



## CONVERTIBLE DEBENTURE SUBSCRIPTION AGREEMENT

This Convertible Debenture Subscription Agreement (“**Agreement**”) is made at the location specified as the *execution location* in Schedule 1 (“**Execution Location**”) on the date set forth as the *execution date* in Schedule 1 (“**Execution Date**”) by and between the persons whose roles are set out in Schedule 1 as holders (referred to as “**Holder**”); and the persons whose roles are set out in Schedule 1 as founders (together “**Founders**” and each a “**Founder**”); and the company whose details are set out in Schedule 1 (the “**Company**”).

### RECITALS:

A The Company is engaged in the business described in Schedule 1 (“**Business**”);

B The Founders are the promoters of the Company and their shareholding is set forth in the shareholding pattern of the Company as set out in Schedule 1.

C The Holder has, at the request of the Company and the Founders, agreed to subscribe to a certain number of compulsorily convertible debentures of the Company (“**Transaction**”) on the terms and subject to the conditions contained in this Agreement; and

D The Parties now wish to record the terms and conditions of their mutual understandings in respect of this Transaction.

### IT IS NOW AGREED AS UNDER:

#### 1. DEFINITIONS AND INTERPRETATION

1.1 Capitalized terms used and not otherwise defined in this Agreement or its Schedules have the meanings set forth below:

“**Act**” means the Indian Companies Act, 1956 (as applicable) and the Companies Act, 2013 (as applicable) and any amendment or modification thereto or any other succeeding enactment for the time being in force;

“**Business**” shall mean the business of the Company described in Schedule 1;

“**Business Day**” shall mean a day which is not a public holiday in India;

“**Closing**” means the remittance of the debenture amount by the Holder to the Company and issuance and allotment of the debentures by the Company and such other actions provided under Section 4 of this Agreement.

“**Closing Date**” means the date on which Closing shall take place.

“**Conversion Date**” means the Business Day on which the Debentures are converted into





Equity Shares;

“**Conversion Notice**” shall have the meaning assigned to it in Section 4.2;

“**Debentures**” shall mean the instruments described in Schedule 1 subscribed or agreed to be subscribed in terms of this Agreement;

“**Drop Dead Conversion Period**” shall mean the period assigned to it in Schedule 1.

“**Equity Shares**” means equity shares of the Company having face value of INR 10/ (Indian Rupees Ten only) each;

“**Event of Default**” has the meaning ascribed to it in Section 6 of this Agreement;

“**INR**” or “**Indian Rupees**” means the lawful currency of the Republic of India;

“**Interest Rate**” shall have the meaning assigned to it in Section 2.1.

“**Principal Amount**” means the amount advanced by the Holder to the Company pursuant to this Agreement as set forth in Schedule 1;

“**Qualified Financing**” shall have the meaning assigned to it in Section 4.3.

“**Qualified Financing Minimum**” shall have the meaning assigned to it in Section 4.3.

“**Shares**” shall mean all classes of shares in the capital of the Company issued from time to time, together with all rights, differential rights, obligations, title, interest and claim in such shares and shall be deemed to include all bonus shares issued in respect of such shares and shares issued pursuant to a stock split in respect of such shares;

“**Threshold Valuation**” shall have the meaning assigned to it in Section 4.3.

1.2 This Agreement shall come into effect from the date hereof. The Schedules form part of this Agreement and shall have effect as if set out in full in the body of this Agreement. Any reference to this Agreement includes the Schedules. In particular, the *Special Provisions* in Schedule 1 shall override any provisions to the contrary contained in this Agreement.

1.3 This Agreement may be executed in counterparts, each of which when executed and delivered shall be an original, but together shall constitute one and the same instrument.

1.4 This Agreement constitutes the entire agreement and understanding of the Parties hereto with respect to the Debentures and the Company and supersedes all other agreements or understandings of the Parties hereto or thereto, whether written or oral. In the event of any





conflict between any prior debenture agreement and this Agreement, this Agreement shall prevail.

## 2. THE DEBENTURES

2.1 **Available Capital.** The Holder agrees to subscribe to the Debentures of the Company on the Execution Date to an extent of the Principal Amount in accordance with the terms of this Agreement by way of subscription of the Debentures described in Schedule 1 and the Company agrees to allot the Debentures on the terms and conditions contained herein. The issuance of the Debentures to the Holder by the Company as contemplated in this Agreement shall be in compliance with the provisions of the applicable laws, regulations, accounting standards and practices. **Interest.** The Debentures shall bear interest at the *interest rate* set forth in Schedule 1 ("**Interest Rate**"). Interest shall accrue and be converted into Equity Shares on the Conversion Date.

## 3. CLOSING AND POST CLOSING ACTIONS

3.1 Subject to the provisions of Section 3, Closing shall take place at the Execution Location or such other location as may be agreed by the Parties on the Closing Date or on such other date as may be mutually agreed between the Parties.

3.2 In addition to all necessary formalities under the Act with regard to a private placement, which the Company shall comply with, the following events shall be executed in the manner set out herein and shall be deemed to have been executed simultaneously on the Closing Date.

3.3 The Holder shall transfer the *principal amount* set forth in Schedule 1, to the Company in a separate bank account in a bank ("**Designated Bank Account**") designated in remittance instructions issued by the Company.

3.4 On or immediately after the Closing Date but no later than 30 (thirty) days from the Closing Date, the Company shall, and the Founders shall cause the Company to, issue and deliver duly stamped, signed and sealed certificates in respect of the debentures issued at the Closing to the Holder. The Company shall, and the Founders shall cause the Company to enter the name of the Holder in the register of debenture holders of the Company in respect of the Debentures issued and provide a certified copy of the same to the Holder.

3.5 Within a period of 30 (Thirty) days from the date of Allotment of the Debentures, Company shall file Form PAS 3 (together with all the attachments) in prescribed form with the Registrar of Companies, for the allotment of the debentures.

3.6 In the event the Holder is a person resident outside India, the Company shall comply with the following additional requirements under the law:





- (a) within a period of 30 (thirty) days from the date of Allotment of the Debentures, the Company shall duly complete and submit Form FCGPR, with respect to the relevant Debentures, with the Reserve Bank of India, through its category – 1 bank / authorized dealer along with the following: (i) a certificate from a firm of practicing company secretaries, on behalf of the Company, accepting investment from persons resident outside India and certifying to the prescribed facts; and (ii) a certificate from a Chartered Accountant indicating the manner of arriving at the price of the Debentures issued to the Holder resident outside India.
- (b) The Company shall have duly completed and executed Advance Reporting Form to be filed by the Company with the Reserve Bank of India, within 30 (Thirty) days from the receipt of the remittance, indicating the following: (i) name and address of the nonresident Holder; (ii) date of receipt of the relevant funds and their rupee equivalent; and (iii) name and address of the category – 1 bank / authorized dealer through whom such funds have been received; and (iv) a copy of the foreign inward remittance certificate issued by the authorized dealer bank for receipt of the relevant portions of the Principal Amount.

#### 4. CONVERSION

- 4.1 The Debentures and all accrued but unpaid interest shall be compulsorily convertible into Equity Shares of the Company in accordance with the provisions contained below on and upon (i) the expiry of the Drop Dead Conversion Period or (ii) the occurrence of a Qualified Financing through one or more investment transactions.
- 4.2 To convert the Debentures into Shares, the Holder shall deliver written notice thereof to Company (the **Conversion Notice**). The Conversion Notice shall contain the information necessary, in Holder's sole discretion and in accordance with this Section, to effect the conversion. Within 60 (sixty) days of the Conversion Notice, the Company shall deliver share certificates representing the Equity Shares issued upon the conversion to Holder at the address provided by Holder in the Conversion Notice.
- 4.3 In the event the Company consummates a financing of the minimum amount equal to the *qualified financing minimum* set forth in Schedule 1 ("**Qualified Financing Minimum**") pursuant to which it sells through a single transaction or a series of transactions (whether in one or more tranches) Shares to any person after the current investment round and excluding any and all Debentures which are converted into Equity Shares under this Agreement, and with the principal purpose of raising capital (a "**Qualified Financing**") the outstanding principal amount and all accrued but unpaid interest of the Debentures held by the Holder shall automatically convert into the Equity Shares at a valuation equal to the higher of (a) the *threshold valuation* set out in Schedule 1 ("**Threshold Valuation**"); or (b) at such discount as specified in Schedule I as applied to the valuation at which the Qualified Financing is undertaken.





- 4.4 In the event that the Company consummates a financing of an amount less than the Qualified Financing Minimum or at a valuation less than the Threshold Valuation, then the Holders of a simple majority of Debentures shall at their sole discretion be entitled to exercise the right to conversion of all Debentures (including those held by the Holder) as described in Clause 4.3 at the valuation as specified thereunder.
- 4.5 In the event the Company does not consummate a Qualified Financing prior to the expiry of Drop Dead Conversion Period, then upon the expiry of the Drop Dead Conversion Period, the outstanding principal amount and all accrued but unpaid interest under the Debentures shall be converted into Equity Shares at the price per share as if the Company's premoney valuation corresponds to the Threshold Valuation.
- 4.6 The Conversion Date pursuant to any conversion under this Section shall be no later than 60 (sixty) days after the expiry of the such period as provided in the case of conversion under Section 4.3 and Section 4.4 above. Fractions of Shares will not be issued on conversion and no cash payment will be made in respect thereof.
- 4.7 **Reservation of Shares.** Company shall take necessary steps to increase its authorised but unissued Shares, solely for the purpose of effecting the conversion of the Debentures, such number of Shares as shall from time to time be sufficient to effect such conversion and such steps shall be taken at the time of receipt of notice from the Holder for conversion. If at any time Company does not have a sufficient number of Shares authorised and available, then Company shall call and hold a special meeting of its shareholders within thirty (30) days of that time for the sole purpose of increasing the number of authorised Shares.
- 4.8 The prior approval of the Holders of a simple majority of the Debentures shall be required to take certain material actions by the Company or any of its subsidiaries, including, without limitation: (a) amending the Articles of Association; (b) increase or decrease the authorized share capital, except for issuance of shares under the options granted from the Company's option pool; (c) effect the merger, division, transformation or dissolution of the Company; (d) granting of any loan or credit or providing any collateral for securing any obligations other than collateral for securing the Company's own obligations in the ordinary course of business; (e) dispose or grant a right to use IP or other material assets (other than nonexclusive licenses granted in the ordinary course of business); and (f) termination of or alteration of the terms of employment of the founders or key employees of the Company.
- 4.9 If the Company issues any subsequent Debentures prior to the termination of this Agreement, the Company will promptly provide the Holder with written notice of such issuance, together with a copy of all documentation relating to such subsequent Debentures and, upon written request of the Holder, any additional information related to such Debentures as may be reasonably requested by the Holder. In the event the Holder determines that the terms of the subsequent Debentures are preferable to the terms of this Agreement, the Holder will notify the Company in writing. Promptly after receipt of such written notice from the Holder, the





Company agrees to amend and restate this Agreement to be identical to the agreement or instruments evidencing the subsequent Debentures.

4.10 The Equity Shares issued to the Holder by the Company pursuant to this Section 4 shall rank pari passu to the rights and benefits of those granted to holders of any other Equity Shares of the Company. If desired by the Holder, the Company shall then be bound to enter into a separate shareholders agreement mutatis mutandis with the terms contained in the then most recent version of Preferred Financing Investment Agreement (also titled the Share Subscription and Shareholder's Agreement) available at <https://termsheet.red> wherein interse rights of the Holder's holding Equity Shares and rights of other holders of Equity Shares or Shares of the Company shall be clearly specified. If pursuant to a Qualified Financing, certain superior rights are agreed between the investors in the Qualified Financing and the Company, the Company shall make best efforts to procure pari passu rights for the Holder along with the investors in the Qualified Financing.

## 5. REPRESENTATIONS AND WARRANTIES

5.1 Each Party represents, severally and not jointly, to the other Parties hereto that:

- (a) such Party has the full power and authority to enter into, execute and deliver this Agreement and to perform the transactions contemplated hereby and that such Party is duly incorporated or organised and existing under the laws of the jurisdiction of its incorporation or organisation and that the execution and delivery by such Party of this Agreement and the performance by such Party of the transactions contemplated hereby have been duly authorised by all necessary corporate or other action of such Party;
- (b) assuming the due authorisation, execution and delivery hereof by the other Parties, this Agreement constitutes the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganisation, moratorium or similar laws affecting creditors' rights generally; and
- (c) the execution, delivery and performance of this Agreement by such Party and the consummation of the transactions contemplated hereby will not (i) violate any provision of the organisational or governance documents of such Party; (ii) conflict with or result in any material breach or violation of any of the terms and conditions of, or constitute (or with notice or lapse of time or both constitute) a default under, any instrument, contract or other agreement to which such party is a party or by which such party is bound; (iii) violate any order, judgement or decree against, or binding upon, such party or upon its respective securities, properties or businesses; or (iv) violate any law or regulation of such Party's country of organisation or any other country in which it maintains its principal office.
- (d) There are no legal, quasilegal, administrative, arbitration, mediation, conciliation or other





proceedings, claims, actions, governmental investigations, orders, judgements or decrees of any nature made, existing, or pending or, to the best knowledge of such Party, threatened or anticipated against such Party which may prejudicially affect its holding of Shares or the due performance or enforceability of this Agreement or any obligation, act, omission or transactions contemplated hereunder.

## 6. EVENTS OF DEFAULT

6.1 The Company shall be in default of this Agreement upon the occurrence of any of the following (each, an **Event of Default**):

- (a) the Company materially breaches any representations, covenants or undertakings contained in this Agreement and such breach has not been remedied for a period of 60 (sixty) days after written notice by the Holder;
- (b) the Company (i) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) is unable, or admits in writing its inability, to pay its debts generally as they mature, (iii) makes a general assignment for the benefit of its or any of its creditors, (iv) is dissolved or liquidated in full, (v) becomes insolvent (as such term may be defined or interpreted under any applicable statute), (vi) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consents to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vii) takes any action for the purpose of effecting any of the foregoing; and
- (c) the Company determines to cease its operations or wind up its affairs, and notifies the same in writing to the Holder.

## 7. RIGHTS OF HOLDER UPON DEFAULT

7.1 Upon the occurrence and continuance of any Event of Default, a Holder may at any time (unless such Event of Default has theretofore been remedied), by written notice to Company, declare the Debentures and the accrued but unpaid interest to be convertible in accordance with the provisions of Section 4 of this Agreement. Upon the Holder issuing such written notice, the Company and the Founder shall within a period of 15 (fifteen) days be obligated to undertake an exit through a buyback of securities held by the Holder or in any other manner such that the Holder shall obtain an exit for an amount equal to the investment amount.

7.2 The rights and remedies of Holder under this Agreement shall be cumulative and concurrent and may be pursued and exercised singularly, successively or concurrently at the sole discretion







of a Holder and may be exercised as often as a Holder shall deem necessary or desirable.

## 8. DISPUTE RESOLUTION

- 8.1 If any dispute arises between any of the Parties hereto during the subsistence or thereafter, in connection with the validity, interpretation, implementation or alleged breach of any provision of this Agreement or regarding any question, including the question as to whether the termination of this Agreement by any Party hereto has been legitimate, the Parties hereto shall endeavour to settle such dispute amicably. The attempt to bring about an amicable settlement is considered to have failed as soon as one of the Parties hereto, after reasonable attempts which attempt shall continue for not less than 30 (thirty) days, gives 30 (thirty) days notice thereof to the other Party in writing.
- 8.2 In case of such failure, the parties to the dispute shall jointly appoint a mutually acceptable sole arbitrator. In the event of failure to agree upon a sole arbitrator for a period of 15 (fifteen) days of receipt of notice under Section 8.1 above, one arbitrator shall be jointly appointed by the Holder(s), and one jointly by the Promoter and the Company. The 2 (two) arbitrators so appointed shall appoint a third arbitrator, who shall be the chairperson of the arbitral tribunal. The arbitration proceedings shall be governed by the provisions of the Indian Arbitration and Conciliation Act, 1996.
- 8.3 The arbitration proceedings shall be held at the Execution Location. The arbitration proceedings shall be in English language. The award shall be substantiated in writing. The court of arbitration shall also decide on the costs of the arbitration proceedings. The award shall be binding on the disputing Parties subject to applicable laws and the award shall be enforceable in any competent court of law. The provisions of this Section 8 shall survive the termination of this Agreement for any reason whatsoever.

## 9. COVENANTS

- 9.1 **Use of Proceeds.** The Principal Amount shall be used solely for the Business of the Company.
- 9.2 **Reporting; Inspection.** Company shall provide the Holder with the audited financial statements of the Company, within 120 (one hundred and twenty) days of the end of the relevant financial year;
- 9.3 **Observation Rights.** Company shall permit Holder, at Holder's expense and with prior written notice of 30 (thirty) days, to visit the Company's business, including its books and records.
- 9.4 **Compliance with Laws.** Company shall comply with all applicable laws and regulations.







## 10. MISCELLANEOUS

- 10.1 No act of omission or commission of Holder, including specifically any failure to exercise any right, remedy, or recourse, shall be effective unless set forth in a written document executed by Holder, and then only to the extent specifically recited therein. A waiver or release with reference to one event shall not be construed as continuing, as a bar to, or as a waiver or release of any subsequent right, remedy, or recourse as to any subsequent event.
- 10.2 **Assignment or Transfer by Holder.** Subject to the prior permission of the Board of Directors of the Company (which consent shall not be unreasonably withheld), the Holder may assign or transfer the Debentures and/or their right, title, interest and benefit arising under this Agreement to any other person, except to a competitor of the Company's Business and the rights of the Holder under this Agreement shall benefit any permitted and registered successors, assigns, administrators and transferees (collectively the "**Transferee**"), subject to the execution of a deed of adherence to the Agreement by the Transferee.
- 10.3 **NonAssignment by Company.** The Company may not assign its right, title, interest and benefit arising under this Agreement to any other person without the prior written consent of the Holder.
- 10.4 The Company shall bear the costs and disbursements incurred in negotiating and closing this Agreement and of matters incidental to this Agreement (which shall include all costs and consulting and advisory fees related to TermSheet.io).
- 10.5 If any date for a payment or other action to be made pursuant to this Agreement would otherwise fall on a day which is not a Business Day, it shall instead fall on the succeeding Business Day.
- 10.6 Holder, the Promoter and Company acknowledge and agree that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, Holder, the Promoter and Company agree that the other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any jurisdictional court.
- 10.7 Any term of this Agreement may be amended or terminated, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Parties.
- 10.8 It is expressly understood and agreed that the Holder shall not be construed for any purpose as a





partner, joint venturer, coprincipal, or associate of the Company, or of any person or party claiming by, through, or under the Company in the conduct of their respective businesses.

- 10.9 This Agreement, and the rights and obligations of the parties hereunder, shall be governed by, construed and enforced in accordance with the laws of the India and the courts at the Execution Location, India shall have exclusive jurisdiction over this Agreement.
- 10.10 All notices or other communications under or in connection with this Agreement shall be given in writing and, unless otherwise stated, may be made by letter or facsimile. All notices or other communications shall only be valid in accordance with this Section 18 if sent or delivered to the address provided for in the preamble to this Agreement.
- 10.11 In addition to the termination events mentioned elsewhere in this Agreement, this Agreement shall terminate in the manner stated below:
- (a) with respect to any Party, upon such Party and all of its affiliates ceasing to hold any Equity Shares or Debentures; or
  - (b) with respect to every Party hereto, on the Parties hereto agreeing to terminate this Agreement.
- 10.12 The rights and obligations of the Parties under this Agreement, which either expressly or by their nature survive the termination of this Agreement, shall not be extinguished by termination of this Agreement.
- 10.13 The termination of this Agreement in any of the circumstances aforesaid shall not in any way affect or prejudice any right accrued to any Party against the other Parties, prior to such termination.
- 10.14 The Parties recognize that each of them may be given and have access to confidential and proprietary information of the other Parties. The Parties undertake not to use any of such confidential information for their own corporate purposes or any other purpose without the prior written consent of the Party owning such information and shall use their best efforts to keep confidential and not to disclose to any person any such confidential and proprietary information.

This Agreement has been executed and delivered on the Execution Date.

\*\*\* Signature Page follows along with Schedules (renumbered as page 1)\*\*\*

