Consideration:** As a consideration for allowing Dr…………………to engage in Entrepreneurship, …………… the First Party shall pay to IIT Kanpur a 10% Non-Dilutable Equity (as defined in Annexure 3) of the Total Promoter's Shares at the time of signing this agreement and this shall be maintained at the option of IIT Kanpur.

3. NOTWITHSTANDING anything contrary herein, the Statute, Rules, Guidelines, Regulations Faculty Entrepreneurship Policy and any regulations of Government of India as amended or introduced from time to time shall prevail over this Agreement. The permission to allow a faculty company as a Director, Promoter, Executive Director can be withdrawn by IIT Kanpur at any point of time.

4. The Company is required to submit to the Second Party the following reports: -

4.1 Quarterly Financial Report as per the format given in Annexure 1

4.2 Quarterly Activity Report as per the format given in Annexure 2

5. **Arbitration:** Any/all disputes between the parties shall be referred for arbitration to the Director IIT Kanpur or person so nominated by him under the Indian Arbitration & Conciliation Act whose decision of the

panel shall be final and binding upon the parties. The place of arbitration shall be Kanpur.

6. IIT Kanpur reserves its right to nominate a representative on the Board of Director of the .... First Party till the time IIT Kanpur holds equity. .... First Party shall indemnify to IIT Kanpur or nominee any loss suffered or expense incurred in as a result of such nomination.

7. The infrastructure, lab and other resources used by the Company shall be as per the norms of IIT Kanpur.

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

For & on behalf of IIT Kanpur	**For & on behalf of ....**
Signature	Signature
Name	Name
Designation	Designation
Seal	Seal
Witness (Name & Address)	Witness (Name & Address)
1.	1. ....
2.	2. ....
Date	Date. ....

ANNEXURE 1

Quarterly Financial Information <***<u>Name of the Company</u>***>

[Profit and Loss account from …………………. to ………………………………]

Name of Product/Service: ……………………………………………………………

Total Revenue Rs……………………………

Total Expenses Rs……………………………

- Capital Rs……………

- Recurring Rs………….

Net Profit/Loss Rs…………………………

……………………………………………
Managing Director

Address: …………………………………
……………………………………………

Date: ………………………………………

ANNEXURE 2

Quarterly Activity Report of <*__Name of the Company__*>
Attach extra sheets where required

For the period from…………………….. to ………………………………..

1. **Contracts/MoU/Agreements Entered with:** License/Assignment
   (*Name, Address, Nature, Consideration*)
   Please attach a copy

2. **Intellectual Property Generated:**
   (Whether Patents, Design, Copyright)
   Please attach a copy
   If any student(s)/employee(s) is/are involved

3. **New Product/Service:**

4. **Recent Clients:**

4a. **Details of contract/services provided to IIT Kanpur:**

5. **Lab/Equipment of IIT Kanpur used by the Company:**

6. **Student(s) of IIT Kanpur employed in the Faculty Company:**

- Name & Roll Number:
- Course/Department:
- Hours worked per month:

7. **Any Employee of IIT Kanpur employed:**

- Name:
- Designation:
- Hours worked per month:

8. **Any other facility(ies) of IIT Kanpur used:**

…………………………………………..
Managing Director

Address: …………………………………
…………………………………………….

Date: ……………………………………..

ANNEXURE 3

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 to provide 10% shares of the "promoters' holding" in the company free of cost and this shall be duty of the promoters to maintain IIT Kanpur's 10% equity of promoters' shares till IIT Kanpur 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.

Method of valuation for Equity Disposal:

The method of maintaining the equity of IIT Kanpur 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 24%. 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 the Faculty Promoter 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 10% 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
10% of IITK equity of Promoters (A+B)	2,000 Shares
Total	22,000 Shares

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	6,867 Shares
Share holding of Promoter "A"	10,000 Shares
Share holding of Promoter "B"	10,000 Shares

10% of IITK equity of Promoters (A+B)		2,000 Shares
	Total	28,867 Shares

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

Case 2: Suppose Promoters increase their shares by 5000 by any mode like but not limited to issuing additional shares, bonus shares then IITK's equity will also be increased, without any consideration from IIT Kanpur for the same this is to ensure that at all time the shares of IIT Kanpur are equal to 10% of the equity of Promoters. However this condition shall apply only up-to a period of one year from the date of exit from SIIC

Share holding of Promoter "A" and 'B'		25000 Shares
10% of IITK equity of Promoters (A+B)		2500 Shares
	Total	27,500 Shares

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 IIT Kanpur's share holding shall also be increased in such a ratio that equity is maintained at 10% 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
IITK equity of Promoters (A+B) of Rs. 100 each	100 Shares
Total present value	Rs 1,10,000/-

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 + 1,10,000= Rs 1,60,000

Share of IIT Kanpur = (100 + X), X= additional shares to be issued to IITK as a result of under valuation

Total Shares = 1000+1000+(100+X)=2000+(100+X)

$$\text{Value per Share} = \frac{1,60,000}{2000+ (100 + X)}$$

$$\text{IIT Kanpur Value} = \frac{1,60,000 \times (100 + X)}{2000+ (100+ X)} = 10,000 \text{ (Value of IIT share)}$$

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

$$= 1,60,000\times (100+X)= 2,000 \times 10,000 + (100 + X) \times 10,000$$

$$= X = 33.33$$

So according to this hypothetical illustration the Incubatee Company has to issue 34 additional shares to IIT Kanpur against this IIT Kanpur 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