

THIS AGREEMENT AND ANY SECURITIES ISSUABLE PURSUANT HERETO HAVE NOT BEEN REGSITERED AS PER THE COMPANIES ACT, 2013. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR AN EXEMPTION THEREFROM.

## **<COMPANY NAME>**

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### **BASIC**

#### **(Basic Agreement for Securities Issue and Conversion)**

**THIS AGREEMENT** (hereinafter referred to as “**Agreement**”) vide Agreement No. **<Agreement No>** is made and entered at Place on X<sup>th</sup> day of Month Year made effective from X<sup>th</sup> day of Month Year (hereinafter referred to as “**Effective Date**”)

### **BETWEEN**

**<Company Name>**, a Company incorporated under the Companies Act, 2013 and having its registered office at **<Address>** duly represented by its Authorised Signatory **<Name>**, (hereinafter referred to as “**Company**” which expression shall, unless it be repugnant to the subject or context thereof, include its successors and assigns)

### **AND**

**<Investor Name>**, an individual member of the Company residing at **<Investor Address>** duly represented by himself as Authorised Signatory (hereinafter referred to as “**Investor**” which expression shall, unless it be repugnant to the subject or context thereof, include its successors and assigns).

**THIS CERTIFIES THAT** in exchange for the loan provided by the Investor of ₹X,XX,XXX (the “**Loan Amount**”) in a transaction or series of related transactions (attached as “**Annexure - II**”) between the period of X<sup>th</sup> day of Month Year and X<sup>th</sup> day of Month Year, the Company, hereby issues to the Investor the right to certain shares of the Company’s Share Capital, subject to the terms set forth below:

The “ <b>Valuation Cap</b> ”	₹XX,XX,XXX
The “ <b>Interest Rate</b> ”	X% (Compounded Quarterly)
The “ <b>Lock-in Period</b> ”	X years

See Section 2 for certain additional defined terms.

## 1. Events

- a) **Equity Financing.** If there is an Equity Financing before the expiration or termination of this agreement, the Company will automatically issue to the Investor a number of shares of Basic Preference Share Capital equal to the Loan Amount along with unpaid interest that may have accumulated till the time of conversion (hereinafter collectively referred to as the “**Maturity Amount**”) divided by the Conversion Price.

In connection with the issuance of Basic Preference Shares by the Company to the Investor pursuant to this Section 1(a):

- i. The Investor will execute and deliver to the Company all transaction documents related to the Equity Financing; provided, that such documents are the same documents to be entered into with the purchasers of Standard Preference Shares, with appropriate variations for the Basic Preference Shares if applicable, and provided further, that such documents have customary exceptions to any drag-along applicable to the Investor, including, without limitation, limited representations and warranties and limited liability and indemnification obligations on the part of the Investor; and
  - ii. The Company and the Investor will execute a Pro Rata Rights Agreement, unless the Investor is already included in such rights in the transaction documents related to the Equity Financing.
- b) **Liquidity Event.** If there is a Liquidity Event before the expiration or termination of this agreement, the Investor will, at its option, either:
- i. receive a cash payment equal to the Maturity Amount at the time of Liquidity Event (subject to the following paragraph) or
  - ii. automatically receive from the Company a number of shares of Equity Share Capital equal to the Maturity Amount divided by (the “**Liquidity Price**”), if the Investor fails to select the cash option.

In connection with Section (b)(i), the Maturity Amount be due and payable by the Company to the Investor immediately prior to, or concurrent with, the consummation of the Liquidity Event. If there are not enough funds to pay the Investor and holders of other Basics (collectively, the “**Cash-Out Investors**”) in full, then all of the Company’s available funds will be distributed with equal priority and pro rata among the Cash-Out Investors in proportion to their Maturity Amounts, and the Cash-Out Investors will automatically receive the number of shares of Equity Share Capital equal to the remaining unpaid Maturity Amount divided by the Liquidity Price. In connection with a Change of Control intended to qualify as a tax-free reorganization, the Company may reduce, pro rata, the Maturity Amounts payable to the Cash-Out Investors by the amount determined by its board of directors in good faith to be advisable for such Change of Control to qualify as a tax-free reorganization for income tax purposes, and in such case, the

Cash-Out Investors will automatically receive the number of shares of Equity Share Capital equal to the remaining unpaid Maturity Amount divided by the Liquidity Price.

- c) **Dissolution Event.** If there is a Dissolution Event before this agreement expires or terminates, the Company will pay an amount equal to the Maturity Amount, due and payable to the Investor immediately prior to, or concurrent with, the consummation of the Dissolution Event. The Maturity Amount will be paid prior and in preference to any Distribution of any of the assets of the Company to holders of outstanding Equity Share Capital by reason of their ownership thereof. If immediately prior to the consummation of the Dissolution Event, the assets of the Company legally available for distribution to the Investor and all holders of all other Basics (the “**Dissolving Investors**”), as determined in good faith by the Company’s board of directors, are insufficient to permit the payment to the Dissolving Investors of their respective Maturity Amounts, then the entire assets of the Company legally available for distribution will be distributed with equal priority and pro rata among the Dissolving Investors in proportion to the Maturity Amounts they would otherwise be entitled to receive pursuant to this Section 1(c).
- d) **Voluntary Conversion and Encashment.** Post completion of Lock-in Period or in case of Equity Financing before this agreement expires or terminates the Investor, at its option can serve a written notice to the Company to receive cash payment fully or partly of an amount equal to the Maturity Amount as approved by board of directors of the Company in good faith provided it does not negatively impact the financial health of the Company. Investors will automatically receive the number of shares of Equity Share Capital equal to the remaining unpaid Maturity Amount divided by the Conversion Price. Voluntary Encashment will only be offered to the Investor by the Company if legally permissible under the prevailing laws governing such redemptions in cash at the time of serving notice and if the total requested Voluntary Encashment amount by all the Investors:
  - i. is less than 5% of the total amount being infused in case of the Equity Financing and the Voluntary Encashment is accepted by the new Investors participating in the Equity Financing, or
  - ii. is less than 5% of the profits, if any, made by the Company in the previous financial year after the completion of Lock-in period from the Effective Date.
- e) **Termination.** This agreement will expire and terminate (without relieving the Company of any obligations arising from a prior breach of or non-compliance with this instrument) upon either:
  - i. the issuance of shares to the Investor pursuant to Section 1(a) or Section 1(b)(ii) or Section 1(d); or
  - ii. the payment, or setting aside for payment, of amounts due the Investor pursuant to Section 1(b)(i) or Section 1(c) or Section 1(d).

## 2. Definitions

- a) **“Basic”** means an agreement containing a future right to shares of Share Capital of the Company, similar in form and content to this agreement, against loan provided by investors for the purpose of funding the Company’s business operations.
- b) **“Share Capital”** means the share capital of the Company, including, without limitation, the **“Equity Share Capital”** and the various **“Preference Share Capital.”**
- c) **“Company Capitalization”** means the sum, as of immediately prior to the Equity Financing, of:
  - i. all shares of Share Capital (on an as-converted basis) issued and outstanding, assuming exercise or conversion of all outstanding vested and unvested options, warrants and other convertible securities, but excluding:
    - A) this agreement,
    - B) all other Basics, and
    - C) convertible notes; and
  - ii. all shares of Equity Share Capital reserved and available for future grant under any equity incentive or similar plan of the Company, and/or any equity incentive or similar plan to be created or increased in connection with the Equity Financing.
- d) **“Basic Price”** means the price per share equal to the Valuation Cap divided by the Company Capitalization.
- e) **“Standard Price”** means the price per share of the Standard Preferred Share Capital sold in the Equity Financing.
- f) **“Conversion Price”** means the either:
  - i. the Basic Price or
  - ii. the Standard Price,whichever calculation results in a greater number of shares of Basic Preference Capital.
- g) **“Basic Preference Share Capital”** means the shares of a series of Preference Share Capital issued to the Investor in an Equity Financing, having the identical rights, privileges, preferences and restrictions as the shares of Standard Preference Share Capital, other than with respect to:
  - i. the per share liquidation preference and the conversion price for purposes of price-based anti-dilution protection, which will equal the Conversion Price; and
  - ii. the basis for any dividend rights, which will be based on the Conversion Price.

- h) **“Standard Preference Share Capital”** means the shares of a series of Preference Share Capital issued to the investors investing new money in the Company in connection with the initial closing of the Equity Financing.
- i) **“Dissolution Event”** means
  - i. a voluntary termination of operations,
  - ii. a general assignment for the benefit of the Company’s creditors or
  - iii. any other liquidation, dissolution or winding up of the Company (excluding a Liquidity Event), whether voluntary or involuntary.
- j) **“Equity Financing”** means a bona fide transaction or series of transactions with the principal purpose of raising capital, pursuant to which the Company issues and sells Preference Shares at a fixed pre-money valuation.
- k) **“Initial Public Offering”** means the closing of the Company’s first firm commitment underwritten initial public offering of Equity Shares pursuant to a registration statement filed under the Companies Act of 2013, as amended.
- l) **“Change of Control”** means:
  - i. a transaction or series of related transactions in which any **“person”** or **“group”** (within the meaning of Companies Act of 2013, as amended), becomes the **“beneficial owner”** (as defined in Companies Act of 2013, as amended), directly or indirectly, of more than 50% of the outstanding voting securities of the Company having the right to vote for the election of members of the Company’s board of directors,
  - ii. any reorganization, merger or consolidation of the Company, other than a transaction or series of related transactions in which the holders of the voting securities of the Company outstanding immediately prior to such transaction or series of related transactions retain, immediately after such transaction or series of related transactions, at least a majority of the total voting power represented by the outstanding voting securities of the Company or such other surviving or resulting entity or
  - iii. a sale, lease or other disposition of all or substantially all of the assets of the Company.
- m) **“Liquidity Event”** means a Change of Control or an Initial Public Offering.
- n) **“Liquidity Capitalization”** means the number, as of immediately prior to the Liquidity Event, of shares of Share Capital (on an as-converted basis) outstanding, assuming exercise or conversion of all outstanding vested and unvested options, warrants and other convertible securities, but excluding:
  - i. shares of Share Capital reserved and available for future grant under any equity incentive or similar plan;

- ii. this agreement;
  - iii. other Basics; and
  - iv. convertible notes.
- o) **“Liquidity Price”** means the price per share equal to the Valuation Cap divided by the Liquidity Capitalization.
- p) **“Pro Rata Rights Agreement”** means a written agreement between the Company and the Investor (and holders of other Basics, as appropriate) giving the Investor a right to purchase its pro rata share of private placements of securities by the Company **occurring after the Equity Financing**, subject to customary exceptions. Pro rata for purposes of the Pro Rata Rights Agreement will be calculated based on the ratio of:
- i. the number of shares of Share Capital owned by the Investor immediately prior to the issuance of the securities, to
  - ii. the total number of shares of outstanding Share Capital on a fully diluted basis, calculated as of immediately prior to the issuance of the securities.
- q) **“Distribution”** means the transfer to holders of Share Capital by reason of their ownership thereof of cash or other property without consideration whether by way of dividend or otherwise, other than dividends on Equity Share Capital payable in Equity Share Capital, or the purchase or redemption of Share Capital by the Company or its subsidiaries for cash or property other than:
- i. repurchases of Equity Shares held by employees, officers, directors or consultants of the Company or its subsidiaries pursuant to an agreement providing, as applicable, a right of first refusal or a right to repurchase shares upon termination of such service provider’s employment or services; or
  - ii. repurchases of Share Capital in connection with the settlement of disputes with any stockholder.
- r) **“Subsequent Convertible Securities”** means convertible securities that the Company may issue after the issuance of this instrument with the principal purpose of raising capital, including but not limited to, other Basics, and other convertible securities. Converting Securities excludes:
- i. options issued pursuant to any equity incentive or similar plan of the Company;
  - ii. convertible securities issued or issuable to:
    - A) Banks, equipment lessors, financial institutions or other persons engaged in the business of making loans pursuant to a debt financing or commercial leasing or
    - B) Suppliers or third party service providers in connection with the provision of goods or services pursuant to transactions; and

- iii. convertible securities issued or issuable in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships.

**3. Amendment Provision.** If the Company issues any Subsequent Convertible Securities prior to termination of this agreement, the Company will promptly provide the Investor with written notice thereof, together with a copy of all documentation relating to such Subsequent Convertible Securities and, upon written request of the Investor, any additional information related to such Subsequent Convertible Securities as may be reasonably requested by the Investor. In the event the Investor determines that the terms of the Subsequent Convertible Securities are preferable to the terms of this agreement, the Investor will notify the Company in writing. Promptly after receipt of such written notice from the Investor, the Company agrees to amend and restate this agreement to be identical to the agreement(s) evidencing the Subsequent Convertible Securities.

**4. Company Representations**

- a) The Company is a corporation duly organized, validly existing and in good standing under the Companies Act of 2013, and has the power and authority to own, lease and operate its properties and carry on its business as now conducted.
- b) The execution, delivery and performance by the Company of this agreement is within the power of the Company and, other than with respect to the actions to be taken when equity is to be issued to the Investor, has been duly authorized by all necessary actions on the part of the Company. This agreement constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity. To the knowledge of the Company, it is not in violation of:
  - i. its current certificate of incorporation or bylaws, or
  - ii. any material statute, rule or regulation applicable to the Company, or
  - iii. any material indenture or contract to which the Company is a party or by which it is bound, where, in each case, such violation or default, individually, or together with all such violations or defaults, could reasonably be expected to have a material adverse effect on the Company.
- c) The performance and consummation of the transactions contemplated by this agreement do not and will not:
  - i. violate any material judgment, statute, rule or regulation applicable to the Company;
  - ii. result in the acceleration of any material indenture or contract to which the Company is a party or by which it is bound; or

- iii. result in the creation or imposition of any lien upon any property, asset or revenue of the Company or the suspension, forfeiture, or nonrenewal of any material permit, license or authorization applicable to the Company, its business or operations.
- d) No consents or approvals are required in connection with the performance of this agreement, other than:
  - i. the Company's corporate approvals;
  - ii. any qualifications or filings under applicable laws; and
  - iii. necessary corporate approvals for the authorization of Share Capital issuable pursuant to Section 1.
- e) To its knowledge, the Company owns or possesses (or can obtain on commercially reasonable terms) sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, processes and other intellectual property rights necessary for its business as now conducted and as currently proposed to be conducted, without any conflict with, or infringement of the rights of, others.

## **5. Investor Representations**

- a) The Investor has full legal capacity, power and authority to execute and deliver this agreement and to perform its obligations hereunder. This agreement constitutes valid and binding obligation of the Investor, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.
- b) The Investor has been advised that this agreement and the underlying securities have not been registered under the Companies Act of 2013 and, therefore, cannot be resold unless they are registered under the Companies Act or unless an exemption from such registration requirements is available. The Investor is giving loan as per this agreement and the shares to be acquired by the Investor hereunder for its own account for investment, not as a nominee or agent, and not with a view to, or for resale in connection with, the distribution thereof, and the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. The Investor has such knowledge and experience in financial and business matters that the Investor is capable of evaluating the merits and risks of such investment, is able to incur a complete loss of such investment without impairing the Investor's financial condition and is able to bear the economic risk of such investment for an indefinite period of time.

## **6. Miscellaneous**

- a) Any provision of this agreement may be amended, waived or modified only upon the written consent of the Company and the Investor.



- b) Any notice required or permitted by this agreement will be deemed sufficient when delivered personally or by overnight courier or sent by email to the relevant address listed on the signature page, or 10 days after being deposited in India Post as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address listed on the signature page, as subsequently modified by written notice.
- c) The Investor is not entitled, as a party to this agreement, to vote or receive dividends or be deemed the holder of Share Capital for any purpose, nor will anything contained herein be construed to confer on the Investor, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action or to receive notice of meetings, or to receive subscription rights or otherwise until shares have been issued upon the terms described herein.
- d) Neither this agreement nor the rights contained herein may be assigned, by operation of law or otherwise, by either party without the prior written consent of the other; provided, however, that this agreement and/or the rights contained herein may be assigned without the Company's consent by the Investor to any other entity who directly or indirectly, controls, is controlled by or is under common control with the Investor, including, without limitation, any general partner, managing member, officer or director of the Investor, or any venture capital fund now or hereafter existing which is controlled by one or more general partners or managing members of, or shares the same management company with, the Investor; and provided, further, that the Company may assign this instrument in whole, without the consent of the Investor, in connection with a reincorporation to change the Company's domicile.
- e) In the event any one or more of the provisions of this agreement is for any reason held to be invalid, illegal or unenforceable, in whole or in part or in any respect, or in the event that any one or more of the provisions of this agreement operate or would prospectively operate to invalidate this agreement, then and in any such event, such provision(s) only will be deemed null and void and will not affect any other provision of this agreement and the remaining provisions of this agreement will remain operative and in full force and effect and will not be affected, prejudiced, or disturbed thereby.
- f) All rights and obligations hereunder will be governed by the laws of Lucknow, Uttar Pradesh, India, without regard to the conflicts of law provisions of any other jurisdiction. All disputes are subject to Lucknow, Uttar Pradesh, India jurisdiction only.

(Signature page follows)

IN WITNESS WHEREOF, the undersigned have caused this agreement to be duly executed and delivered.

For **<Company Name>**

For **<Investor Name>**

Authorized Signatory

Name:

PAN:

Mobile:

E-mail:

Address:

Authorized Signatory

Name:

PAN:

Mobile:

E-mail:

Address:

**Annexure – I**  
**Bank Accounts**

**Investor Bank Account:**

Name on Account:

Account Number:

Bank:

Branch:

City:

IFSC Code:

**Company Bank Account:**

Name on Account:

Account Number:

Bank:

Branch:

City:

IFSC Code:

**Annexure - II**  
**List of Transactions**

1. Transaction of ₹X,XX,XXX on Month Day, Year vide NEFT Transaction No. XXXXXXXX.
2. Transaction of ₹X,XX,XXX on Month Day, Year vide NEFT Transaction No. XXXXXXXX.
3. Transaction of ₹X,XX,XXX on Month Day, Year vide NEFT Transaction No. XXXXXXXX.
4. Transaction of ₹X,XX,XXX on Month Day, Year vide NEFT Transaction No. XXXXXXXX.
5. Transaction of ₹X,XX,XXX on Month Day, Year vide NEFT Transaction No. XXXXXXXX.

IN WITNESS WHEREOF, the undersigned have agreed to accept that above mentioned transaction or series of transactions to complete the Loan Amount of ₹X,XX,XXX as transferred and granted by the Investor to the Company as Investor's obligation listed in BASIC executed vide Agreement No. <Agreement No>.

For <Company Name>

For <Investor Name>

Authorized Signatory

Name:

PAN:

Mobile:

E-mail:

Address:

Authorized Signatory

Name:

PAN:

Mobile:

E-mail:

Address:

**Annexure - III**  
**Calculation of Maturity Amount**

The Maturity Amount will be calculated at the time of conversion based on the formula:

$$\text{Maturity Amount} = \text{Loan Amount} * ( ( 1 + ( \text{Interest Rate} / 100 ) ) ^{\text{No. of quarters}} )$$

As per the formula, the Maturity Amount for every ₹1,00,000 of the Loan Amount at an example Interest Rate of 5% (Compounded Quarterly) for each quarter is listed below:

Quarter	Maturity Amount	Quarter	Maturity Amount	Quarter	Maturity Amount
1	₹1,05,000.00	8	₹1,47,745.54	15	₹2,07,892.82
2	₹1,10,250.00	9	₹1,55,132.82	16	₹2,18,287.46
3	₹1,15,762.50	10	₹1,62,889.46	17	₹2,29,201.83
4	₹1,21,550.63	11	₹1,71,033.94	18	₹2,40,661.92
5	₹1,27,628.16	12	₹1,79,585.63	19	₹2,52,695.02
6	₹1,34,009.56	13	₹1,88,564.91	20	₹2,65,329.77
7	₹1,40,710.04	14	₹1,97,993.16	---	---

IN WITNESS WHEREOF, the undersigned have agreed to accept the above mentioned formula to be used for calculation of the Maturity Amount at the time of conversion against the Loan Amount of ₹X,XX,XXX as transferred and granted by the Investor to the Company as Investor's obligation listed in BASIC executed vide Agreement No. <Agreement No>.

For <Company Name>

For <Investor Name>

Authorized Signatory

Authorized Signatory

Name:

Name:

PAN:

PAN:

Mobile:

Mobile:

E-mail:

E-mail:

Address:

Address:

## Nomination Form

To,

<Company Name>,

<Address>.

I <BASIC HOLDER NAME> the holder of this BASIC particulars of which are given hereunder wish to make nomination and do hereby nominate the following persons in whom shall vest, all the rights in respect of such BASIC in the event of my/our death.

(1) PARTICULARS OF THE BASIC (in respect of which nomination is being made)

Agreement No. <Agreement No>.

(2) PARTICULARS OF NOMINEE —

(a) Name:

(b) Date of Birth:

(c) Father's/Mother's/Spouse's name:

(d) Occupation:

(e) Nationality: **Indian** (h) Relationship with the BASIC holder:

(f) E-mail id:

(g) Address:

(3) IN CASE NOMINEE IS A MINOR--

(a) Date of birth:

(b) Date of attaining majority:

(c) Name of guardian:

(d) Address of guardian:

(4) PARTICULARS OF NOMINEE IN CASE MINOR NOMINEE DIES BEFORE ATTAINING AGE OF MAJORITY

(a) Name:

(b) Date of Birth:

(c) Father's/Mother's/Spouse's name:

(d) Occupation:

(e) Nationality: **Indian** (h) Relationship with the BASIC holder:

(f) E-mail id:

(g) Address:

For <BASIC Holder Name>

WITNESS

Authorized Signatory

Name:

Name:

PAN:

PAN:

Mobile:

Mobile:

E-mail:

E-mail:

Address:

Address:

Date:

Place: