

SEED FUND AGREEMENT DEED

This agreement is made on this _____ day of _____ 20

BETWEEN

_____, a company registered under the Companies Act 1956, having its registered office at _____ through its Director and promoters _____ (hereinafter referred to as 'the company' which expression shall, unless repugnant to the context or inconsistent with the meaning thereof, mean and include its successors, representatives, assigns etc.) of the first part;

AND

Mount Carmel College, Autonomous, Bengaluru , through its Principal or her representative, in her stead (hereinafter referred to as 'the MCC' which expression shall, unless repugnant to the context or inconsistent with the meaning thereof, mean and include its representatives, assigns etc.) of the second part.

WHEREAS, MCC has established a Mount Carmel Centre for Innovation Incubation and Entrepreneurship, (hereinafter referred to as MCCIE) with a mission to foster innovation and successful entrepreneurs and develop industry in the Knowledge and Technology based area.

AND WHEREAS, the Company has entered into an agreement with the MCC by means of an agreement signed between the parties on _____ for the purpose of incubation and developing the company, represented by the first party, to become a successful entrepreneur. A copy of the said agreement is annexed hereto as **Exhibit A** to this agreement.

AND WHEREAS, the Company, in the process of incubation and developing into a successful enterprise, is desirous of obtaining 'Seed Money Loan' from the MCC for an amount of Rs. _____ (Rupees _____ only) and MCC has agreed to provide the said amount being 'Seed Money Loan', on the terms and conditions mentioned hereinafter and agreed to by the Company. The company in its Meeting of the Board of Directors held on has duly authorized the company to seek the said loan from MCC and has authorized its Managing Director _____ to execute all the documents and do all that is necessary to obtain the said "Seed Money Loan."

AND WHEREAS, The MCC shall, unless the context otherwise requires, be represented by MCCIE for the purposes of this agreement

ARTICLE -1 CONDITIONS NECESSARY TO DISBURSEMENT OF THE LOAN

1.1 It shall be the liability and responsibility of the Company to mobilize the pre-incorporation expenses and minimum paid-up capital, as required by MCC.

- 1.2 The Company has agreed that entire seed capital shall be used solely for the purpose of the project, as mentioned in the Loan Application and not for any other purpose. MCC shall have the power to ensure proper end use of funds and in the event that it is found that the end use of the Loan is contrary to the terms / conditions of this agreement or the loan application the loan may be recalled prematurely by MCC.
- 1.3 The Company shall involve at least one member of MCC faculty as _____ with the company. In the event that the faculty member disassociates himself from the company due to drawbacks on account of the promoters / directors / members of the company or for any other reasons, then MCC shall have the option of recalling the loan prematurely

ARTICLE – 2 MODE OF DISBURSEMENT OF LOAN

- 2.1 The disbursement schedule, as agreed between the parties is mentioned in **Schedule-1** to the agreement.
- 2.2 The total cumulative loan amount disbursed to the company shall in no case be more than five times the paid-up capital of the company, **(paid up in cash)**, at the time of disbursement of a loan installment. Paid up capital allotted in kind shall not be considered.
- 2.3 The loan shall be disbursed/released as per the Schedule-1 (disbursement schedule) limited till the period of incubation i.e. Rs. _____ till _____ **20.....** Further loan installments shall be disbursed only if the period of incubation is extended by Mount Carmel College, Autonomous, as per its incubation policy.
- 2.4 Notwithstanding anything contrary contained herein all dues payable by the company to MCCIIIE or MCC shall be deducted from the sanctioned Seed Money Loan and balance amount, if any shall be disbursed to the company

ARTICLE – 3: REPAYMENT OF THE LOAN AND INTEREST

- 3.1 **The Interest on Seed Capital loan shall be levied at _____ Simple Interest. (The Interest rate is calculated as per the Prime lending rate of State Bank of India _____% less _____% on the date of Sanction _____). The Interest rate remains fixed for the tenure of loan. The Interest shall be payable monthly on the balance outstanding at the end of the previous month along with the installment of principal repayment.**
- 3.2 The repayment of principal and interest shall have a moratorium period of 18 months from the first installment disbursement of the loan. The repayment shall commence from the nineteenth month.
- 3.3 The simple interest on the loan disbursed shall be applied @ _____ %per annum from the date of disbursement of each installment and shall be aggregated with the loan amount; the amount so determined shall be the principal amount that will have to be repaid as per the repayment schedule.

Any delay in the repayment of installments as given in the Schedule of repayment shall be subject to a penal interest @ _____ % per month.

- 3.4 The Company shall repay the principle amount of the Loan strictly in accordance with the **Repayment Schedule**. The repayment schedule is appended in **Schedule-2** to this agreement.
- 3.5 Notwithstanding the above, if the Company decides to exit from the incubation before the specified period, the Company undertakes to repay the entire loan and interest due thereon prior to the exit from the incubation centre.
- 3.6 If the Company raises loans from other lenders/ financial institutions, repayment of such other loans shall commence only after the repayment of the Seed Capital Loan obtained by the Company pursuant to this agreement and interest due thereon.
- 3.7 NOTWITHSTANDING anything contrary contained herein, the incubate company shall issue liability free and fully paid-up equity shares, in favour of Mount Carmel Collège, on prorata basis of 4% equity against 5 lakhs of seed capital sanctioned, as guarantee of seed-capital amount.

Subsequently after the company utilizes the seed-capital or its exit from the incubation center, whichever is earlier, Mount Carmel College, Autonomous shall compute the equity to be retained in accordance with repayment option selected together with any outstanding unpaid amount against incubation including seed capital and transfer the balance equity back to the incubate company. Once the company repays the entire seed capital amount Mount Carmel Collège shall transfer shares taken as guarantee, back to the company.

ARTICLE – 4: SECURITY

- 4.1 MCC shall at all times hold a lien on all the tangible and intangible assets (IPR, Patent, Trademark, etc.) of the Company till such time that the Loan is fully repaid by the Company. As additional security, the promoters / directors / members of the Company shall stand guarantee in their personal capacity for repayment of the seed capital loan in full by executing a **Bond of Guarantee** at the time of executing the agreement of loan.
- 4.2 The company shall ensure that a charge over the tangible and intangible assets is registered with the Registrar of Companies in favour of MCC prior to the release of the first installment of the loan.
- 4.3 In the event that the Company raises loans from other financial institutions or any other agency by securing its assets, the charge created in favour of MCC shall be a First Charge over the tangible and intangible assets of the company. Loans from other financial institutions or any other agency can be given Second Charge over the tangible and intangible assets of the company.

ARTICLE – 5: COVENANTS

5.1 Particular affirmative covenants:

- (a) The Company shall utilize the entire loan only for the purposes as mentioned in the Loan Application, described in **Schedule-3** to this agreement.
- (b) The Company shall maintain an asset register of assets procured from the loan.
- (c) The Company shall ensure that the physical progress of the project as well as the expenditure incurred on the project is as per the original schedule. To this end, the Company agrees to submit information to the MCC on quarterly basis in a format as may be prescribed by MCC, and such other information and data as may be required by the MCC from time to time.
- (d) The Company hereby undertakes to submit information to the MCC about all material changes or developments taking place in their companies from time to time such as (but not limited to) change in name, fund raised from any third party, company, change in project or product profile, change in directors or promoters, acquisition of a new office etc. The MCC has the right to require the Company to seek its prior approval wherever necessary and to stipulate such additional condition as the MCC in its absolute discretion deem fit for effecting any change as stated herein above.
- (e) The company will submit audited annual accounts / Directors reports etc. to the MCC within a period of seven days from the approval of the account at the company's Annual General Meeting or positively by 30th, September of each year, whichever occurs earlier.
- (f) The Company shall submit a utilization certificate of Loan installments already granted from a Chartered Accountant before approaching for release of subsequent installments. The Company shall also submit un-audited quarterly Balance Sheet, Profit & Loss Account and Cash flow statements to MCC within one month of the end of the quarter. MCC reserves the right to get the documents so submitted verified by its own chartered accountant. In such a case the company shall fully co operate with the Chartered Accountant of MCC in providing to them / giving access to them all books of accounts, vouchers, registers, bills invoices over the tangible and intangible assets of the company.
- (g) **The Director, MCCIE will be inducted on the board of the Incubate Company by passing a board resolution a copy of which will be submitted to SIIC, Mount Carmel College, Autonomous for the purpose of records. The tenure of the Coordinator, SIIC on the board of the Incubate Company will be till such time that the seed capital is repaid by the said Incubate Company.**

5.2 Negative covenants:

- (a) The Company shall not utilize the loan for:
 - I. Repayment of dues of promoters and their associates ,

- II. Repayment of loan from any other source nor for payment of interest on the loan borrowed from such other source,
- III. For extending loans to promoters, their associates
- IV. For making any inter corporate deposits or any speculative purpose,
- V. Personal benefit of promoters or their association.

(b)The Company agrees that the MCC shall have right to review or cancel the un-disbursed portion of the Seed Capital Loan subject to the performance of the Company. Further, if, as a result of such review, the MCC determines that the Incubatee has not progressed or is unlikely to progress in its performance, the MCC shall have a right to revise the terms of sanction and stipulate such additional condition as the MCC in its absolute discretion deem fit and require the Company to take such measures as may be stipulated by the MCC.

(c)The Company agrees that non compliance of the above terms and conditions may invite a legal action from the MCC and may force the Company to exit from the incubation centre.

ARTICLE – 6: REMEDIES AVAILABLE TO MCC

If one or more of the events specified in this article (here in after called “events of default”) shall have happened then the MCC by a return notice to the company may declare the **entire Seed Money Loan given and all accrued interest on the loan that may be payable by the company under or on terms of this agreement and/ or any other agreements, or** documents subsisting between the company and the MCC as well as all other charges and dues to be due and upon such declaration the same shall become due and payable forthwith, notwithstanding anything to the contrary in this agreement or any other agreement (s) or document (s).

6.1: Events of default:

(a) Payment of Dues.

Default shall have occurred in repayment of principal amount and interest thereon and on payment of any other amount due and payable to MCC in terms of this agreement and /or in terms of any other agreement (s) or document (s) that may be subsisting or that may be executed between the Company and the MCC here after.

(b) Performance of Covenants.

Default shall have occurred in performance of any other covenants, conditions and agreements on the part of the company under this agreement or any other agreement (s) between the company and MCC in respect of this loan and for any other loan and such default shall have continued over the period of 30 days after notice there of shall have been given to the company by MCC.

(c) Supply of Misleading Information.

Any information given by the company prior to or during the course of incubation & interaction with the MCC under this or any other agreement is found to be misleading or incorrect in any material respect.

(d) Inability to Pay Loan.

If there is reasonable apprehension that the borrower is unable to pay his dues or proceeding for taking him into insolvency has been commenced.

(e) Sale or disposal of Property.

If the company's properties on which the MCC has lien is sold, disposed of, changed, encumbered or alienated.

(f) Attachment or restraint on Property.

If an attachment or restraint is levied on the property or any part thereof and/or recovery certificate proceedings are taken or commenced for recovery of any dues from the Company.

(g) Failure to furnish information/documents.

If the Company fails to furnish information/documents as required by MCC under the provisions of this agreement.

6.2 Bankruptcy or Insolvency

If the Company shall become bankrupt or insolvent, the principal and all accrued interest on the loan and any other dues shall thereupon become due and payable forthwith and may be recovered by possessing and disposing off the assets of the company on which MCC holds lien, anything in this Agreement to the contrary notwithstanding.

6.3 Notice to MCC on the Happening of an Event of Default

If any event of default or any event which, after the notice or lapse of time or both would constitute an event of default shall have happened, the Company shall forthwith give MCC notice thereof in writing specifying such event of default, or such event.

6.4 Expenses of Preservation of Assets of the Company and of Collection:

All costs incurred by MCC after an event of default having occurred in connection with:

- (i) Preservation of the Company's assets (whether now or hereafter existing);
- (ii) Collection of amounts due under this Agreement
- (iii) Legal or any other expenses incurred in recovering the amount outstanding and interest thereon, or
- (iv) Expenses of any kind incurred in this context shall be recovered from the Company or its promoters and reimbursed to MCC.

6.5 Issue of certificates

MCC may issue any certificate as regards payment of any amounts paid by the Company to MCC in terms of this Agreement only if the Company has paid all amounts due under the Agreement to MCC and the Company has complied with all the terms of this Agreement.

6.6 Communication with third party

In the event of default MCC shall be entitled to communicate, in any manner it may deem fit, to or with any person or persons with a view to receiving assistance of such person or persons in recovering the defaulted amounts. Also, representatives of the MCC shall be entitled to visit the property and/or any place of work of the Company.

ARTICLE - 7: WAIVER

7.1 Waiver not to impair the Rights of MCC

No delay in exercising or omission to exercise, any right, power or remedy accruing to MCC upon any default under this Agreement or any other Agreement or document shall impair any such right, power or remedy or shall be construed to be a waiver thereof or any acquiescence in such default; nor shall the action or inaction of MCC in respect of any default or any acquiescence by it in any default, affect or impair any right, power or remedy of MCC in respect of any other default.

ARTICLE – 8: MISCELLANEOUS

8.1 Modification/Alteration of the Agreement

The terms of this agreement can be modified/ altered in writing under signatures of respective representatives from the MCC and the Company.

8.2 Resolution of Disputes and Differences

In case of dispute or differences arising in connection with this Agreement, the parties hereto shall refer the subject matter of contention for a compulsory arbitration before the arbitrator appointed by the Director, MCC whose decision shall be final and binding on both the parties. The arbitrator shall issue notice to either parties listing the matters of disputes and invite relevant evidences and submissions and give his decision based on the written submissions of the parties. The place of the arbitration shall be Kanpur and principle of equity, faith and good conscience shall apply.

8.3 Applicable Law :

This agreement shall be governed by the laws of India.

8.4 Schedules and Exhibits:

The following documents are Schedules and Exhibits to this Agreement and incorporated by reference:

Schedule – 1: The disbursement schedule as mutually agreed by the parties.

Schedule - 2: Repayment Schedule & Project Management Committee guidelines containing payment option company's letter dated _____ exercising the option-.....

Schedule - 3: Loan Application of the Company

Schedule – 4: Board resolution of _____.

Exhibit –A: Agreement Deed dated _____ between the Company and the MCC.

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

For & on behalf of

For & on behalf of MCC

Signature

Signature

Name:

Name

Designation: MANAGING DIRECTOR

Designation

Seal

Seal

Witness (Name & Address)

Witness (Name & Address)

1.

1.

2.

2.

Date

Date

Schedule – 1

Disbursement Plan

1. The _____ will be given a total seed fund of Rs. 50 lakhs subject to following:
 - a. The disbursements will be made for the monthly expenses of the company as given below.
 - b. A total loan of Rs. _____ will be disbursed to the company for the expenses up to.....
 - c. Disbursement of loan for expenses in the month of 20... and onwards will be subject to the extension of incubation period of the company, which is ending in the month on of 20...
2. In no case the loan disbursement will be made for the expenses beyond incubation period.

Schedule – 2

Repayment of Loan and Interest

1. The Loan Amount as calculated on the **option** ____ chosen by _____ plus interest for the moratorium period of 18 months (calculated on a simple interest as given in the Options) would be paid back with such simple interest annually calculated at monthly rests, for the tenure of the loan. The loan amount along with interest will be repaid in 36 EMIs (Equated Monthly Installments).
2. The repayment will start:
 - a. After 18 months from the date of first disbursement of loan or
 - b. As soon as the company makes operating profits and is in a position to service the loan, whichever is earlier.
3. Any default of EMI would be subject to a further **penal interest** @ _____ % per annum for the period of default of payment of EMI.
4. The payment criteria for interest and principle as per the Option-..... chosen by the _____ vide letter dated, which is detailed in Terms of financial support placed as Annexure- I.

Annexure – I

Terms of financial support

Following are the options in view of the rate of interest, loan and equity components, repayment criteria etc.:

1. Option – I:

Full amount would be paid back with an interest, which will be Prime Lending Rate (PLR) of State Bank of India (on the date of sanction) less 4% and remains fixed for the tenure of the loan. The loan amount along with interest will be repaid in 36 EMIs (Equal Monthly Installments) and the repayment will start after 18 months from the date of first disbursement of loan.

2. Option – II:

- a. 50% of the total seed fund sanctioned will be interest free loan, repayment of which would start after 18 months from the date of first disbursement of loan. The component will be repaid in 36 EMIs.
- b. 50% of the total seed fund sanctioned would be convertible into equity (@ 4% equity against loan up to Rs. 5 lakhs) at par.

3. Option – III

- a. 75% of the total seed fund sanctioned will be a loan and will be repaid back with an interest of PLR less 6%. The loan amount along with interests will be repaid in 36 EMIs (Equal Monthly Installments) and the repayment will start after 18 months from the date of first disbursement of loan.
- b. 25% of the seed fund sanctioned would be convertible into equity (@2% equity against loan up to Rs. 5 lakhs) at par.

The company would have option to choose any one of the options are stated above and communicate to SIIC in writing. Once the option is chosen and communicated by the company, in no case it can be changed. In case of default payment, the entire loan amount will be converted into equity of 25% at par.

In addition to the nominee director from Mount Carmel College against the incubation equity, there shall be one more nominee director from MCC for the equity against seed fund disbursed.

Terms of Repayment

Place: _____ Date : _____ (Day) (Month) (Year) of loan agreement

Rate of Interest (Tick, whichever is applicable)

1. SBI PLR as on the date of Sanction less 4% (Option I)
2. Nil Rate of Interest (Option II)
3. SBI PLR as on the date of Sanction less 6% (Option III)

Name of the Borrowers

Address of the Borrowers

Amount of Loan

Rs. _____ (Rupees _____ only)

Interest

- a) SBI PLR : _____ % p.a. (as on the date of Sanction).(PLR notice attached)
- b) SBI PLR less _____ % p.a. = _____ % p.a.
- c) Pre-EMI Interest _____ % p.a.
- d) Penal Interest on delayed payment _____ % per annum.
- e) Cheque Dishonour Charges/ missed payment charges Rs. 300/- or charges actually deducted by the bank to Mount Carmel Collge whichever is more. Repeated Cheque dishonor will attract strict legal action

EMI is calculated on the basis of monthly rests.

Ammortisation

- a) Terms of repayment _____ months
- b) Moratorium Period _____ months from the date of disbursement of 1st Installment.
- c) EMI Rs. _____ /- *

- d) Number of EMI's _____
- e) Date of Commencement of EMI _____
- f) Due date of payment of first EMI _____

*will be applicable when the full disbursement is availed by the Incubate Company or the disbursement is reduced subject to the expiry of the Incubation tenure.

Loan Procedure/ Process

The Incubate Company (Private Limited Company) will open a Current Bank account in the name of the Incubate Company. The bank account will be operable by the Authorized Signatory of the Incubate Company along with the Coordinator, MCCIE as a joint signatory of the said Bank account, for the purpose of the operation of the Seed Capital Account.