

GUIDELINES FOR VENTURE CAPITAL FUND MANAGEMENT UNDER IDEA PROJECT (REVISED)

MISSION STATEMENT

Bangladesh is one of the youngest countries in the world, with more than half of its population being under the age of 25. The nation is transitioning towards becoming a middle-income country by the year 2021. In order to develop an innovation-centered economy and sustain its remarkable growth, the Government of Bangladesh (GoB) has undertaken a pioneering initiative to create a national entrepreneurship platform and its supporting ecosystem. This effort will enable the nation to innovate faster, create new jobs, develop technical skills and realize the vision of Digital Bangladesh. In support of the above-mentioned objectives, GoB has undertaken the Project/Company. The Project will provide financial support to entrepreneurs in the form of equity, convertible debt and/or grant (the Investment). The Investment will provide the necessary capital to accelerate development and achieve success. The Project is committed to fostering innovation and entrepreneurship through a process that is equitable, transparent and accountable.

A. FUNDING OBJECTIVES

The funding objectives are:

- 1) Support technology-based innovation;
- 2) Create new employment opportunities;
- 3) Provide training and develop technical skills;
- 4) Promote groups that are under-represented in the tech sector;
- 5) Connect Non-Resident Bangladeshis (NRBs) with the local ecosystem;
- 6) Develop ICT product for public benefit and national interest;
- 7) Foster an entrepreneurship culture in Bangladesh; and
- 8) Attract foreign investment and expertise.

B. ASSOCIATED RISKS

In terms of providing Grant/Equity carries high inherent risks. All submitted proposals will be assessed for certain major risks that include but are not limited to:

- 1) Market Risks: market receptiveness to product/service; size of potential customer base; competitive dynamics & pace of competing innovations; scalability of product/service;
- 2) Management and Execution Risks: strength and experience of management and technical teams;
- 3) Financial Risks: ramp-up period; burn-rate, profitability; capital required to operate; additional capital required to scale and distribute;
- 4) Other Risks: Additional risks may pertain to internal factors (i.e., legal, technical, operational) as well as external considerations (regulatory compliance, economic conditions);

Despite the risks, Equity investment takes place in dynamic economies worldwide because of the potential rewards – business success, technical breakthrough, skill development, employment generation, public benefits, international branding and so on.

C. FUNDING CATEGORIES

The following types of funding may be made:

- 1) BANGABANDHU INNOVATION GRANT-BIG (PRE-SEED SUPPORT);

- 2) EQUITY INVESTMENTS
 - 2.a: Seed stage
 - 2.b: Growth stage
 - 2.c: Guided startups/Products
- 3) TARGETED INVESTMENTS/EXPENSES FOR PRODUCT AND SERVICE DEVELOPMENT;
- 4) STRATEGIC PARTNERSHIPS;
- 5) CO-INVESTMENTS and
- 6) GRANT FOR ICT BASED SMEs.

Detailed policies and procedures for each category of Investment are discussed below:

1. Bangabandhu Innovation Grant - BIG (PRE-SEED SUPPORT)

Initially grant was given to the startups in the pre-seed stage, but now this pre-seed grant has been declared as Bangabandhu Innovation Grant (BIG) by ICT Division which has been approved by the **"Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust"** dated January 13, 2020.

This guideline was taken to provide BIG by the iDEA Project of Information and Communication Technology (ICT) Division in order to engage the young generation in innovative activities, enhance job opportunities, diminish unemployment problems, increase digital amenities and export goods related to ICT and amplify innovative ideas in the whole country.

The government declared the period from March 17, 2020 as the "MujibBorsho" on the occasion of the centennial birth anniversary of the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman. As a part of celebration of "MujibBorsho" BIG will be granted by the Project to the startups from local and international sector and shall also continue for consecutive years.

PROCEDURE OF PROVIDING GRANT:

BIG will be granted following the procedure mentioned below:

I. REGULAR PROCEDURE:

Local startups shall submit their ideas through online in the official website of the Project (www.idea.gov.bd) following the guidelines of the application procedure. After primary selection by the Project potential startups will give their presentation before the selection committee. Among them selected startups each will be granted up to BDT 10,00,000.00 (Taka Ten Lac) and fund will be provided through tranche as per the recommendations of the selection committee.

II. PROCEDURE FOR "MUJIB BORSHO":

- ✓ **Primary Selection:** Local and international startups will be primarily selected through University Activation, Reality Show, International Road Show or other related activation programs.
- ✓ **Final Round:** After going through the procedure of mentoring, grooming, training and showcasing, the selected startups will give their presentation before the selection committee. Among them, the selection committee will select the Champion startup who will be provided with

USD. 1,00,000.00 (One Lac US Dollar) or taka equivalent. Other remaining top startups each will be granted BDT 10,00,000.00 (Taka Ten Lac) or the grant equivalent to this amount. Both the Champion startup and other remaining top startups from BIG competition will receive the said grant at a time.

To acquire the international standard, the BIG grant shall be given in order to support the potential startups every year and the grant will be provided from the fund of this project.

REQUIREMENTS OF GRANT:

Any local or international startup may apply for the grant of BIG regarding their innovative product or service satisfying the following conditions:

- ✓ The applicant must be a startup or an entrepreneur;
- ✓ Proposed product or service must relate to ICT;
- ✓ Innovative product or service to be in prototype level or more developed than that prototype;
- ✓ The service or product must contain something innovative;
- ✓ The applicant must have a viable business idea and an executable business plan;
- ✓ The product or service must put an optimistic impact on communal alteration, financial progress and environment; and
- ✓ The startup or entrepreneur must possess a legal entity.

2. EQUITY INVESTMENTS

The Project has established a Company to invest in innovative ICT Products/Services. The company has been working to create or organize or operate one or more Venture Capital Fund or Fund of Funds to invest in ICT startups to promote innovation ecosystem and entrepreneurship culture in Bangladesh.

The fund which was allocated in the Project for seed and growth stage will be managed through Startup Bangladesh Limited for equity investment and the project will convey this amount to Startup Bangladesh Limited as paid up capital. The said company may comply following terms or any other conditions set by the Board of Directors for funding in seed, growth stage as well as for guided startups/products as follows:

2.a: Seed stage

- i. Requirement: Prototype and an executable business plan, ideally some customer and some revenue achieved
- ii. Investment amount: up to Tk. 1 crore (maximum 25 crore taka will be invested from government side in this category through a venture capital company)
- iii. The Investment will be provided in tranches based on achievement of defined milestones
- iv. The Investment may be used for product development, operations, expansion, marketing and other approved purposes

- v. Fund participation: Equity and/or Convertible Debt. The equity ownership percentage may be up to 49% as per the decision of the Investment Committee and the Board of Directors of Startup Bangladesh Limited, based on investment amount and company valuation. The Convertible Debt may be fully or partially convertible
- vi. The Project may have representation on the Board commensurate to its equity ownership
- vii. The Project will require regular progress reports and financial statements for performance monitoring purposes.

2.b: Growth stage

- i. Requirement: Minimum Viable Product, existing customer base, existing revenue achieved;
- ii. Investment amount: up to Tk. 5 crore per round (maximum 75 crore taka will be invested from government side in this category through a venture capital company);
- iii. The Investment will be provided in tranches based on achievement of defined milestones;
- iv. The Investment may be used for product development, operations, expansion, marketing and other approved purposes;
- v. The Investment may be made during one of the financing rounds generally known as Series A, Series B and Series C rounds;
- vi. Fund participation: Equity and/or Convertible Debt. The equity ownership percentage may be up to 49% as per the decision of the Investment Committee and the Board of Directors of Startup Bangladesh Limited, based on company valuation and investment amount. The Convertible Debt may be fully or partially convertible;
- vii. The Project may have representation on the Board commensurate to its equity ownership; and
- viii. The Project will require regular progress reports and financial statements for performance monitoring purposes.

2.c: Guided Startups/Products

- i. Requirement: Specific startup ideas that the Project considers to be in the national interest;
- ii. Investment amount: up to Tk. 5 crore per round;
- iii. The Investment will be provided in tranches based on achievement of defined milestones;
- iv. The Investment may be used for product development, operations, expansion, marketing and other approved purposes;
- v. Fund participation: Equity and/or Convertible Debt. The equity ownership percentage may be up to 49% as per the decision of the Investment Committee and the Board of Directors of Startup Bangladesh Limited, based on company valuation and investment amount. The Convertible Debt may be fully or partially convertible;
- vi. The Project may have representation on the Board commensurate to its equity ownership; and
- vii. The Project will require regular progress reports and financial statements for performance monitoring purposes.

In case of Equity funding, investments are generally executed in 3 stages like Series A, Series B and Series C. These stages are meant "per round" for Growth Stage and Guided Startups. The above stated stages or rounds depend on mode of expansion of startup companies or amount of investment.

Series A Round

Series A Round of fundraising is the first round of financing that a startup receives as equity investment i.e. the first time when company ownership is offered to external investors. Series A Round financing is generally done when a company is generating some revenue, though it might not be net profit. Valuation of the startup in this round is done on the basis of proof of concept, progress made with seed capital, quality of the executive team, market size and risk involved.

Series B Round

Series B Round is that in which the product/service of the startup company is already being sold in the market. Series B Round of funding is required by the company to scale up, to face competitors and have a market share. Valuation of the startup in this round is done on the basis of performance of the company in comparison to the industry, revenue forecasts and assets like Intellectual Property, etc.

Series C Round

Series C Round of fundraising happens when the company has proved its success in the market. The company goes for Series C Round of funding when it looks for greater market share, acquisitions, or to develop more products and services. It is the last stage in a company's growth cycle before an Initial Public Offer (IPO). Valuation of the company at this round is done on the basis of hard data points.

3. TARGETED INVESTMENTS/EXPENSES FOR PRODUCT& SERVICE DEVELOPMENT

The Project may take any initiative to expenses to create, support, augment or procure specific products, services, applications, and hardware or technology platforms to support the establishment of startup ecosystem in Bangladesh. The Project may make strategic collaborate on selected entities, projects to bring about substantial public benefits. These initiatives may be made solely, in collaboration with other entities or following the Public-Private Partnership (PPP) model or profit sharing or any other voluntary model for public interest. For making expenses to these products/services/solutions, Government will follow Public Procurement Method strictly. In every steps of procurement, maximum 70 crore taka will be utilized in this category.

4. STRATEGIC PARTNERSHIPS

The Project may sponsor/promote/invest in strategic partnerships with local and international institutions (universities, companies, governments, incubators, accelerators, research organizations, media and other suitable entities) to acquire expertise, technology, products, services to support entrepreneurship development. Besides these, special products like AR/VR products on occasion of Bangabandhu's 100th Birth Anniversary ceremony will be developed under this category. The Project may also provide support to universities in establishing different research and labs facilities like robotics lab, artificial intelligence lab, etc. The Project may also support young innovators to participate in different competitions in home and abroad such as NASA, SPRING Accelerator, Seedstars, Startup Nation, Smart City, etc. The Project may also support information technology related trade organizations like BASIS, BCS, BACCO, ISPAB etc. in pursuing innovation and entrepreneurship. Maximum 10 crore taka will be utilized for this purpose through Public Procurement Method.

5. CO-INVESTMENTS

The Project may enter into joint investments with other venture capital funds or funding entities in order to scale its investments and leverage partner expertise while sharing risks. Investments may be made in a single company, in a venture fund or in a fund-of-funds.

Fund participation: Equity and/or Convertible Debt. The equity ownership percentage will be based on company valuation and Investment amount. The Convertible Debt may be fully or partially convertible.

The Selection Committee for Equity Investment will select the company/fund to invest, decide the amount and Terms for Co-Investment.

The Project may have representation on the Board commensurate to its equity ownership.

The Project will require regular progress reports and financial statements for performance monitoring purposes.

6. GRANT FOR ICT BASED SMEs

The Project will provide grant up to BDT50,000.00 (Taka Fifty Thousand) to 2000 (two thousand) SMEs during the tenure of the iDEA project and the grant will be provided from the fund of this project.

D. INDUSTRIES PRIORITY

The Project will prioritize disruptive tech innovations in the following areas:

- 1) Health
- 2) Education
- 3) Financial Services
- 4) Environment
- 5) Transportation
- 6) Infrastructure
- 7) Agriculture
- 8) Food Processing
- 9) Pharmaceutical
- 10) Manufacturing
- 11) Tourism
- 12) Media & Entertainment
- 13) eGovernment/mGovernment
- 14) eCommerce
- 15) Biotech
- 16) Robotics
- 17) Semiconductor/Nanotech/IoT
- 18) SMEs
- 19) Other suitable sectors

Technology infiltrates all industries and impacts all walks of life, with all that in mind, disruptive tech innovations highlight some of the key movers and shakers such as: AgriTech, FinTech, HealthTech, EduTech, FoodTech, CleanTech, TravelTech, RetailTech, GreenTech, InsurTech, RegTech, LegalTech etc.

E. SELECTION CRITERIA

Investment proposals will be selected for funding based on the following criteria:

- 1) Business Concept;
- 2) Feasibility;
- 3) Strategy (business, technical, financial);
- 4) Implementation Plan;
- 5) Management team;
- 6) Other factors relevant for business success.

F. GOVERNANCE

The Project's governance structure will be as follows:

1) ADVISORY BOARD

The Advisory Board will provide high-level guidance regarding strategy and execution.

Terms of Reference

- i. Review performance against stated objectives and overall mission;
- ii. Ensure accountability and transparency in Fund management;
- iii. Recommend measures to strengthen and optimize Fund activities.

The Board will be comprised of renowned professionals from industry, academia, government, trade bodies and the NRB communities:

- i. Minister/State Minister, ICT Division (Chairperson);
- ii. Secretary, Finance Division, Ministry of Finance;
- iii. Secretary, ICT Division;
- iv. Member, Socio-Economic Infrastructure Division, Planning Commission;
- v. Executive Director, Bangladesh Computer Council (Member Secretary);
- vi. Chairperson, Securities and Exchange Commission;
- vii. Chairpersons from three trade bodies such as FBCCI, BASIS, MCCI, BGMEA, VCPE;
- viii. At least three eminent academicians with relevant experience;
- ix. At least three eminent professionals from Business, Legal, Finance, IT, Banking, Media, Health, NGO and other sectors;
- x. At least one eminent Non-Resident Bangladeshi (NRBs) with relevant experience.

There will be at least one female member on the Advisory Board.

If necessary, members may attend meetings via electronic means, including tele or video-conference.

The Committee members may receive remuneration for meeting.

The members of the Advisory Board will serve for the project period, unless reappointed.

The members of the Advisory Board will be selected by the ICT Division.

2) SELECTION COMMITTEE FOR PRE-SEED AND EQUITY INVESTMENTS

Two Selection Committees will be formed for selection and funding the startups/companies:

a) Selection Committee for Bangabandhu Innovation Grant – BIG (Pre-Seed support)

b) Selection Committee for Equity Investment(a) The Selection Committee for BIG (Pre-Seed support) will review submissions for Pre-Seed funding and decide on the amount and Terms of the support/grant. All supports/grants will be made on tranches.

The Selection Committee will be comprised of:

- i. An Eminent professional/entrepreneur (Chairperson);
- ii. Project Director, iDEA Project (Member Secretary);
- iii. Representative from Finance Division (Member);
- i. Professionals with expertise and experience in startups, corporate management, merger and acquisition, corporate governance, legal, academia, venture capital/private equity, IT, banking and finance, banking and finance, marketing, management or other related areas. (Maximum five members);
- ii. Representatives from BASIS/BCS/other trade organizations. (Maximum two members and not more than one member from a single organization).

There will be a minimum of five and a maximum of sixteen (17) members on the Selection Committee.

There will be at least one female member on the Selection Committee.

The Selection Committee may co-opt subject matter specialists.

If necessary, members may attend meetings via electronic means, including tele or video-conference.

The Committee members may receive remuneration for meeting.

The members of the Selection Committee will serve for the project period, unless reappointed.

Terms of Reference:

- i. Evaluate submitted ideas/products and business plan;
- ii. Review budget, financials and business/technical viability;
- iii. Recommend modifications to the submitted plans, if needed;
- iv. Create Term Sheet detailing the amount and terms.

The members of the Selection Committee for BIG (Pre-Seed support) will be selected by the ICT Division.

(b) The Selection Committee for Equity Investment will review submissions for equity investment and decide on the amount and Terms of investment.

All investments will be made on tranches. The Committee will meet at least quarterly, to review funding requests.

The Selection Committee will be comprised of:

- i. An Eminent professional/entrepreneur (Chairperson);



- ii. Project Director, iDEA Project (Member Secretary);
- iii. Professionals with expertise and experience in startups, corporate management, merger and acquisition, corporate governance, legal, academia, venture capital/private equity, IT, banking and finance, banking and finance, marketing, management or other related areas (Maximum five members);
- iv. Representatives from BASIS/BCS/other trade organizations. (Maximum two members and not more than one from single organization).

There will be a minimum of five and a maximum of ten members on the Selection Committee.

There will be at least one female member on the Selection Committee.

The Selection Committee may co-opt subject matter specialists, and/or create sub-committees to specialize in specific sectors, technologies or geographies.

NRB professionals will be eligible to serve on the Selection Committee.

If necessary, members may attend meetings via electronic means, including tele or video-conference.

The Committee members may receive remuneration for meeting.

The members of the Selection Committee will serve for the project period, unless reappointed.

Terms of Reference:

- i. Evaluate submitted ideas, products and business plan;
- ii. Review budget, financials and business/technical viability;
- iii. Recommend modifications to the submitted plans, if needed;
- iv. Create Term Sheet detailing the amount and terms of Investment.

The members of the selection committee for equity investment will be selected by the ICT Division.

3) SELECTION COMMITTEE FOR TARGETED INVESTMENTS/EXPENSES FOR PRODUCT & SERVICE DEVELOPMENT

To evaluate and select the investment proposals for targeted investment, a Selection Committee will be formed as follows.

The Selection Committee for Targeted Investment will be comprised of:

- Executive Director, BCC - Chairperson;
- Representative from ICT Division- Member;
- Representative from BCC - Member;
- Representative from Finance Division- Member;
- Technology Industry expert - Member;
- Financial sector expert - Member;
- Project Director, iDEA Project – Member Secretary.

There will be a minimum of seven and a maximum of ten members on the Selection Committee.

There will be at least one female member on the Selection Committee.

The Selection Committee may co-opt subject matter specialists, and/or create sub-committees to specialize in specific sectors, technologies or geographies.

If necessary, members may attend meetings via electronic means, including tele or video-conference.

The Committee members may receive remuneration for meeting.

The members of the Selection Committee will serve for the project period, unless reappointed.

Terms of Reference:

- i. Evaluate proposed idea/product and business plan;
- ii. Review budget, financial and business/technical viability;
- iii. Recommend modifications to the submitted plans, if needed;
- iv. Recommend the amount and terms of investment.

The members of the Selection Committee for Targeted Investment will be selected by the ICT Division.

4) PERFORMANCE MONITORING COMMITTEE

One or more Performance Monitoring Committee will review the performance of entities receiving Pre-Seed, Equity Investment and Targeted Investments.

Release of any subsequent tranche will be solely at the discretion of the Performance Monitoring Committee and its assessment of the requestor's business performance and achievement of pre-defined milestones specified in the Term Sheet.

The Committee will meet at least monthly, to review progress.

The Performance Monitoring Committee will be comprised of:

- i. An eminent professional/entrepreneur (Chairperson);
- ii. Project Director, iDEA (Member Secretary);
- iii. A representative from ICT Division;
- iv. Professionals with expertise in investment management, company valuations, accounting, banking and finance, marketing, legal, academia, venture capital/private equity, IT, corporate management or other related areas.

There will be a minimum of six and a maximum of twelve members on the Performance Monitoring Committee.

The Performance Monitoring Committee may co-opt subject matter experts and/or create sub-committees, as needed.

NRB professionals will be eligible to serve on the Performance Monitoring Committee.

If necessary, members may attend meetings via electronic means, including tele or video-conference.

The Committee members may receive remuneration for meeting.

The members of the Performance Monitoring Committee will serve for the project period, unless reappointed.

Terms of Reference

- i. Review key performance milestones, including financial reports (cash flow, revenue growth, profit margin) and operating considerations (technology development; customer acquisition & retention; management and personnel updates; and other factors relevant to the business operations);
- ii. Suggest corrective actions, if needed;
- iii. Recommend disbursement of funds based on achievement of defined milestones (as specified in the Term Sheet).

The members of the Performance Monitoring Committee for Targeted Investment will be selected by the ICT Division.

5) SELECTION COMMITTEE OF GRANT FOR ICT BASED SMEs

The Selection Committee will be comprised of:

- i. An officer nominated by ICT Division- Chairperson;
- ii. Project Director, iDEA Project- Co Chair;
- iii. Representative from Ministry of Industries- Member;
- iv. Chairperson, E-Commerce Association of Bangladesh (eCAB)- Member;
- v. A representative from Bangladesh Computer Council (BCC)- Member;
- vi. Private Expert Professionals in SME, Legal, IT, Finance, Marketing, Management or other related areas nominated by ICT Division(Maximum Three)-Member;
- vii. Deputy Project Director, iDEA Project- Member Secretary.

There will be a minimum of eight and a maximum of twelve members on the Selection Committee for ICT Based SMEs.

Selection Committee for ICT Based SMEs may co-opt subject matter experts and/or create sub-committees, as needed. If necessary, members may attend meetings via electronic means, including tele or video-conference.

The Selection Committee for ICT Based SMEs members may receive remuneration for meeting.

The members of the Selection Committee for ICT Based SMEs will serve for two calendar years, unless reappointed.

Terms of Reference:

- i. Evaluate and select submitted ideas/products and business plan;
- ii. After evaluation recommend for grant;
- iii. Attend at least 12 (twelve) meetings yearly;

The members of the selection committee for the ICT Based SMEs will be selected by the ICT Division.

G. APPLICATION PROCEDURE:

All applications for BIG (Pre-seed Stage) and Grant for SME Entrepreneurs must be submitted online in the official website of the Project (www.idea.gov.bd) following the guidelines of the application procedure.

H. RESPONSIBILITIES OF FUND RECIPIENTS

The responsibilities of fund recipients will be as follows:

- i. Sign an agreement with iDEA Project;
- ii. Attend all training/mentoring sessions and other required events(both pre seed grantee and BIG competition winner);
- iii. Ensure appropriate use of funds as per approved budget;
- iv. Maintain accurate business, technical and financial records;
- v. Maintain registers and vouchers;
- vi. Maintain a separate business bank account for iDEA funds;
- vii. Provide regular progress reports and financial statements;
- viii. Return unspent funds and other resources upon completion, if requested by iDEA project;
- ix. Any other duties or responsibilities assigned by iDEA project authority.

I. MONITORING AND MENTORING OF FUND RECIPIENTS

- i. Both the pre seed grantee and the BIG competition winner shall be monitored by a Monitoring Tool or the iDEA Project authority;
- ii. A representative from the concern Foreign Commission shall monitor the international winners of BIG competition;
- iii. The monitoring criteria shall be reflected in the clause of the agreement signed between iDEA Project and the pre seed grantee or the BIG competition winner;
- iv. After the expire of iDEA Project, both pre seed grantee and BIG competition winner shall be monitored and mentored by Bangladesh Computer Council (BCC) till the formation of the Innovation Design and Entrepreneurship Academy (iDEA).

J. REPORTING AND RECORDKEEPING

The Project will maintain necessary records documenting the success or failure of each grant/investment. The Project will also create appropriate reports and dashboards highlighting performance, utilization and impact.

The performance reports will be presented to the Advisory Board for necessary evaluation and action.

K. BUY BACK AND EXIT OPTIONS

Shares buy-back:

- a. The sponsors of the Startup Company may buy-back the shares (issued by the Startup Company in favor of the Project/Company) from the Project/Company at the face value thereof during the first two years commencing from the date of the first disbursement of the equity investment.
- b. The sponsors of the Startup Company may buy-back such shares as referred to above during the period of next three years either at the face value or at the break-up value thereof, whichever is higher.

- c. The Project/Company may sell the remaining shares (not bought-back by the sponsors of the Startup Company before the end of the first five-year period as mentioned above) either at the face value or at the break-up value thereof computed on the basis of the company's latest Balance Sheet certified by a recognized Chartered Accountants' firm or at such price as may otherwise be determined by the Project/Company, whichever is the highest, to whoever is interested in buying such shares.
- d. If such shares cannot be sold at the end of five years, the Project/Company will have the authority to convert those shares into debt of the sponsors. the Project/Company will also determine the interest rate and repayment period for such convertible debt.

Sell or Transfer of shares:

During the subsistence of the equity investment to the Startup Company, the sponsors thereof shall not sell or transfer otherwise their shareholdings in the Company without prior approval in writing of the Project/Company.

Rights of the Project/Company:

During the subsistence of the equity investment to the Company, the Project/Company shall nominate its representative, on the Company's Board of Directors to attend the meetings thereof as well as the meetings of the Company's shareholders and a provision to that effect shall be made in the Company's Memorandum and Articles of Association and two authenticated copies thereof shall be submitted by the Company to the Project/Company provided that the representative of the Project/Company shall not be required to hold any shares in his personal name. Provided further that no quorum shall constitute at the meetings of the Company's Board of Directors as well as the meetings of the Company's shareholders without the presence of the representative of the Project/Company notwithstanding any provision to the contrary appearing in the Memorandum and Articles of Association of the company.

Compliance:

The Startup Company agrees that it shall –

- a. Meet any shortfall in the means of finance for covering the total cost of the project out of the sponsors' own resources;
- b. Maintain all books of accounts properly which may be inspected by the Project/Company personnel as and when required;
- c. Submit quarterly progress report on the project regularly to the Project/Company on the prescribed pro-forma;
- d. Submit to the Project/Company the audited Balance Sheet, together with the profit and loss accounts, of the company for every financial year within four months from the date of close of the Company's financial year;
- e. Furnish to the Project/Company such other information/data on the project as and when required;
- f. Insure with any Bangladeshi Insurance Company acceptable to the Project/Company all fixed assets of the project, both existing and future, covering the risks of fire (with re-instatement clause), riot, cyclone, damage, strike.
- g. Adequately insure to the satisfaction of the Project/Company all other assets necessary for the continued operation of the project (including raw materials, finished goods, work-in-process, etc.).

- h. The Startup Company agrees that –
1. It shall enter into an 'Investment Agreement' with the Project/Company once the investment decision is taken
 2. It shall issue all the shares as Preferred Stock in favor of iDEA Project
 3. All the preferred stock issued in favor of the Project is convertible, the Project have the right to trade one share of preferred stock for one share of common stock.
 4. If it issues shares at a price lower than in previous financing rounds, the preferred shareholder gets more shares of common stock when he or she converts.
 5. It shall not appoint any managing agent without obtaining prior approval in writing of the Project/Company
 6. It shall not make any alteration in, or amendment to, the Company's Memorandum and Articles of Association without obtaining prior approval in writing of the Project
 7. It shall not provide any loan or advance by whatever name called to any of its Directors or shareholders or to a firm or company in which its Directors or shareholders have any interest.

L. OWNERSHIP AND REVIEW OF THE GUIDELINES

The ownership of this document lies with Bangladesh Computer Council (BCC). The guidelines may be amended by Bangladesh Computer Council as deemed necessary. During its application, if any clarification is required, the request may be forwarded to the Project authority.

ANNEXURE

Definitions

- i. **Convertible Debt:** A business borrows money from a lender where both parties enter the agreement with the intent (from the outset) to repay all (or part) of the loan by converting it into a certain number of its common shares at some point in the future;
- ii. **Equity:** Equity, typically referred to as shareholders' equity (or owners' equity for privately held companies), represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off in the case of liquidation. In the case of acquisition, it is the value of company sales minus any liabilities owed by the company not transferred with the sale;
- iii. **Equity Ownership Percentage:** Equity Ownership Percentage means number of shares of Common Stock/ Capital/Equity of the business hold by such investor or group of investors (whether individual, firm or company);
- iv. **Grant (Investment):** A grant is an award, usually financial, given by one entity (typically a company, foundation, or government) to an individual or a company to facilitate a goal or incentivize performance. Grants are essentially gifts that do not have to be paid back, under most conditions;
- v. **Growth Stage:** Growth stage means the stage of a startup where it has initiated commercialization of any business, has been able to build a strong customer base by its business, and is generating sufficient revenue to be considered as it has a rapid growth of the business;

- vi. **Guided Startup:** Guided startup means a startup that has planned or is working to implement an innovative idea that bears public importance;
- vii. **Seed Stage:** Seed stage meaning in which stage a startup has found an acceptable and sustainable business model in the market by developing a tested prototype of a product or service, or has been able to build at least a customer base;
- viii. **Strategic Partnership:** Strategic Partnership is as an arrangement between two concerns/wings to undertake a mutually beneficial project whether initiated by Government or related with the scope of work of the project. This type of partnership may enter into a strategic alliance to expand into a new product/service, improvement of existing product/service or any development work toward a common goal that will benefit both;
- ix. **Venture Capital:** Venture Capital (VC) refers to the financing of a startup company by typically high-wealth investor's company/firm who think the business has potential to grow substantially in the long run. Typically, VCs only invest in startup companies up to a certain percentage;
- x. **Venture Capital Company:** A venture capitalist (VC) or Vendor Capital Company (it also may be a firm) is a private equity investor that provides capital to startups having high growth potential in exchange for an equity stake i.e. percentage of Common Stock/ Capital/Equity . This could be funding startup ventures or supporting small companies that wish to expand but do not have adequate fund. In this guideline, Venture Capital Company refers to Startup Bangladesh Ltd., the VC company formed by ICTD;
- xi. **Venture Capital Fund of Funding Entities:** Venture capital funds are pooled investment funds that manage the money of investors who seek private equity stakes in startups and small- to medium-sized enterprises with strong growth potential. Venture capital funds handle the money of own fund or investors who seek private equity stakes in startups as well as small- to medium-sized businesses. In this guideline, funding entities refers to Startup Bangladesh Ltd., the VC company formed by ICTD.

মোঃ আব্দুর রাব্বির
 প্রকল্প পরিচালক (সহসূচির)
 উদ্যোগ ও উদ্যোক্তা উন্নয়ন একাডেমী প্রতিষ্ঠানের প্রকল্প
 বাংলাদেশ কম্পিউটার কাউন্সিল
 তথ্য ও যোগাযোগ প্রযুক্তি বিভাগ