

**SHAREHOLDERS' AGREEMENT**

**BY AND BETWEEN**

**THE COMPANY**

**AND**

**THE FOUNDERS**

**AND**

**THE ANGEL INVESTORS**

*[on stamp paper of appropriate value]*

## SHAREHOLDERS' AGREEMENT

This Shareholders' Agreement (hereinafter referred to as the "**Agreement**") is executed on this day of [•] 2022 ("**Execution Date**")

### BY AND BETWEEN

-----a company duly incorporated under the Companies Act, 2013, with corporate identification number -  
----- and having its registered office at ----- (hereinafter referred to as the "**Company**") which  
expression shall unless it be repugnant to the context or meaning thereof, be deemed to mean and include its successors  
and permitted assigns) of the **FIRST PART**;

### AND

**MR.** -----, son of Mr. -----, an adult Indian national and presently residing at -----  
---, (hereinafter referred to as the "**Founder 1**", which expression shall, unless repugnant to or inconsistent with the  
context or meaning thereof, be deemed to include his successors, legal representatives and permitted assigns) **SECOND**  
**PART**;

### AND

**MR.** -----son of Mr. -----, an adult Indian national, and presently residing at -----  
- (hereinafter referred to as the "**Founder 2**", which expression shall, unless repugnant to or inconsistent with the context  
or meaning thereof, be deemed to include his successors, legal representatives and permitted assigns) **THIRD PART**;

### AND

-----, a -----, with its place of business at -----, (hereinafter referred to as "-----"  
-----", which expression shall, unless be repugnant to the context or meaning thereof, be deemed to mean and  
include their legal representatives, heirs, successors, executors, and permitted assigns) of the **FOURTH PART**;

### AND

-----, a -----, having its place of business at ----- (hereinafter referred to as "-----"  
-----", which expression shall, unless be repugnant to the context or meaning thereof, be deemed to mean and include  
their legal representatives, heirs, successors, executors, and permitted assigns) of the **FIFTH PART**.

Founder 1 and Founder 2 are referred to as "**Founders**" respectively.

The -----and the ----- shall collectively be referred to as "Angel Investors" and each,  
individually, as an "Angel Investor" as mentioned in Schedule 1A.

The Company, the Founders and the Angel Investors are collectively referred to as the "**Parties**", and each, individually,  
as a "**Party**".

### WHEREAS:

1. The Company further proposes to raise an investment of INR ----- (Rupees ----- -Only) through issuance of -----Subscription Securities to the Angel Investors at the price of INR ----- (Indian Rupees -----) each on the terms and conditions contained in this Agreement and the SSA.
2. The Company is engaged in the business of ----- (“**Business**”). The main objects of the Company are to carry on the business of -----.
3. The authorized share capital of the Company is INR -----Rupees -----) divided into -----Equity Shares of INR 10/- (Indian Rupees Ten).
4. The shareholding pattern of the Company as on the Execution Date on Fully Diluted Basis is as specified in Schedule 2A .
5. Pursuant to the SSA, the Angel Investors have agreed to invest in the Company, by subscribing to the Subscription Securities (as defined in the SSA) on the terms and conditions set out in the SSA.
6. Accordingly, the Parties have agreed to enter into this Agreement to set out the terms of their relationship, inter se, as long as they are Shareholders of the Company, regulating between themselves, certain aspects of the affairs of the Company and other matters in connection therewith.

**NOW, IN CONSIDERATION OF THE MUTUAL PROMISES, REPRESENTATIONS, WARRANTIES, COVENANTS AND CONDITIONS HEREINAFTER SET FORTH, AND OTHER GOOD AND VALUABLE CONSIDERATION THE ADEQUACY OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HERETO, INTENDING TO BE LEGALLY BOUND, AGREE AS FOLLOWS:**

## **1. DEFINITIONS AND INTERPRETATION**

### **1.1 Definitions:**

Unless otherwise defined herein, the capitalised terms used herein shall have the meaning ascribed to it in the SSA. The following terms shall have the meaning set out as follows:

- 1.1.1 “Act” means the (Indian) Companies Act, 2013 or any statutory modification or amendment thereto, or re-enactment thereof, for the time being in force and includes rules, regulations, notifications, circulars and clarifications thereunder or thereto.
- 1.1.2 “Affiliate”, with respect to (a) a company, corporation, partnership, limited liability partnership, association, trust, or any other entity, means any Person who, directly or indirectly, Controls, is Controlled by or is under common Control with such Person, including, without limitation any general partner, officer, director of such Person and any venture capital fund now or hereafter existing which is Controlled by or under common Control with one or more general partners or shares the same management company with such Person, and (b) a natural person, means any Person, a relative (father, mother, spouse or child) of such person.

Without prejudice to the above, in relation to an Angel Investor being an alternative investment fund, an Affiliate shall also be deemed to include its general or limited partner, any pooled investment fund(s), investment company and/or any fund, collective investment scheme, trust, partnership (including, any co-investment partnership), special purpose or other vehicle in which any general partner, investment manager, sponsor and/or investment advisor of the Angel Investor or their respective Affiliates is a general partner, investment manager or advisor, sponsor, settlor, member of a management or investment committee or trustee. It is hereby clarified that portfolio companies of the Angel Investor shall not constitute an ‘Affiliate’ of such Angel Investor for the purposes of this Agreement.

- 1.1.3 “Agreement” means this Shareholders’ Agreement, together with the recitals and schedules, as may be amended from time to time in accordance with the provisions hereof.

- 1.1.4 "Angel Investors' Consent" shall mean the written consent of Angel Investors holding at least [●] of the voting power of the Angel Investor Shares.
- 1.1.5 "Angel Investors Representative" means the Investor Director jointly appointed by the existing Angel Investors and the incoming Angel Investors .
- 1.1.6 "Angel InvestorsShares" shall mean the Shares of the Company, held by the Angel Investors(along with its Affiliates), from time to time including the Subscription Securities and such Equity Shares that the Subscription Securities may be converted into in accordance with this Agreement and the SSA.
- 1.1.7 "Board" means the board of directors of the Company as constituted from time to time.
- 1.1.8 "Board Meeting" means meeting of the Board of Directors and includes any adjourned meeting.
- 1.1.9 "Business Day" means a day (excluding Saturdays and Sundays) on which banks in Pune and Bangalore are open for normal banking business
- 1.1.10 "Cause" shall mean an event where a Founder commits any act or omission involving (i) fraud, willful misconduct on the part of such Founder as determined by an independent committee of experts appointed jointly by the Board (excluding the interested Founder) and the Angel Investors following the principles of natural justice; and or approved before any statutory Authority in force (ii) a material breach by such Founder of this Agreement, which, if capable of being cured or remedied, is not so cured or remedied to the satisfaction of the Angel Investors within 30 (thirty) days of the receipt of notice from the Angel Investors setting out details of such Cause event.
- 1.1.11 "Charter Documents" means the memorandum of association and articles of association of the Company.
- 1.1.12 "Closing" shall have the meaning ascribed to it in the SSA.
- 1.1.13 "Competitor" means any Person engaged in or involved in same business as the Business of the Company.
- 1.1.14 "Confidential Information" shall have the meaning ascribed to it in Clause 18.1 of this Agreement.
- 1.1.15 "Control" means the beneficial ownership directly or indirectly of more than 50% of the voting Shares (as defined in the SSA) of such entity or the power to control the majority of the composition of the board of directors or other similar governing body of such entity or the power to direct the management or policies of such entity by contract or otherwise and the terms "Controlling" and "Controlled" shall be construed accordingly.
- 1.1.16 "Director" means a director(s) of the Company from time to time.
- 1.1.17 "Dispute" shall have the meaning ascribed to it in Clause 14.1 hereof.
- 1.1.18 "Drag Along Notice" shall have the meaning ascribed to it in Clause 9 hereof.
- 1.1.19 "Drag Along Purchaser" shall have the meaning ascribed to it in Clause 9 hereof.
- 1.1.20 "Drag Along Right" shall have the meaning ascribed to it in Clause 9 hereof.
- 1.1.21 "Drag Along Shares" shall have the meaning ascribed to it in Clause 9 hereof.

- 1.1.22 “Dragged Shareholders” shall have the meaning ascribed to it in Clause 9 hereof.
- 1.1.23 “Effective Date” means the date on which the Closing occurs in terms of the SSA.
- 1.1.24 “Encumbrance” means (i) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any person, including without limitation any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under Law, (ii) any agreement on voting, interest, option, right of first offer, refusal or transfer restriction in favour of any person and (iii) any adverse claim as to title, possession or use.
- 1.1.25 “Equity Share” means ordinary equity shares in the capital of the Company of the face value of 10/- (Ten) each.
- 1.1.26 “ESOP” means the employee stock option plan to be created by the Company.
- 1.1.27 “Existing Angel Investors” means the investors as defined in Schedule 1 of SHA.
- 1.1.28 “Financial Year” means the financial year of the Company commencing on April 01 every year and ending on March 31 of the following year.
- 1.1.29 “Fully Diluted Basis” means that the calculation is to be made assuming that all convertible shares of the Company are converted (or exchanged or exercised) into Equity Shares of the Company (whether or not by their terms then currently convertible, exercisable or exchangeable), in accordance with the terms of their issuance, whether or not due to the occurrence of an event or otherwise including without limitation stock options (including employee stock options), warrants and any outstanding commitments to issue Equity Shares at a future date; and it is clarified that Employee Stock Options, would be included for the aforesaid calculation irrespective of whether or not they have been issued.
- 1.1.30 “General Meeting” means either an extra ordinary general meeting or an annual general meeting of the Company and includes any adjourned meeting.
- 1.1.31 “General Meeting Quorum” shall have the meaning ascribed to it in Clause 3.2.1 hereof.
- 1.1.32 “Investment Amount” shall have the meaning ascribed to it in the SSA.
- 1.1.33 “IPO” shall mean the initial public offering of the Company whereby the Company’s Equity Shares are listed and admitted for trading in any of the Stock Exchange in accordance with this SHA;
- 1.1.34 “Key Employees” means the Founders, and/or such other officer / employees of the Company so designated by the Angel Investors.
- 1.1.35 “Law” includes all applicable statutes, enactments, acts of legislature or Parliament, laws, ordinances, rules, bye-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any Government, statutory authority, tribunal, board, court or recognised stock exchange.
- 1.1.36 “Liquidation Event” means the following as determined by the Angel Investors :
- (a) admission of a corporate insolvency resolution process of the Company in accordance with the Insolvency and Bankruptcy Code, 2016, as amended from time to time (“**IBC**”) or the passing of an order of any court

appointing an insolvency resolution personnel in any other proceeding seeking the winding up of the Company or the liquidation of the Company; or

- (b) the consummation of a consolidation, merger, acquisition, reorganisation, amalgamation, demerger or other similar transaction (whether in one or a series of transactions) of the Company resulting in its Shareholders (immediately prior to such transaction), collectively, retaining less than a majority of the voting power or less than a majority of the outstanding shares of the Company or in the surviving entity (immediately following such transaction after giving effect to any conversion, exercise or exchange of any securities convertible into or exercisable or exchangeable for, such voting securities); or
- (c) any direct / indirect sale, lease, license or in any other manner significant block of assets of the Company (including Intellectual Property rights) or any direct / indirect Transfer of over 50% of the Shares; or
- (d) any change in Control; or
- (e) any such other event as the Angel Investors may determine;

1.1.37 "Lock-in Period" shall have the meaning ascribed to it in Clause 10 hereof.

1.1.38 "Material Adverse Effect" means an occurrence of an event which causes a material adverse effect on:

- a) the assets, Business, properties, including without limitation, the intellectual properties, liabilities, financial condition, operations, material consents, permits or licenses of the Company; or
- b) the ability of the Company or the Founders to perform their obligations under this Agreement; or
- c) the validity or enforceability of this Agreement including any of the rights / remedies of the Angel Investors.

1.1.39 "Material Breach" means occurrence of any one of the following events:

- a) *failure of the Board to capitalize the Investment Amount within 60 days from the date of service of notice by the Investors after the receipt of Investment amount by the Company;*
- b) *the Founders and/or the Company being in contravention of Clause 4 [Pre-Emptive Rights, Process For Any Further Issuances];*
- c) *the Founders being in contravention of Clause 6 [Tag Along Right];*
- d) *the Founders and/or the Company being in contravention of Clause 10 [Covenants] or covenants in SSA;*
- e) *the Founders being in contravention of Clause 10 [Lock-in];*
- f) *any Company and/or Founders and/or the Company being in contravention of Clause 11 [Anti-Dilution];*
- g) *any Company and/or Founders and/or the Company being in contravention of Clause 15 [Information Right];*
- h) *any Company & the Founders and/or the Company being in contravention of Clause 16 [Liquidation*



***Preference];***

- i) the Founders being in contravention of Clause 19 [*Non-Solicit and Non Compete*];
- j) ***the Founders and/or the Company being in contravention of Clause 18 [Confidentiality];***
- k) ***the Company and/or the Founders being in contravention of Clause 3.3 read with Schedule 4 [Reserved Matters];***
- l) ***the Company having failed to pay all applicable and undisputed taxes (direct or indirect), duties, cess, fees, levies etc. to the statutory authorities / Government of India on or before the expiry of 60 days from the respective due date of payment of such statutory dues;***
- m) ***any fraud, willful misconduct or gross negligence on the part of the Founders;***
- n) ***the Company and/or the Founders having breached any provisions of this Agreement or SSA;***

1.1.40 "Notices" shall have the meaning ascribed to in Clause 22 hereof;

1.1.41 "Person" means any natural person, firm, company, Governmental Authority, joint venture, association, partnership, limited liability partnership, society or other entity (whether or not having separate legal personality).

1.1.42 "Rupees" or "Rs." or "INR" means Indian Rupees, the lawful currency of the Republic of India.

1.1.43 "Related Party" means and includes (i) a related party as defined under the provisions of the Act; and (ii) any company in which the Founders directly or indirectly holds whether jointly or severally more than 5% of the share capital of such company.

1.1.44 "Reserved Matters" means all such matters as listed out in Schedule 4 [*Reserved Matters*] of this Agreement.

1.1.45 "Restated Articles" shall mean the amended and restated Articles incorporating the terms of this Agreement;

1.1.46 "Share Capital" means all classes of shares / securities in the capital of the Company, including without limitation Equity Shares, preference shares, the Subscription Securities, any options, warrants or other securities issued from time to time, together with all rights, differential rights, obligations, title, interest and claim in such shares (including debt instruments) which are convertible into or entitle the holder to acquire or receive any Equity Shares, or preference shares or any options to purchase rights or subscribe to securities which by their terms are convertible into or exchangeable for Equity Shares, or preference shares, and includes the impact of any anti-dilution rights granted to any Shareholder of the Company 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 and any rights, appreciation rights or instruments thereto;

1.1.47 "Shareholder" means from time to time any Person in whose name Shares of the Company are registered in the Company's register of members and/or register of preference shares;

1.1.48 "Share(s)" means all classes of shares of the Company and all other kinds of securities, warrants or options convertible into Equity Shares;

1.1.49 "Strategic Sale" means a transfer of shares held by the Angel Investors to any third party who has a strategic interest in the Business, necessarily including an acquisition of all the Shares held by the Angel Investors;

1.1.50 "SSA" means the share subscription agreement of even date entered into between the Company, the Founders and the angel investors;

- 1.1.51 "Subscription Securities" shall have the meaning ascribed to it in the SSA.
- 1.1.52 "Tag along Right" shall have the meaning ascribed to it in Clause 6.1 hereof;
- 1.1.53 "Transfer" (including with correlative meaning, the terms "Transferred by" and "Transferability") shall mean any transfer, sale, assignment, pledge, hypothecation, creation of any security interest in or lien on, exchange, gift or transfer by operation of Law or in any other way making anything subject to any Encumbrance or disposing of, whether or not voluntarily;
- 1.1.54 "Transaction Documents" mean this Agreement, the SSA, the Restated Articles, the Employment Agreements (as defined under the SSA) and any other document, deed, understanding(s), arrangement(s) related thereto

## **1.2 Interpretation:**

In this Agreement, unless the context thereof otherwise requires:

- a) Reference to singular includes reference to the plural and vice versa;
- b) Reference to any gender includes a reference to all genders;
- c) The expressions "hereof", "herein" and similar expressions shall be construed as references to this Agreement as a whole and not limited to the particular clause or provision in which the relevant expression appears;
- d) Any reference to any agreement or document shall be construed as a reference to such agreement or document as the same may have been amended, varied, supplemented or novated in writing at the relevant time in accordance with the requirements of such agreement or document and if applicable, of this Agreement with respect to amendments;
- e) Reference to any legislation or law or to any provision thereof shall include references to any such law as it may, after the date hereof, from time to time, be amended, supplemented or re-enacted, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision;
- f) References to recitals, sections, clauses, paragraphs and schedules are references respectively to recitals, sections, clauses, paragraphs of and schedules to this Agreement;
- g) References to the shareholding of any Shareholder shall (a) refer to the shareholding of such Shareholder computed on a Fully Diluted Basis, and (b) include the shareholding of such Shareholder's Affiliates;
- h) For all purposes hereof "including" means "including without limitation";
- i) Headings are used for convenience only and shall not affect the interpretation of this Agreement;



- j) Time is of essence in the performance of the Parties' respective obligations. If any time period specified herein is extended by mutual agreement between the Parties, such extended time shall also be of essence;
- k) In addition to the definitions in Clause 1 above, certain other terms are defined elsewhere in this Agreement and wherever such terms are used in this Agreement they shall have the respective meanings assigned to them, unless the context otherwise requires.
- l) In addition to the terms defined in Clause 1, certain other terms are defined elsewhere in this Agreement or SSA and whenever such terms are used in this Agreement or SSA they shall have their respective defined meanings, unless the context expressly or by necessary implication otherwise requires provided that in the absence of a definition being provided for a term, word or phrase used in this Agreement, no meaning shall be assigned to such term, word, phrase which derogates or detracts from, in any way, the intent of this Agreement and the interests of the Parties.
- m) All rights and obligations of the Angel Investors provided herein are several, and not joint.

## 2. BOARD OF DIRECTORS

### 2.1 Composition and Size

2.1.1 The Board shall consist of 3 (three) Directors, of which:

- a) 2 (Two) Directors shall be designated by the Founder(s) (the "Founder(s) Directors") who shall be the Founders themselves;
- b) 1 (one) Director shall be appointed jointly by the Angel Investors and the existing Angel Investors who shall be a non-retiring, non-executive director (the "Investor Director" or "**Angel Investor Representative**"), as long as the Angel Investors and existing Angel Investors, together with their respective Affiliates, collectively hold at least 5% (five percent) shareholding in the Company on a Fully Diluted Basis. The Investor Director shall not be required to hold any qualification shares;

In the event of any increase or decrease in the overall composition of the Board, the number of Directors so nominated by the Angel Investors and existing Angel Investors and the Founders shall be proportionately increased or decreased.

- 2.1.2 The Founders and the Company expressly agree and undertake that the Angel Investor Representative(s) shall not be in charge of, or responsible for the day to day management of the Company and shall not be identified as "officers in default" of the Company for the purposes of the Act or any other statute, or as "occupiers" of any premises used by the Company or as "employers" under applicable Laws and subject to applicable Law, shall accordingly not be liable for any default or failure of Company in complying with the provisions of any applicable Laws. Further, the Founders and the Company undertake to ensure that the Board shall duly designate / specify any or all of the other Directors (except the Angel Investor Representatives) as 'officer-in-default' under the Act and as compliance officer, occupier and/or employer, as the case may be, in order to ensure that to the maximum extent permitted by applicable Laws, the Angel Investor Representative(s) does not incur any liability of any nature whatsoever.
- 2.1.3 Subject to applicable Law, the Angel Investor Representative(s) shall not be liable to retire either by rotation or otherwise.
- 2.1.4 All decisions or resolutions by the Board may be made in a meeting of the Board in accordance with this

Agreement, the Charter Documents of the Company or whenever permitted by the Act by resolution by circulation in accordance with the Charter Documents of the Company.

- 2.1.5 To the extent permitted by applicable Law, the Company shall indemnify and hold the Angel Investor Representative(s) harmless from all claims and damages arising against the Company or its Board. The Angel Investor Representative(s) shall be advanced any and all expenses relating to any claim filed against him/her, and the Angel Investor Representative(s) shall be required to reimburse the Company for such advance expenses only upon the final, non-appealable judgment of a court of competent jurisdiction that such expenses are not permitted to be indemnified by virtue of applicable Law.
- 2.1.6 All the Directors of the Company shall be of good moral standing and shall not be a director or employee of a Competitor.
- 2.1.7 The Founders and the Company expressly agree and undertake that the Founders are responsible for the day-to-day management and affairs of the Company; and Angel Investor Representative(s) shall not be liable for any default or failure of the Company in complying with the provisions of any applicable Laws.
- 2.1.8 It is acknowledged by the Company and the Founders that the Angel Investors Representative(s) (and any other representatives of the Angel Investors) shall have no liability of any nature whatsoever arising out of or because of the investment made by the Angel Investors in the Company.
- 2.1.9 Notwithstanding anything stated herein, if the employment of the Founders is terminated for Cause (*as defined in his employment agreement*) or if the Founders resigns from the employment of the Company without the prior Approval of the Board, the Founders shall also resign as a Director from the Company and shall cause any Directors appointed by him/her to resign.

## **2.2 Change of Director**

The Parties agree that with respect to the Angel Investor Representative(s), in pursuance of this Clause, the power to appoint and remove the Angel Investor Representative lies solely with the Angel Investors and the existing Angel Investors. The Angel Investors and the existing Angel Investors may jointly by Notice to the Company in writing nominate the Angel Investor Representative and by like Notice remove the Angel Investor Representative so appointed. The Angel Investors and the existing Angel Investors shall, from time to time, by like Notice, have the right to appoint any other Person to be the Angel Investor Representative in the place of the Angel Investor Representative so removed or in the place of the Angel Investor Representative vacating office. The remaining Directors, as then constituting the Board shall act to appoint or remove such Person as the nominee Director. The Shareholders shall exercise its rights in such manner so as to cause appointment of the Angel Investor Representative nominated as aforesaid.

Board shall have a right to fill in a casual vacancy caused in the office of the Directors, by reason of his resignation, death, removal or otherwise. However, in case of an Angel Investor Representative, the Board shall fill the vacancy by appointing only such Person as the Angel Investor Representative, as is notified in writing jointly by the Angel Investors and the existing Angel Investors. The Shareholders shall exercise their rights in such manner so as to cause appointment of such Director nominated as aforesaid.

## **2.3 Quorum & Meeting Proceedings**

- 2.3.1 A Notice of 7 (seven) days along with the agenda setting out the business proposed to be transacted shall be given for any Board Meeting. In the event a meeting needs to be convened at a shorter Notice, a waiver shall be obtained from the Angel Investor Representative.
- 2.3.2 The Board Meeting shall be as per applicable Law and shall require the presence of at least two (2) Directors including the Angel Investor Representative (in case Angel Investors and the existing Angel Investor holds not less than 5 % shareholding in the Company and at least 1 (one) Founder Director. In the event of absence of quorum, the meeting shall stand adjourned to the 7<sup>th</sup> day, so reckoned from the date of the original meeting or the following working day. At such adjourned Board Meeting, the Directors present shall constitute quorum subject to the quorum meeting the requirement as per applicable Law.
- 2.3.3 No business other than as specified in the Notice to the Board Meeting shall be undertaken at such Board Meeting, save and except with the prior written consent of the Angel Investors (would be applicable only for reserved matters) and in accordance with the applicable Law. Further, if any matter on such Board Meeting is a Reserved Matter, no such business shall be transacted unless already approved by the Angel Investors Representative in writing.
- 2.3.4 The minutes of each Board Meeting shall be prepared and circulated within 14 (fourteen) days of the Board Meeting to each Director including the Angel Investor Representative and shall be finalized in accordance with applicable Law.
- 2.3.5 All Board meetings shall be held in the city where the registered office of the Company is located or such other place as may be agreed in writing by all the Directors and the Angel Investor Representative. Board shall meet at such intervals and on such dates as may be agreed by the Board from time to time, subject to at least 1 (one) meeting every quarter.
- 2.3.6 The Board Meeting can be conducted by telephone or video conferencing or any other means of contemporaneous communication in the manner permitted under the Act.
- 2.3.7 The Chairman will have a casting vote, i.e. an additional vote in order to break a deadlock, if any or for the determination of a majority vote.
- 2.3.8 Where necessary the Board may pass resolution by circulation pertaining to business items of the Company. A resolution by circulation must be circulated to all Directors and approved by the Directors in accordance with the applicable Law and shall be as valid and effectual as if it had been passed at a meeting of Directors duly convened and constituted. The resolution may be contained in 1 (one) document or in several documents in like form each signed or approved by one or more Directors concerned; but a resolution signed or approved by an alternate Director need not also be signed or approved by the Director appointing such alternate Director and, if it is signed or approved by a Director who has appointed an alternate Director, it need not be signed or approved by the alternate Director in that capacity. Reserved Matters shall not be approved through circulation unless the Angel Investors have priorly consented to such Reserved Matter in writing.
- 2.3.9 The Company shall obtain and maintain directors' and officers' liability insurance covering the Board, the cost of which shall be borne by the Company. The Company will obtain the said insurance after the expiry of 3 years from the closing date or on achieving the turnover of INR 50 Crores whichever is earlier. The Company shall keep such directors' and officers' liability insurance subsisting during the term of this Agreement. The Company shall execute an indemnity agreement in favour of the Angel Investor Representative for indemnifying such Angel Investor Representative for the actions taken by them in relation to the Company.

### 3. General MeetingS

*All General Meetings shall be held in accordance with the Act and the Charter Documents, and if not provided therein, as otherwise determined pursuant to applicable Law, and shall be held at the registered office of the Company or at such other place designated in the Notice issued by the Company to the Shareholders.*

#### 3.1 Notice and Agenda

- 3.1.1 Subject to Law, 21 (twenty one) days' prior written Notice shall be provided to all Shareholders of any proposed General Meeting. Any General Meeting may be held upon shorter Notice, in accordance with applicable Law.
- 3.1.2 The Notice for a General Meeting shall be accompanied by an agenda setting out the business proposed to be transacted thereat; and no business shall be undertaken at any General Meeting which is not specified in the said agenda, save and except with the prior written consent of the Angel Investors and in accordance with the applicable Law. Further, if any matter on such General Meeting is a Reserved Matter, no such business shall be approved unless approved by each Angel Investors in writing.

#### 3.2 Quorum

- 3.2.1 The quorum for a General Meeting shall be constituted in accordance with the provisions of the Act; provided that subject to Clause 3.2.2, at least 1 authorized representative of Angel Investors (existing and incoming Angel Investors) and at least 1 authorized representative of the Founders is present at such meeting to constitute valid quorum ("General Meeting Quorum").
- 3.2.2 In the absence of the General Meeting Quorum at a general meeting, the meeting shall be adjourned to the same time and place 7 (seven) days thereafter. If the General Meeting Quorum is not present in the adjourned General Meeting, then notwithstanding anything contained in the Clause 3.2.1, but subject to the provisions of the Charter Documents, the Shareholders present at such General Meeting shall constitute the General Meeting Quorum. All the Shareholders shall be informed in writing about the said General Meeting immediately upon, and not later than 2 (two) days from the date of the General Meeting having been adjourned on account of the General Meeting Quorum not being constituted. The agenda of said General Meeting shall remain the same. It is hereby expressly clarified that no Reserved Matter shall be transacted at such adjourned meeting, unless approved by each LV Angel Investors in writing.

#### 3.3 Reserved Matters

- 3.3.1 Notwithstanding anything to the contrary contained in the Transaction Documents, the Angel Investor's approval shall be required for all the matters set out in Schedule 4 ("Reserved Matters"), without limitation to any additional voting rights or protection conferred on the Angel Investors by applicable Law. It is clarified that the Company shall not without the prior written approval of the angel Investors take any of the actions in relation to the Reserved Matters.
- 3.3.2 Approval to a resolution relating to a Reserved Matters shall be effected by notification to the Company by Angel Investors at a General Meeting. However, in the event a Reserved Matter has been approved at a Board Meeting by the Angel Investors's Representatives, then such Reserved Matter is not required to be taken up at a General Meeting unless required under applicable Law.



#### **4. PRE-EMPTIVE RIGHTS, PROCESS FOR ANY FURTHER ISSUANCES**

4.1. *In the event the Company proposes to issue any Shares not being an Exempted Issuance, the Company shall offer such Shares to the Angel Investors in the manner set out in Clause 4.2 below, unless otherwise waived by Angel Investor Representative, in writing. Angel Investors shall have a right at its sole discretion to purchase its pro rata share of the Securities in order to maintain its proportionate shareholding in the Company on a Fully Diluted Basis.*

##### **4.2. Procedure**

*The offer of new Shares shall be made in the manner set forth in this Clause 4.2:*

- (a) The Company shall deliver a notice ("Offer Notice") to Angel Investors: (i) stating its intention to offer such new Shares; (ii) the number of such new Shares to be offered to the proposed allottee(s); (iii) the price and terms, if any, upon which it proposes to offer such new Shares; and (iv) the time period for subscribing to such new Shares, which shall not be earlier than the relevant period specified in this Clause 4.
- (b) By notification to the Company within 10 (Ten) days after receipt of the Offer Notice ("Acceptance Period"), Angel Investors may, subject to Clause 4.1, elect to subscribe to up to such number of Shares as it deems fit, at the price and on the terms specified in the Offer Notice ("Acceptance").
- (c) Within 30 (Thirty) days of communication of Acceptance, the Angel Investors shall remit the subscription amount for the Shares and the Company shall issue the Shares within 7 (Seven) days of receipt of the subscription amount by the Company, or such other time period as agreed by the Board.
- (d) If Angel Investors fails to communicate its Acceptance within the Acceptance Period or declines to subscribe to the Shares, then the Company shall during the 90 (Ninety) days period following the expiration of the time period provided in Clause 4.2(b) offer the Shares to any third party or parties, at a price not less than, and upon terms no more favourable than those specified in the Offer Notice. If the Company does not enter into an agreement for the subscription of the Shares, which have been offered to and refused by the Angel Investors within the relevant period, or if such proposed issuance is not consummated within 90 (ninety) days of the execution thereof in favour of such third party, the right provided under Clause 4 shall be deemed to have revived and such Shares shall not be issued/offered unless first offered again to the LV Angel in accordance with Clause 4.

#### **4A Treatment of Founder and investor Shares**

4A.1 *Transfer of Founder shares.* Except with the prior written approval of the Angel Investors, the Founder(s) shall not in any manner whatsoever:

- (a) Transfer, directly or indirectly, all or any part of her / his / their Shares until the expiry of 2 years from the Closing Date;
- (b) create any Encumbrance of any nature whatsoever (whether or not perfected) over or in respect of all or any part of the Equity Shares she / he / they may hold; and/or
- (c) Transfer any Shares to a Competitor.

4A.2 **Treatment of Angel Investor Shares.** The Angel Investor shall be entitled to Transfer all or any part of their Shares along with rights attached to such Shares to any third party and the acquirer shall not be a Competitor. If an Angel Investor sells its Shares to a third party, the Founders agree to facilitate and co-operate with any such Transfer, including by co-operating in any due diligence conducted by a potential purchaser and providing all necessary information relating to the Company. All representations and warranties with respect to the operations and management of the Company will be provided by the Company and the Founders. The restriction on transfer to a Competitor by an Angel Investor shall fall away upon the earlier of (i) the occurrence of a Material Breach; or (ii) expiry of the Exit Period.

## **5. Right of First Refusal (ROFR) and RIGHT OF FIRST OFFER ROFO**

### **5.1. RIGHT OF FIRST REFUSAL (ROFR)**

- 5.1.1 If at any time during the subsistence of this Agreement, any Promoter or any other Shareholder, not being Angel Investors (Transferring Shareholder) proposes to Transfer any portion of their Shares in the Company to a third party, the Transferring Shareholder shall immediately deliver a written notice (Offer Notice) to the Angel Investors (Non-Transferring Shareholder) describing accurately and in reasonable detail all the terms and conditions of the proposed Transfer, including (i) details of the purchaser; (ii) the number of Shares proposed to be sold and proposed sale price per Share (Offer Shares); (iii) the proposed date of execution of the Transfer, which shall not be less than 45 (forty five) days from the date of the Offer Notice; and (iv) any additional information reasonably required by the such other Non-Transferring Shareholder.
- 5.1.2 Upon the Offer Notice being delivered to the Non-Transferring Shareholder, the Non-Transferring Shareholder shall have the right, but not the obligation, within the time period set forth in the Offer Notice (provided that such period shall in no event be less than 15 (fifteen) Business Days from the date the Offer Notice is received by the Non-Transferring Shareholder (Offer Period), to give to the Transferring Shareholder a notice in writing, to purchase all or any part of the Offer Shares (Right of First Refusal).
- 5.1.3 The Non-Transferring Shareholder shall complete the purchase of the Offer Shares mentioned in their notice at a price not less than the price set out in the Offer Notice within 30 (thirty) Business Days from exercising their Right of First Refusal. The Parties agree that the aforesaid period of 30 (thirty) Business Days shall not include the time period taken on account of any delay in obtaining regulatory approvals from the governmental authority and other regulatory agencies.
- 5.1.4 If the In the event more than 1 (one) Non-Transferring Shareholder exercise their Right of First Refusal ("Exercising ROFR Holder"), each Exercising ROFR Holder shall be entitled to purchase the Offer Shares at the proposed sale price per Share in proportion to their inter se shareholding in the Company.
- 5.1.5 Non-Transferring Shareholder does not exercise their Right of First Refusal, the Transferring Shareholder shall be entitled to Transfer the remaining Offer Shares to the third party identified in the Offer Notice, after the expiry of the Offer Period, on terms no more favourable to the third party than those contained in the Offer Notice, within a period of 60 (sixty) days from the expiry of the Offer Period to such Non-Transferring Shareholder. In the event that the Transferring Shareholder is unable to Transfer the remaining Offer Shares to the third party purchaser within the aforementioned period, the Transferring Shareholder shall have to once again initiate the proceedings under this Clause if the Transferring Shareholder intends to sell its Shares.

### **5.2 Right of First Offer (ROFO)**



- 5.2.1 In the event any Angel Investors intends to sell all or part of its shareholding (“ROFO Shares”) in the Company to a third party (other than to its Affiliates), then the Angel Investors shall first offer to sell the same to the Promoters/ Founders.
- 5.2.2 The Angel Investors (“Selling Shareholder”) shall offer to sell the ROFO Shares by issuing a notice in this respect (“ROFO Notice”) to the Promoters/Founders (“ROFO Holders”).
- 5.2.3 The ROFO Holders shall, within 10 (ten) days of receipt of the ROFO Notice, communicate to the Selling Shareholder:
- the price at which they offer to purchase all (but not less than all) such ROFO Shares (“ROFO Offer Price”) in the event they intend to purchase all (but not less than all) the ROFO Shares, provided that the ROFO Offer Price shall not be in any event, lower than the fair market value of the ROFO Shares as of the date of issue of the ROFO Notice; or
  - that they do not intend to purchase the ROFO Shares.
- 5.2.4 In the event, more than 1 (one) ROFO Holders exercise their right of first offer in terms of this Clause, and the ROFO Offer Price offered by such ROFO Holders differs, the ROFO Right Holder offering the highest price should be entitled to purchase all the ROFO Shares. Additionally, in the event the highest ROFO Offer Price is offered by more than 1 (one) ROFO Holder, then each such ROFO Holder shall be entitled to purchase the ROFO Shares at such highest ROFO Offer Price pro rata based on their inter se shareholding.
- 5.2.5 In the event:
- the ROFO Holders refuse to purchase all (but not less than all) the ROFO Shares, or (ii) the ROFO Holders do not issue any communication to the Selling Shareholder in response to the ROFO Notice within the stipulated time period; or
  - the Selling Shareholder obtains an offer from a third party (“Third Party Buyer”) for purchase of the ROFO Shares at a price higher than the ROFO Offer Price,
- then the Selling Shareholder shall be entitled to sell the ROFO Shares to such Third Party Buyer within 90 (ninety) Business Days of the ROFO Notice, provided that the price at which such ROFO Shares are sold to the Third Party Buyer shall not be lower than the ROFO Offer Price. In the event that the Selling Shareholder is unable to Transfer the Shares to a Third Party Buyer within 90 (ninety) Business Days of the ROFO Notice, the Selling Shareholder shall have to once again initiate the proceedings under this Clause if the Selling Shareholder intends to sell its Shares.

## 6. TAG ALONG RIGHT

- 6.1 Angel Investors shall have the right to call upon the Selling Shareholder, within 30 (thirty) days of the receipt of the ROFR Notice, to procure the Transfer of a proportionate number of the Angel Investors Shares on a Fully Diluted Basis (the “**Investors Tag Shares**”) to the proposed third person transferee, on the Sale Terms, along with the Transfer of the Transfer Shares (the “**Tag Along Right**”). If the proposed Transfer by a Selling Shareholder would result in change of Control of the Company or if the Selling Shareholder would, post such Transfer, hold less than 50% of the Shares as being held by such Selling Shareholder on the Execution Date, the Investors Tag Shares would include up to all the existing Angel Investors Shares.

If an Investor intends to exercise the Tag Along Right, it shall issue a written notice within the ROFR Acceptance Period to the Selling Shareholder specifying therein the number of the Investors Tag Shares. The Parties expressly agree that the Selling Shareholder shall not be entitled to Transfer the Transfer Shares

to the proposed third person transferee unless and until it/s/he shall procure the Transfer of the Investors Tag Shares to such proposed third person transferee, on the Sale Terms.

**6.2 Joint Obligation.**

The Founders and the Company shall jointly procure the fulfilment of obligations of any Selling Shareholder other than the Founders through appropriate covenants to the effect of this Clause 4 in the concerned documents with such Selling Shareholders

**6.3 Revival**

If the transfer of Transfer Shares is not completed within 90 (ninety) days following the expiry of the ROFR Acceptance Period, then the right of the Purchasing Shareholders provided herein shall stand revived and the Selling Shareholder will be required to comply with the provisions of this Clause again.

**6.4 Termination**

The provisions of this Clause 4 will terminate upon the completion of the Qualified IPO, public offer of the Investor Shares or the consummation of a Strategic Sale.

**7. TRANSFER TO COMPETITOR**

So long as the Angel Investors hold any Shares in the Company, any Transfer of Shares by the Founders to a Competitor shall be subject to the prior written approval of the Angel Investors and subject to the terms of this Agreement.

**8. INVESTORS'S EXIT & DRAG ALONG**

**8.1 PERIOD.** Subject to applicable law, at any time after the 5<sup>th</sup> anniversary of the Closing Date (“**Exit Period**”), the Company shall, and the Founders shall cause the Company to, provide an exit to the Angel Investors through either of the modes prescribed below, as each Angel Investor may require in its discretion, within a reasonable time of up to 6 (six) months, from the date of such requirement.

- a) Qualified Initial Public Offering, and/or
- b) Strategic Sale, and/or
- c) Buy back, and/or
- d) Acquisition by a third party of the Shares held by the Angel Investors at a price that is acceptable to the Angel Investors, and/or
- e) Secondary sale of Shares held by the Angel Investors at their sole discretion where the Company decides to raise subsequent rounds of funding, to the new investor at a mutually agreeable price.

**8.2 Qualified Initial Public Offering.**

The Company and the Founders shall provide the Angel Investors with an exit in the form of an Initial Public Offering (IPO) at a minimum valuation agreed by the Board, with the approval of the Angel Investor

Representative, and list the Company's securities on a recognised stock exchange in India. The Angel Investors shall be entitled at their sole and absolute discretion, to sell the Shares held by them in the Qualified Initial Public Offering to the maximum extent permissible under the applicable law and subject to consultations with the lead underwriter in the Qualified Initial Public Offering. The Founders and the Company shall undertake and do all things necessary to give effect to such rights.

The Angel Investors shall also be entitled to such registration rights, as applicable in various jurisdictions (other than India), to the best interests of the Angel Investors (including demand and piggyback registration rights). (It mainly relates to US law. In case the Company goes for listing in the USA, then Angel Investors will have right to sell the shares on listing)

Subject to applicable Law, under no circumstance shall the Angel Investors be considered and named as 'PROMOTER' of the Company in any document pertaining to the Qualified Initial Public Offering or a person acting in concert with the Promoter, and therefore the Securities held by the respective Investors shall not be subject to any lock-in conditions applicable to the Promoter, for and after the Qualified Initial Public Offering as per applicable Law.

### 8.3 Buy-back of Angel Investor's Shares

- (a) If a Qualified Initial Public Offering or the sale of the Angel Investors' Shares pursuant to Clauses 8.2 above is not completed by the Qualified IPO Date, each Investor shall be entitled to require the Company to buy-back the Shares held by the Angel Investors (the "**Buy-Back Option**") at a price which is higher of (a) amount invested by the Angel Investors plus annual compounded return of 12% (Twelve percent) per annum; or (b) fair market value of the Shares as determined by an independent investment banker / audit firm mutually appointed by the Parties ("**Buy-Back Price**") , subject to approval of the Board and in accordance with provisions of applicable law in force or to undertake a Strategic Sale as set out in Clause 8.4 below.
- (b) In the event that an Investor determines to exercise the Buy-Back Option, it shall notify the Company of such determination in writing (the "**Buy-Back Notice**"). The Company shall, and the Founder(s) shall procure that the Company shall, complete the buy-back within 30 (thirty) days from the issuance of the Buy-Back Notice. If the number of Investor Shares is greater than the number of Shares that may be bought-back by virtue of applicable law, or if there is a deficit in cash available with the Company for the completion of such buy-back, the remaining Investor Shares shall be carried forward and bought-back on a pro-rata basis, as soon as the Company is able to complete such buy-back under applicable law or cash becomes available to complete such buy-back.
- (c) For so long as an Investor is a Shareholder in the Company, the Founder(s) expressly undertake that they shall not and shall procure that Shareholders (other than the Investors) shall not] participate in any buy-back of their Shares in the Company.

### 8.4 Strategic Sale.

- (a) If a Qualified Initial Public Offering is not completed within the Qualified IPO Date, each Angel Investor shall be entitled to require the Company to complete a Strategic Sale. In such an event, the Company shall deliver a notice to each Angel Investor (the "**Strategic Sale Notice**"), setting out (i) the exact nature of the transaction proposed; (ii) the identity of the proposed acquirer or transferee; (iii) the price and other terms on which the Shares are proposed to be sold; (iv) the estimated time for completion of the Strategic Sale; and (v) any other material terms of the proposed Strategic Sale.

- (b) The price at which the Investors Shares are proposed to be sold pursuant to the proposed Strategic Sale shall be at price acceptable to a Angel Investors. .
- (c) In the event that an Angel Investors consents to the terms contained in the Strategic Sale Notice in writing (the "Approved Strategic Sale"), the Angel Investors shall indicate the number of Investor Shares that the Angel Investors proposes to offer in such Strategic Sale and the Company and the Founder(s) shall take all steps necessary to complete the Approved Strategic Sale on the terms set out in the Strategic Sale Notice, within a period of 90 (ninety) days from the date on which the Angel Investors consents to the Strategic Sale in writing. Such period may be extended, with the board's written consent, by any time required to complete the Strategic Sale.
- (d) Unless otherwise agreed in writing by the Angel Investors, Strategic Sale shall be deemed to have been completed only when all the Shares which are offered for sale by the Angel Investors are purchased by the buyer in the StrategicSale.
- (e) The Company and the Founders hereby agree to take all such actions to ensure that the terms and conditions of the offer made by the buyer for a Strategic Sale are satisfied so as to provide an exit to the Angel Investors.

## 9 DRAG ALONG

- a) In the event (i) of a Material Breach; or (ii) if the Founder(s) and the Company, fail to provide an exit to the Angel Investors prior to the expiry of Exit Period, Angel Investors, with the approval of existing Angel Investors holding at least 50% (fifty percent) Angel Investor Shares, has a unilateral right but not the obligation to drag (the "**Drag Along Right**") all other Shareholders of the Company, (the "**Dragged Shareholders**") to sell its Shares to any third Person (including without limitation a Competitor) ("**Drag Along Purchaser**").
- b) *The Angel Investors may exercise the Drag Along Right by issuing a written notice to the Dragged Shareholders and the Company ("Drag Along Notice"). Upon receipt of the Drag Along Notice, the Dragged Shareholders shall sell the number of Shares held by such Dragged Shareholders stipulated in the Drag Along Notice ("Drag Along Shares") to the Drag Along Purchaser to enable the Angel Investors to exercise its Drag Along Right no later than 30 (thirty) days from the date of receipt of the Drag Along Notice by the Founders or the remaining Shareholders, as the case may be. At the end of the said 30 (thirty) day-notice period, the Drag Along Shares shall have been sold by the Dragged Shareholders to the Drag Along Purchaser.*
- c) *The Drag Along Notice shall specify (a) the proposed valuation of the Company and the offer price for each Drag Along Share; (b) the identity and address of the Drag Along Purchaser; and (c) the proposed date, time and venue for the conclusion of sale and purchase of the Drag Along Shares. A Drag Along Notice can be revoked by the Angel Investors by a written notice to the Company and the Dragged Shareholders, at any time before the completion of the Transfer, and any such revocation shall not prohibit the Angel Investors from exercising a Drag Along Right at any time in future. The Transfer of the Drag Along Shares shall take place simultaneously with the Transfer of Shares by the Angel Investors and payment for the Drag Along Shares shall be made simultaneously. The Dragged Shareholders shall, at least 15 (fifteen) days prior to the closing of the Transfer, deliver the share certificates / Depository Participant authorization slips in respect of the Drag Along Shares, to the Company along with the transfer forms duly filled in and if their Shares have been dematerialised, shall issue appropriate instructions to their depository participant to give effect to the Transfer in accordance with the Drag Along Notice. The Dragged Shareholders shall ensure that the Drag Along Shares to be sold by them pursuant to the Drag Along Right shall be*

*free and clear of any Encumbrance and have a good and marketable title.*

- d) *The Company and the Dragged Shareholders (as the case maybe) shall not unreasonably withhold approval and shall do all acts and deeds reasonably required to effectuate any exit including signing any necessary agreements to facilitate the transaction and any other form of co-operation as may be required. The Company and the Founders shall obtain all relevant approvals, statutory or otherwise, that are necessary for the exit, and shall co-operate and extend all assistance to the Dragging Shareholders in obtaining all relevant approvals, statutory or otherwise that are to be obtained by the Dragging Shareholders in relation to an exit.*
- e) *The Company shall be responsible for the appointment of all third-party intermediaries, merchant bankers, lawyers and other agents, banks, managers, advisors, consultants, service providers, brokers etc. as required for the purposes of facilitating the exit as acceptable to the Angel Investors. The Company shall be responsible and solely liable for: (a) payment of all costs and expenses incurred in connection with the exit, including stamp duty, registration, professional fees/broker charges, etc. (b) obtaining prior permission from banks and/or other financial institutions for consummating an exit, if so required, and (c) any breach of the Company's representations, warranties, covenants, obligations and undertakings set forth in any agreement.*
- f) *It is clarified that the Founders shall be required to provide representations and warranties and consequent indemnities that are customary for the Founders of a company to provide in any transaction involving an acquisition of such company by a third party, including without limitation, warranties in relation to title over the Shares held by the Founders (free and clear of any Encumbrance, and have good and marketable title), the Company, the assets of the Company and its Business.*

## **10. LOCK-IN**

- 10.1 *The Founders shall not be permitted to Transfer any of their Shares to any third party during the period earlier of (i) 2 (two) years from the the Closing Date; or (ii) upon occurrence of any Liquidation Event (the "Lock-in Period").*
- 10.2 *The Founders shall obtain the written approval of the Angel Investors prior to selling or Transferring any Shares held by them or giving any right as a Shareholder to any third party.*
- 10.3 *Any proposed sale and/or Transfer of Shares by the Founders shall be subject to Clause 4 and Clause*
- 10.4 *25% (twenty five percent) of the Shares held by Founders in the Company on the Closing Date shall be deemed to be unrestricted Shares for the purposes of this Agreement. The remaining 75% (seventy five percent) of the Shares held by Founders in the Company on the Closing Date shall be deemed to be restricted Shares for the purposes of this Agreement. These restricted Shares shall there upon vest equally on a half yearly basis, over a period of 4 (four) years starting from the Closing Date. All Shares vested in accordance with this Clause 9.4, shall be considered to be unrestricted Shares, for the purpose of this Agreement. In case of a Liquidation Event, all Shares of the Founder shall be deemed to have vested.*
- 10.5 *In the event of termination of the employment of a Founder by the Company in relation to a Cause( only in case there is a substantial loss to the Angel Investors i.e loss exceeding 50 % of the invested funds of the Angel Investors), all the Shares held by such Founder on that date shall be transferred at par, at the discretion of the Board (excluding the interested Founder) with the consent of theAngel Investors (ii) to the other Shareholders of the Company in proportion to their inter se shareholding; or (iii) any other Person identified by the Board (excluding the interested Founder) with the consent of the Angel Investors.*
- 10.6 *In the event of resignation by a Founder by the Company other than in relation to a Cause, all the Shares held by such Founder that have vested with the Founder, as on the date of such resignation or termination (as the case*



may be), shall be transferred at Fair Market Value as determined by the Independent Valuer to any third party as decided by the outgoing founder. .

## 11. ANTI DILUTION

- 11.1 *Notwithstanding anything to the contrary contained herein or without the prior written consent of the Angel Investors, if the Company offers any fresh Shares, in any form whatsoever, to any Person, subsequent to the Angel Investors' investment in the Company (not including shares / options issued as a part of an ESOP), at a price lower than the price paid by the Angel Investors towards the subscription of their respective shares, then the Angel Investors shall be entitled to an adjustment in the conversion ratio (where applicable) or receive such additional shares as per Schedule 3.*
- 11.2 *The Company and the Founders agree that if any rights or benefit is granted by the Company to any future investor, which is more favourable than the rights or benefits granted to the existing Angel Investors under this Agreement, such rights and benefits shall also be available to the incoming Angel Investors. For this purpose, the Company and the Founders shall promptly provide the Angel Investors with such information as may be required to enable the Angel Investors to take a decision on the matter, including making suitable amendments to this Agreement and the Charter Documents to ensure that the Angel Investors is entitled to similar rights and benefits.*

## 12. FOUNDERS' COVENANTS

- 12.1 *All new activities / expansions in relation to the Company's Business shall be in the first instance offered by the Founders to be conducted through the Company; and shall be conducted by or through the Company unless the Angel Investors otherwise decide.*
- (a) *The Founders hereby agrees that they will execute an employment agreement with the Company which shall also include additional conditions relating to confidentiality and intellectual property assignment as may be detailed in such employment agreements.*
- 12.2 *The Company and the Founders agree and confirm that they will have no objection to the Angel Investors and/or their Affiliates investing in or collaborating with any business or entity in the same or allied field as the business being carried on by the Company, subject to the directors nominated by the Angel Investors and / or its Affiliates on the Board executing an appropriate confidentiality and non-disclosure agreement with the Company. The Founders also have the right to require the Angel Investors to replace any Investor Director who is engaged as a director in a Competitor.*
- 12.3 *The Investment Amount is intended to and shall be utilised by the Company for the Business.*
- 12.4 *All transactions between the Company, the Founders and their respective Related Parties shall be conducted on an arm's length basis for bona fide commercial considerations.*
- 12.5 *The Founders and the Company undertake to promptly notify the Angel Investors in writing if they become aware of any act, matter or circumstance (whether existing on or before the date of the Agreement or arising afterwards) which would cause any of the Representations and Warranties given by them, to become untrue or inaccurate or misleading in any aspect.*
- 12.6 *The Charter Documents of the Company shall be altered to incorporate therein such of the provisions of this Agreement and the Parties shall, for this purpose and to this end, take all steps necessary or required under and in*



*accordance with the Act and the applicable Law. If any provisions of the Charter Documents at any time conflict with any provisions of the Transaction Documents, the Transaction Documents shall prevail and the Parties shall whenever necessary exercise all voting and other rights and powers available to them to procure the amendment, waiver or suspension of the relevant provisions of the Charter Documents, to the extent necessary to permit the affairs of the Company to be administered as provided in the Transaction Documents.*

- 12.7 *The Company and the Founders shall ensure that the Company effects and maintains all customary insurances, including all risk insurance, employment liability, workers compensation and liability insurance against social and environmental risks and provides from time to time, and provides that Angel Investors with evidence that such insurances have been effected and maintained. The Company will be liable to obtain the said insurance after the expiry of 3 years from the closing date or on achieving the turnover of INR 50 Crores whichever is earlier. The Company shall keep such directors' and officers' liability insurance subsisting during the term of this Agreement.*
- 12.8 *The Founders shall cause the Company to complete all regulatory filings within 30 (thirty) days of allotment of the Shares to the Angel Investors, and all periodic filings pertaining to the Angel Investors' investment in the Company.*
- 12.9 *Subject to the provisions of Clause 3.3 read with Schedule 4 the Founders shall at all times consult the Angel Investors on key appointments made on a full time employment bases to the management team (comprising of chief executive officer, chief operation officer, chief finance officer, head of sales and marketing and head of operations) of the Company including on issues such as hiring, firing or change in compensation of the management team. However, the decision regarding such appointment shall be solely with the Founders.*
- 12.10 *The Company shall reserve constituting 5% (five percent) of the Share Capital of the Company, on a Fully Diluted Basis at the Closing Date from the founders shareholding, for issuance upon the exercise of options to the key employees of the Company ("ESOPs") in accordance with the employee stock option plan or employee incentive plans of the Company to be adopted by the Company at any time after Closing with the prior written approval of the Board. Upon occurrence of a Liquidation Event, any portion of the ESOPs un-issued as on such date shall be transferred to the Founder at par value or at the lowest possible price permitted under applicable Law. ESOP Pool shall be constituted by the Company at a future date as decided by the board. Any dilution in the share capital on account of ESOP Pool shall be borne by the Founders.*

### **13. COMPLIANCE**

The Company and the Founders shall take (or cause to be taken) all practicable steps and actions to the extent possible by them, including, without limitation, the exercise of votes they directly or indirectly control at meetings of the Board and/or General Meetings of the Company and as necessary and appropriate to ensure compliance with the terms of this Agreement and that they shall do all such other acts and things as may be necessary or desirable to implement this Agreement.

### **14. DISPUTE RESOLUTION AND GOVERNING LAW**

- 14.1 *Any disputes, differences, claims and questions between the Parties hereto arising out of this Agreement or in any way relating hereto or any term, condition or provision herein mentioned or the construction or interpretation thereof or otherwise in relation hereto ("Dispute") shall be resolved by amicable negotiations among executives of the Parties within 90 (ninety) days of written Notice of the existence of such Dispute and be referred for mediation/conciliation to an individual or institution comprising of an individual with appropriate qualification or repute and business understanding as the Angel Investors determines in good faith.*
- 14.2 *If the Dispute has not been settled pursuant to the Clause 14.1, such Dispute shall thereafter be referred to and*

*finally resolved by arbitration in accordance with the Arbitration Rules of the Mumbai Centre for International Arbitration Rules ("MCIA Rules"), which rules are deemed to be incorporated by reference in this Clause. A sole arbitrator shall be appointed within 15 (fifteen) days. The Parties agree that in the event the Parties are unable to appoint a sole arbitrator within the specified timeline above, then any Party can approach the Mumbai Centre for International Arbitration under 'ad-hoc case' for appointment of a sole arbitrator and the said arbitrator shall be appointed by them within next 15 (fifteen) days.*

- 14.3 *All arbitration proceedings shall be conducted in the English language and the seat and venue of arbitration shall be [Mumbai]. The arbitrator shall make an award in writing within 180 (one hundred eighty) days of the appointment of the arbitrator. The award of the arbitrator shall be final, conclusive and binding upon the Parties and non-appealable to the extent permitted by Applicable Law.*
- 14.4 *The Parties agree that the costs and expenses shall be as decided by the arbitrator in his award.*
- 14.5 *This Agreement and its performance as also the arbitration agreement incorporated herein shall be governed by and construed in all respects in accordance with the laws of India and the courts of Mumbai shall have exclusive jurisdiction.*

## **15. INFORMATION RIGHT**

- 15.1 *The Company shall promptly deliver the following information within the specified timeframes to the Angel Investors:*

### Monthly:

- a) *information in an agreed format mainly of income and expenses and certain specified business matrix within 10 days from end of the Month;*

### Quarterly:

- b) *unaudited financial statements including a balance sheet, an income statement and note on accounting policy and principles being followed, within 30 days from end of the quarter.*
- c) *cashflow; details of capital expenditures, details of extra ordinary expenditures, an aging analysis of receivables, income and expenses comparisons to budget and a note of key issues and variances to the budget within 30 days of the end of the relevant quarter.*
- d) *brief operations update including a narrative describing the Company's progress within 30 days from end of the quarter.*
- e) *minutes of the meetings of the Board, Shareholders meeting and committees of the Board and the information / documents tabled at such meetings, within 10 days from the date of such meeting.*

Yearly:

- f) *audited annual account report including directors report, auditors report, a balance sheet, an income statement and note on accounting policy and principles followed within 90 days from end of the Financial Year.*
- g) *annual business plan (having quarterly budget containing balance sheet, income statement, cashflow, details of capital expenditures, details of HR / hiring plan, details of any extra ordinary expenditure to be incurred & expenditure and detailed of the working capital), latest by last week of February of the same year.*

Others:

- h) *information & claim made on any litigation, criminal prosecution / proceeding or investigations that the Company or the Founders may be involved in, as an accused / in any other capacity or of any conviction for any offence whether in India / outside India within 10 business days from the date of its occurrence.*
- i) *intimation of (i) any show cause notices received from Governmental Authority (including from any tax department), (ii) requisitions from any Governmental Authority for production of any information / documents (including from any tax department), or (iii) any filings to be made by the Company with any Governmental Authority (including to any tax department) within 10 business days from receipt of such intimation.*
- j) *details of occurrence of any event (including force majeure) or development at the Company having an Material Adverse Effect within 10 business days from such occurrence.*
- k) *All of the above information will be provided in writing to the Angel Investors.*

15.2 The Company and the Founders shall at all times, permit the Angel Investors, or any of its authorized representatives, during normal business hours following reasonable notice and as often as may be reasonably requested a) to allow and inspect the properties of the Company, including its corporate and financial records and b) to meet & discuss with any officer of the Company. For the avoidance of any doubts, it is clarified that the rights available to the Angel Investors under this clause are in addition to the standard inspection rights available under the Act.

15.3 The Founders and the Company agree that the provisions of this Clause 15 shall apply mutatis mutandis to each subsidiary of the Company and the Founders and the Company shall undertake all actions to ensure that the Angel Investors can exercise the aforesaid rights with each Subsidiary of the Company.

## **16. LIQUIDATION PREFERENCE**

16.1 Notwithstanding the terms and conditions of this Agreement and the Charter Documents but subject to applicable Law, in the event of the occurrence of any Liquidation Event, the total proceeds from such Liquidation Event, remaining after discharging or making provisions for discharging the statutory liabilities of the Company (“**Distributable Proceeds**”), shall be distributed in the manner set out in this Clause 16.

- a) If the Distributable Proceeds are greater than the investment amounts invested by the Angel Investors in the Company from time to time, then before any payment is made to any other Shareholder, the incoming Angel Investors and the existing Angel Investors shall receive from the Distributable Proceeds, higher of (i) 1.3X (one point three times) of the investment amount (including any accrued or declared but unpaid dividends on its' Shares); or (ii) pro rata share of the Distributable Proceeds on a Fully Diluted Basis, whichever is higher ("Agreed Return"); and
- b) After distribution of the Agreed Return, the remaining proceeds, if any, shall, be then distributed on a pro rata basis to the remaining Shareholders except the Angel Investors and the existing Angel Investors .
- c) If the Distributable Proceeds are lesser than the investment amounts invested by the Angel Investors and the existing Angel Investors in the Company from time to time, then the entire Distributable Proceeds shall be paid to the Angel Investors and the existing Angel Investors pro rata to their respective investment amounts.

## 17. PARTIES BOUND AND OTHER AGREEMENTS

*The Company undertakes with each of the other Parties to be bound by and comply with the terms and conditions of this Agreement insofar as the same relate to the Company and to act in all respects as contemplated by this Agreement.*

## 18. CONFIDENTIALITY

- 18.1 Each Party undertakes to each of the other that this Agreement and all other information exchanged between the Parties under this Agreement or during the negotiations preceding this Agreement is confidential to them and may not be disclosed to any Person. Except with the prior written consent of the other Party, each Party shall hold in strictest confidence and shall not at any time use or divulge or communicate to any third Party and shall take all necessary precautions to secure any Confidential Information of the other Party. Disclosure of such information shall be restricted solely to officers or employees of the Company or any Related Party whose province it is to know such Confidential Information on a strict need-to-know basis who have been advised of their obligation with respect to Confidential Information and have agreed to such obligation. The term "**Confidential Information**" means all non-public information that this Agreement or a Party designates as being confidential, or which, under the circumstances of disclosure, would be reasonably expected to be treated as confidential. "**Confidential Information**" includes, without limitation, the existence and the terms and conditions of this Agreement, information relating to the business, accounts, finance, contractual arrangements of intellectual property (whether owned or licensed by the Company), marketing or promoting of any product or services, business policies or practices, customers, potential customers or documentation or other dealings, transitions, affairs or property of the Company or any group company which may come to their knowledge and they shall use all reasonable endeavours to prevent the publication or disclosure of any confidential information concerning such matters. The aforementioned shall not be applicable to:

- a) ***Any information that has come into public domain, other than by a breach of this Clause; and***
- b) ***For any reason, other than through the default of that Shareholder, the information shall have ceased to be confidential.***

- 18.2 No announcement or publicity concerning the terms of this Agreement or the interest of any shareholder in the Company shall be made or issued by any of the Parties without the prior written approval of the other Parties other than as required by Law or by the rules of any competent regulatory authority to which any of the Parties is subject.
- 18.3 Notwithstanding the foregoing, the Angel Investors may disclose (i) the existence of the investment and the



financing terms to any partner, limited partner, former partner, potential partner or potential limited partner of the Angel Investors and (ii) with the prior written intimation of the Founders, the fact of the investment (including the total Investment Amount) to the public.

## **19. NON-SOLICIT AND NON COMPETE**

19.1 The Founders agree that during the term of this Agreement or so long as a Founder holds Shares in the Company or continues to be in the employment of the Company, and for a period of 2 (two) years from the date such Founder ceases to hold Shares or be in employment of the Company, whichever is later:

- (i) The Founders shall devote their entire time and attention in exclusively rendering services to the Company as employees of the Company, and shall not be employees / consultants of and to any other Person and shall not commit any breach of their respective employment agreements;
- (ii) the Founders shall not, without the prior written consent of the Angel Investors, directly or indirectly, own, manage, operate, join, have an interest in, Control or participate in the ownership, management, operation or Control of, or be otherwise connected in any manner with, any corporation, partnership, proprietorship, trust, estate, association or other business entity which directly or indirectly engages anywhere in the world in a commercial activity identical or similar to, or one that competes with the Business of the Company during the currency of this Agreement or a period of 24 (twenty four) Months from the date the Founders cease to be a Shareholder or employee of the Company, as the case may be ; and
- (iii) the Founders shall be subject to and adhere to the confidentiality and other obligations under their respective employment agreements.

19.2 The Founders undertake that, there are no other entities through which business is done by the Company or the Founders. In the event that the Founders violates the requirements of this Clause at any time after the Closing Date, it shall be considered a breach of this Agreement, and the provisions of Clause 19 shall be applicable.

19.3 The Founders acknowledges and agrees that the above restrictions are considered reasonable for the legitimate protection of the business and the goodwill of the Angel Investors and the Company, but in the event that such restriction shall be found to be void, but would be valid if some part thereof was deleted or the scope, period or area of application were reduced, the above restriction shall apply with the deletion of such words or such reduction of scope, period or area of application as may be required to make the restrictions contained in this Clause valid and effective. Notwithstanding the limitation of this provision by any Law for the time being in force, the Founders undertake to, at all times, observe and be bound by the spirit of this Clause.

19.4 During the term of this Agreement and for a period of 24 (twenty four) Months from the date Founders cease to be a Shareholder or employee of the Company whichever is later and where such event is not due to termination of this agreement or due to liquidation of the Company, the Founders agree that they shall not directly or indirectly through third Parties:

- a. *attempt in any manner to solicit from any client / customer, except on behalf of the Company, carry on any business similar to Business of the Company or to persuade any Person, firm or entity which is a client / customer of the Company to cease doing business or to reduce the amount of business which any such client / customer has customarily done or might propose doing with the Company whether or not the relationship between the Company and such client / customer was originally established in whole or in part through their efforts;*
- b. *use the service of or make any offers of employment or contract or sub-contract to the Company's employees or contractors;*

- c. *engage in any business, directly or indirectly, that in competition with the Business of the Company or any group / subsidiary Company;*
- d. *assume any executive or management responsibilities in any other company without the prior approval of the Angel Investors;*
- e. *engage in any activity that would result in the dilution of management time spent by the Founders on the activities of the Company.*

## **20. BREACH**

- 20.1 In the event of a breach of any obligation under this Agreement either by the Company or any Founders, the Angel Investors shall be forthwith absolved from its obligation under this Agreement provided however, it will continue to be entitled to all its rights under the Transaction Documents.
- 20.2 In the event of a Material Breach and upon failure to remedy such Material Breach (if capable of remedy) within 30 days after being given Notice so to do by the Angel Investors, the Angel Investors shall, at their sole discretion, have the right to enforce any or all of the following provisions upon the Company and/or the Founders:
- a. *Require the defaulting Founder to relinquish the position of a Director and/or employee of the Company (or any group company) and hand over all executive responsibility as required by the Angel Investors.*
  - b. *Require the Company to buyback the Shares held by the Angel Investors at three times the price at which the Angel Investors had subscribed to their respective Shares or the fair market value of their respective Shares on such date, whichever is higher.*
  - c. *Require the Founders to purchase the Shares held by the Angel Investors, at three times the the price at which the Angel Investors had subscribed to their respective Shares or the fair market value of their respective Shares on such date, whichever is higher, if such Material Breach is on account of fraud, willful misconduct, gross negligence or mismanagement on the part of the Founders.*
  - d. *Alternatively, and in addition to the rights above, the Angel Investors can accelerate the Exit / Drag Along Rights and invoke Clause 8*
- 20.3 All costs arising out of execution of this Clause 20 shall be borne by the Company.

## **21. termination**

- 21.1 This Agreement may be terminated by the Angel Investors at any time / stage by issuing a Notice in this regard to the other Parties in any of the following cases:
- a. *Any misrepresentation or material inaccuracy in any representation and warranty of the Founders / Company, or any failure to perform or breach of any agreement, obligation, representation, warranty, term, covenant or undertaking of the Founders and/or Company;*
  - b. *The Company and/or the Founders are found indulging in any illegal activities, evasion / avoidance of tax, non-disclosure of information or involvement in any proceedings;*



- 21.2 *Failing to inform Angel Investors of any change in the business policies of the Company which is causing substantial loss (i.e exceeding 50 % of the invested funds) or any change in its Control or any other such change which is done without the consent of the Angel Investors irrespective of whether such change affects the operations of the Company;*
- 21.3 *The decision of the Angel Investors that any of the events mentioned in Clause 20.1 has occurred shall be final and binding on the Parties.*
- 21.4 The following are the consequence of termination of this Agreement:
- a. The Angel Investors shall not be subject to the obligations cast on them herein. It is clarified that all the governance, exit and other rights vested in the Angel Investors shall continue;*
  - b. The Founders and the Company shall continue to be bound by their respective obligations / covenants. All rights of the Founders and the Company shall be extinguished; and*
  - c. The holding of the Company's Shares by the Angel Investors shall not be affected;*
- Provided however that, notwithstanding anything contained in this Clause 20 or any other provisions of this Agreement which by their nature are required to survive shall survive the termination of this Agreement*

## **22. NOTICES**

Except as may be otherwise provided herein, all notices, requests, waivers and other communications ("Notices") shall be deemed to be delivered as provided herein: (a) if delivered to the addressee by hand: upon the Notice being acknowledged by written receipt by the addressee; (b) if sent by any form of electronic mode: immediately upon transmission from sender's end; (c) if dispatched by ordinary prepaid postage: upon the lapse of the 5<sup>th</sup> day of such dispatch; (d) if sent via an overnight courier: upon receipt (evidenced by proof of delivery). The Notices shall be addressed to the Parties at the contact details provided in Schedule 6. Each Party shall promptly inform the other Parties of any change in contact details.

## **23. Partnership**

The Parties expressly do not intend hereby to form a partnership, either general or limited and/or a joint venture under any jurisdiction's law. The Parties do not intend to be partners to one another, or partners as to any third party, or create any fiduciary relationship among themselves, solely by virtue of their status as Shareholders of the Company. To the extent that any Party, by word or action, represents to another Person that any other Party is a partner or that the Company is a partnership, the Party making such representation shall be liable to any other Parties that incur any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever (including to any investigative, legal or other expenses incurred in connection with, and any amount paid in settlement of, any pending or threatened legal action or proceeding) arising out of or relating to such representation. No Party, acting solely in its capacity as a Shareholder of the Company, shall act as an agent of the other Parties or have any authority to act for or to bind the other Parties.

## **24. MISCELLANEOUS**

### **24.1 Assignment:**

Neither the Founders nor the Company shall be entitled to assign their rights and obligations under this Agreement in any manner without the prior written consent of the Angel Investors. Angel Investors shall be entitled to assign its rights and obligations under this Agreement to any one or more Persons (not being a

Competitor) with the consent of the Founders and the Company together with a transfer of Shares held by it in accordance with this Agreement.

**25.1 Severability:**

Any provision in this Agreement which is or may become prohibited or unenforceable in any jurisdiction shall as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in the same or any other jurisdiction. Without prejudice to the foregoing, the Parties shall immediately negotiate in good faith to replace such provision with a proviso which is not prohibited or unenforceable and has, as far as possible, the same legal and commercial effect as that which it replaces.

**25.2 Execution:**

*Each of the Parties severally undertake, to execute or procure the execution of such documents and do or procure the doing of such acts and things that may reasonably be necessary to give full effect to the provisions of this Agreement or any document related thereto.*

**25.3 Language:**

*All Notices, certificates, reports, information and documents given to Angel Investors pursuant to this Agreement shall be in the English language.*

**25.4 Amendments:**

This Agreement may be modified, amended or supplemented only by the mutual written agreement of the Parties.

**25.5 Counterparts:**

*This Agreement may be executed in several counterparts, each of which shall constitute the original but all of which shall together constitute one and the same agreement.*

**25.6 Rights and Waiver:**

*No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. Without limiting the foregoing, no waiver by a Party of any breach by any other Party of any provision hereof shall be deemed to be a waiver of any prior, concurrent or subsequent breach of that or any other provision hereof, and waiver by a Party in exercising any rights available to it under this Agreement shall not preclude such Party from exercising such rights at a later stage (unless expressly or impliedly prohibited by this Agreement). The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by applicable Laws. Any waiver, and any consent by any of the Parties under any provision of this Agreement, must be in writing and may be given subject to any conditions thought fit by the Person giving that waiver or consent. Any waiver or consent shall be effective only in the instance and for the purpose for which it is given.*

**25.7 Expenses:**

The Company shall bear all the stamp duty and registration fees and other statutory costs on this Agreement.

**25.8 Entire Agreement:**

*This Agreement represents the entire understanding between the Parties and shall supersede and extinguish any previous drafts, agreements or understandings (including the term sheet) between the Promoters, Company and Incoming Angel Investors (whether oral or in written) relating to the subject matter herein, except to the extent that the same are repeated in this Agreement and shall include all schedules and amendments executed by the parties mutually in writing.*

**25.9 Specific Performance:**

The Agreement shall be specifically enforceable at the instance of any Party. The Parties agree that a non-defaulting Party will suffer immediate, material, immeasurable, continuing and irreparable damage and harm in the event of any material breach of the Agreement and the remedies at applicable Law in respect of such breach will be inadequate (each Party hereby waives the claim or defense that an adequate remedy under the applicable Law is available) and that such non-defaulting Party shall be entitled to seek specific performance against the defaulting Party for performance of its obligations under the Agreement in addition to any and all other legal or equitable remedies available to it.

**25.10 Further Assurance:**

Each Party shall cooperate with the other Parties and execute and deliver to the other Parties such instruments and documents and take such other actions as may be reasonably requested from time to time in order to carry out, evidence and confirm their rights and the intended purpose of this Agreement.

**25.11 Time:**

Any date or period as set out in any Clause of this Agreement may be extended with the written consent of the Parties failing which time shall be of the essence.

**25.12 Independent Parties**

*Each Party to this Agreement is an independent Party and shall not be liable for any default of any other Party, nor shall default by one Party be deemed to be a cross default of another Party.*

*--[Signatures follow from the next page onwards.*

*The remainder of this page is intentionally left blank]--*

This signature page forms part of this Agreement.

For and on behalf of -----

\_\_\_\_\_  
Name: -----

Designation: **Director**

\_\_\_\_\_  
Name: -----

**Founder 1**

\_\_\_\_\_  
Name:

**Founder 2**

NDM Advisors LLP

**This signature page forms part of this Agreement.**

\_\_\_\_\_  
Name:

**Angel Investors**

NDM Advisors LLP

**SCHEDULE 1**

**DETAILS OF ANGEL INVESTORS**

NDM Advisors LLP



**SCHEDULE 2A**

**SHAREHOLDING PATTERN OF THE COMPANY as on the EXECUTION date**

**SCHEDULE 2B**

**SHAREHOLDING PATTERN OF THE COMPANY ON CLOSING DATE**

**SCHEDULE 3**

**TERMS OF THE SUBSCRIPTION SECURITIES**

1. Form

The Subscription Securities shall be Rupees denominated shares issued by the Company.

2. Face value:

Each Subscription Security shall have a par value of INR 10/- (Indian Rupees Ten only) /-.

3. Voting

Each holder of Subscription Security shall be entitled to receive notice of, and to attend, any Shareholders' meeting and shall be entitled to vote together with holders of Equity Shares of the Company on an *as if converted* basis. Subscription Securities shall carry voting rights in proportion to the share capital that the Subscription Securities held by such Shareholder represents on a Fully Diluted Basis.

The Parties agree that since the Subscription Security would be compulsorily converted to Equity Shares in accordance with this Agreement, all matters which affect the rights of the holders of Equity Shares would affect the rights of the holders of the Subscription Security and hence each holder of the Subscription Security shall have the same rights as the rights of a holder of Equity Shares. A Subscription Security shall confer on the holder Relevant Rights, *pari passu*, with the Relevant Rights conferred on the holder of an Equity Share, and this shall be treated as a special right attached to the Subscription Security. In this paragraph "**Relevant Rights**" means the right to receive notice of, and to be present and to vote, either in person or by proxy, at any general meeting of the Company. Relevant Rights include, without limitation, the right for the holder of a Subscription Security to exercise 1 (one) vote at the general meeting of the Company per Subscription Security held (as if the Subscription Security convert to the maximum number of Equity Shares representing the deemed shareholding into which the Subscription Security can be converted).

4. Rank

A. As to Income

Each holder of Subscription Security shall be entitled to a dividend equal to 0.001% (zero point zero zero one percent) per annum of the face value or at such rate as declared to the Shareholders holding Equity Shares, whichever is higher, subject however to the maximum cap applicable under applicable Law, to be paid *pari passu* with any dividend being paid to the holders of other preference shares of the Company, but in preference to the holders of the Equity Shares. In any given Financial Year, the Company shall not declare any dividend or other distribution to its holders of Equity Shares unless it has first declared the preferential dividend for such Financial Year to the holders of Subscription Security.

If a preference dividend has been declared by the Company but has not been paid by the relevant conversion date for a Subscription Security, then the preference dividend on such Subscription Security shall be paid to the Person(s) who held the Subscription Security as at the date of declaration.

Upon conversion of the Subscription Security into Equity Shares, the holders of the Subscription Security shall be entitled to participate in the dividend on the Equity Shares, on a *pari passu* basis with the holders of all other Equity Shares.

B. As to Capital

On a distribution of capital on a Liquidation Event (as defined in the SHA), the proceeds available for distribution shall be applied in the manner set out in Clause 15 (*Liquidation Preference*) of this Agreement.

5. Impairment

The Company will not, by amendment of its Charter Documents or through any re-organization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Schedule II by the Company, but will at all times in good faith, assist in the carrying out of all the provisions of this Schedule II and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of Subscription Securities against impairment.

6. No Fractional Shares and Certificate as to Adjustments

3.1.1. The resultant Equity Shares issued to a holder of Subscription Securities upon conversion of Subscription Securities in accordance with this Schedule 3 is hereinafter referred to as “**Conversion Shares**”.

3.1.2. No fractional Equity Shares shall be issued upon the conversion of any Subscription Securities, and the number of Equity Shares to be issued shall be rounded up to the next whole number.

7. Upon the occurrence of adjustment of the conversion formula of Subscription Securities pursuant to a share capital restructuring, the Company, at its expense, shall promptly compute such adjustment in accordance with the terms hereof and prepare and furnish to the holder of Subscription Securities, a certificate setting forth such adjustment and showing in detail the facts upon which such adjustment is based. The Board shall, upon the written request at any time by the holder of the Subscription Securities, furnish or cause to be furnished to such holder a like certificate setting forth: (i) such adjustment and readjustment, (ii) the conversion of such Subscription Securities at the time in effect, and (iii) the number of Equity Shares that at the time would be received upon the conversion of Subscription Securities.

8. Reservation of Equity Shares issuable upon Conversion

The Company shall at all times reserve and keep available out of its authorized but unissued Equity Shares, solely for the purpose of effecting the conversion of Subscription Securities, such number of Equity Shares as shall from time to time be sufficient to effect the conversion of all outstanding Subscription Securities to such number of Equity Shares in the manner as set out herein; and if at any time the number of authorized but unissued Equity Shares shall not be sufficient to effect the conversion of all then outstanding Subscription Securities (taking into account the issuance of Equity Shares pursuant to any existing convertible security), the Company will take such corporate action as may be necessary to increase its authorized but unissued Equity Shares to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite Shareholder approval of any necessary amendment to the Company's Memorandum of Association.

9. Term and Conversion:

Each Subscription Security shall convert into 1 Equity Share of the Company subject to revision to give effect to the working under Clause 10 (*Anti-Dilution*) and/or Clause 15 (*Liquidation Preference*) of this Agreement. The Subscription Security shall be convertible into Equity Shares at the option of the holder of the Subscription Security or on the last date on which the Company is required under applicable Law to convert the Subscription Security, whichever is earlier.

10. Conversion Notice and Procedure:

(a) Upon the holder of Subscription Security electing to exercise its conversion rights in accordance with Clause 9 above and/or upon occurrence of any of the aforesaid events in Clause 9 (each event under Clause

9 being referred to as a “**Conversion Event**”), the Subscription Security holder shall exercise its option to cause the Company to convert the Subscription Security by delivering a written notice (“**Conversion Notice**”) to the Company, which shall inter alia set out setting out the date of conversion (“**Conversion Date**”), the number of Equity Shares and the percentage of equity shareholding to be issued upon conversion and other relevant particulars.

(b) On the Conversion Date the following events shall occur simultaneously:

(i) A meeting of the Board shall be convened at which the following shall be resolved:

1. The conversion of such number of Subscription Security; and
2. The issuance and allotment of such number of Equity Shares as are mentioned in the Conversion Notice;

(ii) Cancellation of the share certificates representing such number of Subscription Security as are stated in the Conversion Notice.

(iii) The Company shall issue shares certificates evidencing the Conversion Shares to the holder of Subscription Security.

(iv) The name of the holder of Subscription Security shall be entered into the register of members of the Company as the legal and beneficial owner of the aforesaid Equity Shares issued upon conversion of Subscription Security.

(v) The Company shall, after the allotment of Equity Shares, make submission to and file documents as required by applicable Law.

(vi) The Equity Shares issued upon such conversion shall rank *pari passu* with the existing Equity Shares.

(vii) All costs and expenses of the said exercise of conversion, other than direct taxes, shall be to the account of the Company.

#### 11. Anti-dilution Adjustments

- (a) The Company and the Founders further agree that any new issuance of Shares by the Company shall be made at a price per Share which is not less than price paid per Subscription Security on a Fully Diluted Basis. In the event that any new issuance is undertaken by the Company at a price per Share which is lesser than the price per Subscription Security, then the Company shall issue such number of fresh Shares to the holders of Subscription Securities, without payment of any consideration by the holders of Subscription Securities, as are calculated in terms of the formula set out below:

$$\text{New Conversion Price} = \text{Price paid per Subscription Security} \times \left[ \frac{\text{Total Equity Shares} + \text{Equity Shares Purchasable}}{\text{Total Equity Shares} + \text{Equity Shares Purchased}} \right]$$

where,

“**Total Equity Shares**” is the total number of Shares of the Company, calculated on a Fully Diluted Basis, on the assumption that all Shares have converted into Equity Shares;

“**Equity Shares Purchasable**” means the number of Equity Shares which would have been purchased, had

Equity Shares been issued at the price per Subscription Security for the entire consideration of the proposed issuance; and

**“Equity Shares Purchased”** means the Shares issued for the entire consideration of the proposed issuance calculated on a Fully Diluted Basis, on the assumption that all Shares have converted into Equity Shares.

- (b) It is clarified that in the event that the Angel Investors is issued any Shares pursuant to the provisions of Clause 11(a) above, such Shares shall be included towards calculation of the Shares to be issued to the Angel Investors pursuant to any new issuance as required by Clause 10 (*Anti-Dilution*) of the SHA. In the event that applicable Laws require that the Shares shall be issued to the Angel Investors at the face value of such Shares or at any other minimum price, then the Angel Investors shall pay such price to the Company, provided, however, that if the Angel Investors opt to be issued any Shares pursuant to the provisions of Clause 10 (*Anti-Dilution*) of the SHA which are in addition to Shares contemplated in Clause 11(a) above, then the price which would be payable by the Angel Investors in relation to the Shares to be issued to it under Clause 10 (*Anti-Dilution*) of the SHA shall, to the maximum extent possible, be reduced by the price payable to the Company by the Angel Investors pursuant to Clause 11(a) above and this Clause 11(b). In the event that for any reason, it is not possible for the Parties to ensure that the intent of Clause 11(a) above and this Clause 11(b) is achieved in the manner prescribed above, then the Parties shall undertake such other alternative mechanism so as to ensure that the intent of Clause 11(a) and this Clause 11(b) is achieved.
- (c) If, whilst any Subscription Securities remain capable of being converted into Equity Shares of the Company, the Company splits, sub-divides (stock split) or consolidates (reverse stock split) the Equity Shares into a different number of securities of the same class, the number of Equity Shares issuable upon a conversion of the Subscription Securities, shall be proportionately increased in the case of a split or sub-division (stock split), and likewise, the number of Equity Shares issuable upon a conversion of the Subscription Securities (as the case may be) shall be proportionately decreased in the case of a consolidation (reverse stock split).
- (d) If the Company, by re-classification or conversion of Shares or otherwise, changes any of the Equity Shares into the same or a different number of Shares of any other class or classes, the right to convert the Subscription Securities into Equity Shares shall thereafter represent the right to acquire such number and kind of Shares as would have been issuable as the result of such change with respect to the Equity Shares that were subject to the conversion rights of the holder of Investors Subscription Securities, as applicable, immediately prior to the record date of such re-classification or conversion, subject to further adjustment as provided in this Clause 11.
- (e) If, whilst any Subscription Securities remain capable of being converted into Equity Shares, the Company makes or issues a dividend or other distribution of Equity Shares to the holders of Equity Shares, the number of Equity Shares to be issued on any subsequent conversion of Subscription Securities, as applicable, shall be increased proportionately and without payment of additional consideration subject to any further adjustment as provided in this Clause 11.
- (f) If, whilst any of the Subscription Securities remain capable of being converted into Equity Shares, there is a: (i) a reorganisation (other than a consolidation, exchange or sub-division of shares or re-classification of shares as provided for under Clauses 11(c), 11(e) or 11(g) respectively); (ii) a merger or consolidation of the Company with or into another company in which the Company is not the surviving entity, or a reverse triangular merger, or similar transaction, in which the Company is the surviving entity but the shares of the Company immediately prior to the merger are converted into other property, whether in the form of securities, cash, or otherwise, which results in change of Control, or (iii) a sale or transfer of all or substantially all of the Company's assets to any other person, then, as a part of such change of Control, the right to convert the Subscription Securities, as applicable, into Equity Shares shall cease and shall automatically represent the right to receive the number of shares or other securities or property offered to the Company's holders of Equity Shares in connection with such change of Control that a holder of Subscription Securities would have been entitled to receive in such change of Control if the right to convert Subscription Securities into Equity Shares had been exercised in full immediately before such change in Control, subject to further adjustment as provided in this Clause 11.

- (g) If any Equity Shares are bought back or cancelled or otherwise cease to exist, then, the holder of Subscription Securities, upon the conversion of Subscription Securities at any time after the record date on which the Equity Shares cease to exist shall receive, in lieu of the number of Equity Shares that would have been issuable upon such conversion immediately prior to the date of termination of Equity Shares, the securities or property that would have been received if the right to convert the Subscription Securities into Equity Shares had been exercised in full immediately before the date of termination of the Equity Shares, all subject to further adjustment as provided in this Clause 11.

12. Amendments

Subject to the Act, the rights, privileges and conditions attached to a Subscription Security may not be varied, modified or abrogated in any manner whatsoever without the prior written consent of all of the holders of the Subscription Security.



**SCHEDULE 4**  
**RESERVED MATTERS**

1. Alteration of the Charter Documents of the Company or Company's certificate of incorporation.
2. Any increase, decrease, buy back, redemption or other alteration / modification of authorised or issued share capital or any terms of such issue, or any creation or issue of any Shares or other securities (including Equity Shares, preference shares, non-voting shares, warrants, options, debentures, bonds and such other instruments) and terms thereof.
3. Declaration or payment of any dividend or distribution of profits or commissions to Shareholders, employees or Directors of the Company.
4. Merger, restructurings, arrangements, amalgamations, divestments, consolidation, or substantial sale of all the Company's assets including intellectual property or any other transaction whereby a majority interest of the Company's voting power is acquired by a person or affiliate group, other than the Investors / Founders.
5. The acquisition of other businesses or material assets (by way of share purchase, business Transfer, slump sale, asset purchase or any other mode of acquiring a business), including creation of joint ventures or partnerships or the creation of a subsidiary other in ordinary course of business.
6. Any alteration or, change in, the rights, preferences or privileges of the the Angel Investor Shares.
7. Liquidate, dissolve or wind up the operation of the Company, or sell material assets including intellectual property that are in excess of Rs. INR -----).
8. The approval of, or amendment to, the annual business plan (including the budget).
9. Commencement of any new business or materially change Company's existing Business.
10. Any change viz. increase / decrease or allocation / reallocation in the number of options in the ESOP.
11. Accepting or granting loans or giving any guarantee or providing security for third party borrowings other in ordinary course of business or greater than Rs. -----
12. Making investments or subscribing to shares, debentures, other securities of any entity.
13. Institution of or defense of any legal proceedings by the Company in excess of Rs -----.
14. Any amendment of any terms relating to restrictions on the Founders' shareholding in the Company, including Transfer of Shares by the Founders as provided under this Agreement.
15. Voluntary commencement of winding up proceedings for insolvency or bankruptcy of the Company.
16. Termination, amendment or entry into a new employment agreement with the Key Employees / Founders.
17. Appointment of, change in or removal of the statutory auditors of the Company, including any material change in the accounting or tax policies or practices unless as required by law.
18. Any change in the name of the Company or the registered office of the Company.
19. Appointment of any employee at a remuneration of INR ----- per annum and above or any change in the remuneration of such Key Employees.

20. Enter into any transaction with a Related Party other than on an arm's length basis.
21. Approval and adoption of Company's Balance Sheet, Profit & Loss Account, Report of the Board of Directors and Report of Auditors.
22. Capitalise revenue expenses, other than as permissible under the applicable GAAP.
23. Entering into any third-party agreements above ----- per annum and outside the ordinary course of business.
24. Creation or adoption of stock option plans, stock appreciation rights plans, other management or employee incentive plans.
25. Commence or settle any material litigation, arbitration or other proceedings where the aggregate amount of all such claims so prosecuted or settled would exceed Rs. ----- per annum.
26. Enter into transactions, arrangements or agreements with Founders, Affiliates or connected persons / concerns of a value in excess of ----- per annum.
27. Delegation of any of the aforementioned Reserved Matters to any individual or committees of the Board, or any commitment or agreement to do the same.
28. Any agreement or arrangement to give effect to any of the above matters.
29. All the above with respect to each subsidiary of the Company, if any.

## **SCHEDULE 5**

### **FORM OF DEED OF ADHERENCE**

**THIS DEED** is made on the [●] day of [●], [●].

WHEREAS a Shareholders' Agreement was entered into on [●] by and among the Company, the Founders, the Angel Investors and \_\_\_\_\_ (the "**New Shareholder**") (the "**Agreement**"), a copy of which the New Shareholders hereby confirms that it has been supplied with and acknowledges the terms therein.

**NOW THIS DEED WITNESSES** as follows:

1. In this Deed, unless the context otherwise requires, words and expressions respectively defined or construed in the Agreement shall have the same meanings when used or referred to herein.
2. With effect from [date], the New Shareholder hereby accedes to and ratifies the Agreement and covenants and agrees with the Parties to the Agreement to be bound by the terms of the Agreement as if it had been a party thereto in the capacity of [●] and to duly and punctually perform and discharge all liabilities and obligations whatsoever from time to time to be performed or discharged by it under or by virtue of the Agreement in all respects as if named as a party therein.
3. The New Shareholder shall be entitled to all the benefits of the terms and conditions of the Agreement to the intent and effect that the New Shareholder shall be deemed, with effect from the date on which the New Shareholder is registered as a shareholder of the Company, to be a party to the Agreement.
4. The contact particulars of the New Shareholder for the purposes of Clause [●] of the Agreement shall be as follows:  
Address : [●]  
Tel. : [●]  
Attention : [●]  
Email address : [●]
5. This Deed shall hereafter be read and construed in conjunction and as one document with the Agreement and references in the Agreement and references in all other instruments and documents executed there under or pursuant thereto, shall for all purposes refer to the Agreement incorporating and as supplemented by this Deed.
6. This Deed is governed by and construed in accordance with the laws of India. Any dispute arising under or relating to this Deed, including without limitation any dispute concerning the existence or enforceability hereof, shall be resolved as per Clause 13 of this Agreement.

IN WITNESS OF WHICH this Deed has been executed by the New Shareholder.

| [where the New Shareholder is an individual]  | [where the New Shareholder is a company]   |
|---|--|
| Signed Sealed and Delivered by )<br>[Name] )<br>)<br>in the presence of: )<br>Name: _____<br>Address: _____<br>_____<br>_____ | The common seal of )<br>[Name] )<br>)<br>Was hereunto affixed in the presence of: )<br>Name: _____<br>Address: _____<br>_____<br>_____ |

**SCHEDULE 6**

**NOTICE DETAILS**

In case of notice to be issued to the Founder 1:-

|                  |  |
|------------------|--|
| <b>Name</b>      |  |
| <b>Address</b>   |  |
| <b>Attention</b> |  |
| <b>Email ID</b>  |  |
| <b>Telephone</b> |  |

If to the **Founder 2:**

|                   |  |
|-------------------|--|
| <b>Name:</b>      |  |
| <b>Address:</b>   |  |
| <b>Attention:</b> |  |
| <b>E-mail ID:</b> |  |
| <b>Contact:</b>   |  |

In case of notice to be issued to the Angel Investors—

|                  |  |
|------------------|--|
| <b>Name</b>      |  |
| <b>Address</b>   |  |
| <b>Attention</b> |  |
| <b>Email ID</b>  |  |
| <b>Telephone</b> |  |

In case of notice to be issued to the Company –

|                  |  |
|------------------|--|
| <b>Name</b>      |  |
| <b>Address</b>   |  |
| <b>Attention</b> |  |
| <b>Email ID</b>  |  |
| <b>Telephone</b> |  |