

CONVERTIBLE NOTE AGREEMENT

This Convertible Note Agreement (“**Agreement**”) is executed on [●] (“**Effective Date**”)

AMONGST:

[●], having [●], a private limited company incorporated in [●] (**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;

AND

[●] (hereinafter referred to as the “**Holder**” which term shall unless repugnant to the context and meaning thereof be deemed to mean and include [his/her/it] successors in interest and permitted assigns).

The Company and the Holder shall hereinafter, where the context so permits, be collectively referred to as the “**Parties**” and individually as “**Party**”.

Whereas:

1. The Company is a private limited company, which is engaged, inter alia, in the business of [●] (“**Business**”).
2. On the request of the Company, the Holder has agreed to make an investment in the Company. The Company has agreed to issue the CN (defined below) to the Holder on the terms and conditions as set out in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the sufficiency of which is acknowledged by the Parties, the Parties hereby agree as follows:

1. INVESTMENT

- 1.1. In return for the amount equivalent to [●] (“**Principal Amount**”) paid by the Holder,

the Company hereby agrees to issue to the Holder and the Holder agrees to unconditionally purchase the CN on the terms and conditions set forth herein subject to the Applicable Law/s. For the purpose of this Agreement “CN” or “Convertible Note” means 1 (One) convertible note to be issued to the Holder subject to and in accordance with this Agreement and having the rights and privileges as detailed in this Agreement.

2. TERMS OF THE CNs

2.1. The detailed terms of the CN shall be as specified in Schedule 1.

3. REPRESENTATIONS AND WARRANTIES

3.1. The Parties hereby, severally with respect to itself, represents to the others that (i) it/he/she has all requisite power and authority to enter into this Agreement, to perform its obligation hereunder and thereunder and the same will not result in any violation or breach of or default under any applicable law to which such Party is subjected to.

4. DEFAULT AND REMEDIES

4.1. Events of Default

The following events shall be considered as Events of Default with respect to this Agreement:

- a) The Company defaults in the payment of any part of the Principal Amount or unpaid accrued interest on the Principal Amount for more than [●] days after the [●] month anniversary of the Closing Date.
- b) The Company admits in writing its inability to pay its debts as they become due, or shall file a voluntary petition for bankruptcy, or shall file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, dissolution or similar relief under Applicable Law, or shall file any answer admitting the material allegations of a petition filed against the Company in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Company.

[Other actions can be added based on principal understanding]

4.2. Remedies:

Upon occurrence of an Event of Default under Clause 4.1, at the option of the Holder, the entire unpaid Principal Amount and the outstanding interest on the unpaid Principal Amount shall, without presentment, demand, protest or notices of any kind, all of which are hereby expressly waived be forthwith due and payable and Holder may immediately and without expiration of any period of grace, enforce payment of all amounts due and ongoing under such Agreement and exercise any and all other remedies granted to it at law, in equity or otherwise.

5. TERMINATION

5.1. This Agreement shall stand terminated in the following circumstances:

- i. by written agreement of the Company and Holder; or
- ii. immediately after conversion of CN to equity;
- iii. immediately after Maturity Date, subject to payment by the Company of the Principal Amount together with the accrued interest on the Principal Amount.

The provisions of this Clause shall not affect the rights or obligations of Parties that have accrued prior to termination.

6. GOVERNING LAW, JURISDICTION, AND DISPUTE RESOLUTION

This Agreement shall be governed exclusively by and construed and enforced exclusively in accordance with the laws of India without giving effect to the principles of conflicts of law thereof. All disputes arising under this Agreement shall be referred to courts of [●]. All disputes or differences of any kind whatsoever concerning, arising out of or in relation to this Agreement, its interpretation, performance or enforcement, or any of the transactions or matters set out within the Agreement (“Dispute”) if not resolved by amicable settlement within 30 (thirty) days from the Dispute, shall be fully and finally resolved by a sole arbitrator mutually appointed by the Parties. The arbitration proceedings shall be carried out in accordance with the procedural rules prescribed by the [●]. The arbitration proceedings shall be conducted in the English language.

7. MISCELLANEOUS

3

Disclaimer: The information in this template (“Template”) is provided for general informational purposes only, and may not reflect the current law in your jurisdiction. No information contained in this post should be construed as legal advice from Treelife Consulting or the individual author, nor is it intended to be a substitute for legal counsel on any subject matter. No reader of this post should act or refrain from acting on the basis of any information included in, or accessible through, this Post without seeking the appropriate legal or other professional advice on the particular facts and circumstances at issue from a lawyer licensed in the recipient’s state, country or other appropriate licensing jurisdiction.

- 7.1. No Party shall divulge or use confidential information relating to the other Parties obtained from such Parties, at any time during the term of this Agreement or anytime thereafter, without the prior written consent of the disclosing Party or unless required by Applicable Laws or order or any governmental authority.
- 7.2. No failure of any Party to exercise and no delay by it in exercising, any right under this Agreement shall operate as a waiver of that right, nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise of that right or the exercise of any other right under this Agreement.
- 7.3. Save and except as expressly provided in this Agreement, no amendment to this Agreement shall be effective unless it is in writing and duly executed by each of the Parties.
- 7.4. All notices and other communications given under or pursuant to this Agreement shall be in writing and be effective upon delivery to the applicable Party (whether by personal delivery, registered pre-paid courier, or email) at the address indicated in the recitals.
- 7.5. Nothing in this Agreement shall, or shall be deemed to, constitute a partnership between the Parties or constitute any Party as the agent of any of the other Parties for any purpose.
- 7.6. This Agreement may be executed in any number of counterparts, all of which together constitute one and the same agreement, and a Party may enter into this Agreement by executing a counterpart and delivery by email of a copy of any such executed counterpart shall be deemed to constitute delivery of the original counterpart. Facsimile transmission or electronic mail in a portable format (".pdf") of an executed signature page of this Agreement by a Party shall constitute, and be sufficient evidence of, due execution of this Agreement by such Party.

IN WITNESS WHEREOF, the Parties have entered into and executed this Agreement the day and year first above written:

For and on behalf of **the Company**

Name:

Designation:

IN WITNESS WHEREOF, the Parties have entered into and executed this Agreement the day and year first above written:

For and on behalf of [●]

Holder

SCHEDULE 1 TERMS OF THE CONVERTIBLE NOTE

The terms of CN are as provided in this Schedule and shall be reproduced on the rear of the certificates issued for the CN.

1. PRINCIPAL AMOUNT, INTEREST AND MATURITY DATE

The Company promises to pay to the Holder the Principal Amount together with interest from the Effective Date on the unpaid Principal Amount at the Specified Interest Rate, computed on the basis of the actual number of days elapsed and a year of 365 days. All unpaid Principal Amount, together with any then unpaid and accrued interest, shall be due and payable on the completion of the [●] years (“**Maturity Date**”).

2. INTEREST

Interest shall be payable on the Principal Amount by the Company at the specified interest rate equivalent to [●] (“**Interest**”) only in the event the Holder does not exercise his/her Right to Convert as specified in section 4 below.

3. STATUS

The Convertible Note constitutes the direct, unconditional and unsecured obligations of the Company ranking at least *pari passu* with all the Company’s other present and future unsecured and unsubordinated indebtedness (other than indebtedness preferred by mandatory provisions of law).

4. RIGHT TO CONVERT

This Note, at the option of the Holder, be fully converted in Conversion Shares, at the earlier of (a) automatically on the Subsequent Equity Financing Round; or (b) on any future equity financing round not being a Subsequent Equity Financing Round, at the option of the Holder/s; or (c) on the Maturity Date, or (d) within the timeline mandated by applicable law.

For the purpose of this Schedule,

“**Conversion Shares**” means such number of equity shares of the Company, issued to the Holder, obtained by dividing (i) Principal Amount (ii) the Conversion Price.

“Conversion Price” means a price per share equal to the price per share paid by the new investor for the securities of the Company issued in the Subsequent Equity Financing Round;

“Subsequent Equity Financing Round” shall mean any further investment valued round of aggregate INR [●] or more as part of the same investment round being led by an external investor.

No fractional Conversion Shares shall be issued upon conversion of the Convertible Note.

5. VARIATIONS TO THE CONDITIONS

The terms of the CN as specified in this Schedule may be varied only by agreement in writing between the Company and the Holder.