



NAVILUNA

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## Naviluna Community Subscription Offer Plan

Dated \_\_\_\_\_

As per The Indian Contract Act 1872, this agreement for Naviluna Mysore PVT LTD Community Subscription Offer Plan ("CSOP") is entered into and made effective as on <date> By and between the following parties:

Naviluna Mysore PVT LTD, a company registered under the provisions of the Companies Act, 2013, having its principal place of business at K42 Ramavilas Rd, Mysore, KA, 570024 (Hereinafter referred to as the "Company" which expression shall unless repugnant to the context and meaning thereof, be deemed to mean and include its successor and permitted assigns.) of the First Part;

AND

<CSOP subscriber name>, residing at < address  
> (E-mail: < email >) (hereinafter referred to as the "Subscriber" which expression shall unless repugnant to the context and meaning thereof, be deemed to mean and include its successor and permitted assigns.) of the Second Part;

(Company and Subscriber may be referred to individually as "Party" and collectively as "Parties")

### 1. Purpose of the CSOP:

The Company Naviluna in the business of Chocolate, Gourmet Food & Drink, Lifestyle, Retail & Hospitality has structured this CSOP to engage its Subscribers through a closed community, the link to which will be shared by the company with the Subscriber, to promote its products/services and give the Subscriber access to, including but not limited to, benefits as outlined below:

- Access to exclusive events
- Periodical offers through promo codes and/or curated deals
- Special referral benefits as evangelists
- Access to season-end sales in advance
- Monthly/quarterly catchup with founders
- Participation in surveys and discussions to provide suggestions to the company
- Getting support to act as brand ambassadors
- Frequent updates and bulletins from the founder to highlight performance

## 2. Objectives of the CSOP:

The Company Naviluna being in the business of Chocolate, Gourmet Food & Drink, Lifestyle, Retail & Hospitality aspires to leverage the network effect created through this community and achieve the below:

- Improved GMV/GTV
- Better identity in the business sector
- Adaptation to new trends as requested by the community
- Build a group of brand loyalists
- Get reliable and authentic user feedback

In addition to the activities mentioned in Clause 1, the aforementioned objectives / purposes are also sought to be achieved through the grant of Stock Appreciation Rights ("SARs") to the Subscribers to reward them for their time and effort in engaging with the Company's community and promotion of the brand outside the community, subject to the terms and conditions mentioned further in this document. A SAR letter with detailed terms shall be issued separately by the company to the subscribers.

## 3. Definitions

In this Plan, except where the context otherwise requires, the following expressions or terms shall have the meanings indicated there against: -

- 3.1 "Applicable Laws" shall mean laws of India to the extent applicable to the Company and as amended, modified and substituted from time to time. Accordingly, any actions taken hereunder shall be governed by and construed in accordance with the laws of India, without regard to the application of the conflicts of laws' provisions thereof;
- 3.2 "Subscriber" shall mean an individual/company/LLP or firm that is entering the CSOP through payment of a Subscription amount;
- 3.3 "Board" means the Board of Directors of the Company;
- 3.4 "Holding Company" means Naviluna Holdings LTD a company incorporated under the (UK) Companies Act 2006 registered at 71-75 Shelton St, Covent Garden, London, U.K.
- 3.5 "CSOP" shall mean the Naviluna Community Subscription Offer Plan and shall include any alterations, amendments, additions, deletions, modifications, or variations thereof from time to time.
- 3.6 "Grant Date" shall mean the date upon which this document is executed by the Parties
- 3.7 "Subscription value" shall mean the value of SARs at the grant date as per clause 3.8
- 3.8 "SARs" means the Stock Appreciation Rights. Value of each SAR is equal to the value of Rs. 275 (Rupees Two Hundred and Seventy Five Only) at the time of grant. A SAR provides the Subscriber the right to receive the

benefit of the increase or appreciation in the value of the Company's stock.

3.9 "SAR Value" means the monetary value of the SAR as determined based on the equity share price of the holding company. In case of a Voluntary Exit Event, this value shall be subject to the minimum monetary multiple as per clause 3.10.2. In case of an Involuntary Exit Event triggered by the winding up, dissolution, consolidation or merger of the company, SAR value shall be determined as per the transaction's terms. In case of an Involuntary Exit Event triggered by the transfer of the CSOP Subscription, the SAR value shall be determined mutually by the Subscriber ("Transferor") and the person to whom the subscription is assigned ("Transferee"). The SAR value determined shall be communicated by the company to the SAR holders, except in case of a transfer of the CSOP Subscription by the Subscriber.

3.9.1 Adjustments for capital restructuring: In the event that the Company undertakes any form of restructuring of its share capital including but not limited to: (i) consolidation or sub-division or splitting up of its shares, (ii) issue of bonus shares; (iii) issue of shares in a scheme of arrangement (including amalgamation or demerger); or (iv) reclassification of shares or variation of rights into other kinds of securities; or (v) issue of right shares, then the Ratio of SARs to the Equity Shares shall be adjusted. Notwithstanding anything in this Plan to the contrary, SAR shall not be adjusted due to the issuance of additional Equity Securities.

The company agrees to determine the SAR value at least once every year and share these details with Subscribers through the communication channels as the company deems fit.

Please refer to **Annexure I** for an illustration of determination of the value of a SAR.

3.10 "Exit Event" means the event due to whose occurrence the SARs shall be redeemed by the company or transferred by the Subscriber

3.10.1 Voluntary exit event - The event at which the Company, along with the Board's approval, decides to buy back the SARs from its Subscribers.

3.10.2 The value of the SAR shall be the **higher** of **either** a multiple of the subscription value as per the below schedule **or** determined as per the Fair Market Value of the Holding Company's equity shares on the date of Board's approval of the Exit Event, subject to applicable taxes:

<b>MINIMUM MONETARY GUARANTEE</b>	
<b>Duration from issuance of SAR</b>	<b>Minimum (x) times the SAR Value as on the date of grant</b>
0-18 months	1.5X
19-30 months	2X
31-48 months	3X
49 months onwards	4x

3.10.3 Involuntary exit events - The event at which the Company, along with the Board's approval, has agreed to buy back the SARs at the SAR value, due to one or more of the below events:

- Winding up or dissolution of the company
- Consummation of a consolidation, merger, reorganisation or other similar transaction (whether in one or a series of transactions) of the Company
- Any action that results in the listing of the company's security on a stock exchange such as an Initial Public Offering (IPO)
- Transfer of the CSOP subscription and the allied right to grant of SAR by the Subscriber

3.11 The Fair Market Value of the Holding Company at the grant date is **Rs.33,33,33,275** as per the Holding Company's equity share price set during the most recent equity sale in 2022.

#### 4. Exit Event Procedure

Upon the occurrence of an Exit Event, the company shall communicate to Subscribers reasonable details within 5 working days of the Board's approval and shall have a Point of Contact (POC) dedicated for a period of 5 working days to address any queries from the Subscribers. After this period of 10 working days, the pay out of SAR value shall be credited to the Subscribers' bank account, either by the Company or through an appointed third party for this purpose. The Company has the right to share relevant details for processing of the payments with the third party solely to facilitate the transaction. Any applicable taxes shall be withheld by the company and paid to respective authorities. Upon the occurrence of the exit event, this agreement shall be terminated automatically and the SAR letter shall be updated accordingly, subject to the pay out of SAR value determined.

Provided that nothing contained in this agreement shall prevent the company from voluntarily redeeming the outstanding SAR in tranches (portions). The value of proportionate SARs redeemed in the tranche shall be determined as per clause 3.10.2. An updated SAR letter shall be issued with details captured for the redemption and the outstanding SARs.

In case of a merger of the company with another company ("Acquiring Company"), the Company and the Acquiring Company shall reach an agreement providing for setting aside funds to redeem outstanding SARs or such other matters as may be relevant.

#### 4.1 Liquidation of CSOP

After a period of 72 months (seventy-two months only) and in accordance with the directive of the board, the company will either redeem all outstanding SARs in cash as per the calculation stipulated in clause 3.10.2 or in equity shares at a 20% discount of the FMV on the date of liquidation or a combination of both.

#### 5. Transferability

CSOP subscription and the associated right to grant of SAR, can be transferred by the Subscriber. The transfer of the CSOP subscription by the Subscriber may be facilitated using a third-party platform with information passed on to the company by the platform. Subscriber shall lose access to the community and associated rights once the CSOP is transferred. SAR letter shall be issued to the new Subscriber to whom the CSOP subscription has been transferred

#### 6. Most Favoured Nation (MFN)

If subsequent tranche of SAR granted to future subscribers of the community is issued at better terms, then the better terms will automatically apply to the SARs granted to current Subscribers.

#### 7. Nomination

SARs shall be automatically transferred to their respective nominees or successors in case of death of the subscriber, subject to written notice to the Company

#### 8. Register of SARs

8.1 The company has to maintain a database of Subscribers/SAR holders and has the right to communicate with them directly for any correspondence related to the Community or the SAR through the communication channels as the company deems fit.

8.2 The company will be responsible for updating the details of the new Subscriber in the register in case of transfer of CSOP subscription by the existing Subscriber.

8.3 The company may engage the services of a third party for the purpose of preparing and updating the SAR register.

#### 9. Voting and Dividends

No Subscriber is entitled to any voting rights nor to receive any distribution of dividend with respect to SARs.

#### 10. Liquidation Priority

In case of a liquidation event of the Company, the Subscribers' priority to receive the payment shall be as follows

10.1 At par with equity holders

10.2 Junior to payment of outstanding secured indebtedness and secured creditor claims;

#### 11. Termination

The company can terminate this agreement at any point of time during the agreement period and shall pay the SAR holder a compensation as mentioned in 3.8 of this agreement. The agreement stands terminated once the SAR amount has been paid to the subscriber.

#### 12. Governing law and arbitration

This Agreement shall be governed by, construed and enforced in accordance with the laws of India. Courts at Bangalore shall have exclusive jurisdiction on the matters arising from this CSOP Plan, without regard to the principles of conflicts of laws.

#### 13. Confidentiality

Each Party shall maintain utmost confidentiality regarding the contents of the CSOP and this Agreement at all times and shall not make any announcement to the public or to any third person regarding the arrangement contemplated by the CSOP and this Agreement except to the extent as may be required under any Applicable Law.

#### 14. Amendment, Waiver and Entire Agreement

Any terms of this Agreement may be amended or waived only with the written consent of the Parties. This Agreement, including any schedules and annexure hereto, constitutes the entire agreement of the Parties and supersedes all oral negotiations and prior writings with respect to the subject matter hereof.

#### 15. Force Majure

Neither Party shall be liable for any loss or delay resulting from any force majeure event, including, but not limited to, acts of god, fire, natural disaster, terrorism, endemic, pandemic, labour stoppage, war or military hostilities, criminal acts of third parties, and any payment date or delivery of service date shall be extended to the extent of any delay resulting from any force majeure event.

#### 16. Severability

Each of the provisions of this Agreement is severable. If any provision of this Agreement (or part of a provision) is found by any competent authority to be invalid, unenforceable or illegal, the other provisions shall remain in force. Any such invalid, unenforceable or illegal provision shall be suitably modified with a provision that is valid, enforceable and legal, and reflects the commercial intent of the Parties.

**IN WITNESS WHEREOF**, the undersigned have caused this Agreement to be duly executed and delivered on the date set out above.

**Subscriber:**

Name: **[Subscriber name]**

Residential Address for communication: <b>[ADDRESS OF SUBSCRIBER]</b>
Email address for communication: <b>[EMAIL ID OF SUBSCRIBER]</b>
Phone number: <b>[CONTACT NUMBER OF SUBSCRIBER]</b>
PAN: <b>[PAN OF SUBSCRIBER]</b>
Bank Account: <b>[BANK ACCOUNT DETAILS OF SUBSCRIBER]</b>

<b>Company:</b>
Name of the Authorized Signatory: <b>David M. Belo</b>
Designation: <b>Managing Director</b>

### **Annexure I**

Determination of value of SAR under different scenarios is illustrated below:

1. At the time of grant of SAR in lieu of subscription to CSOP as per FMV (fair market value)
  - Each SAR will be valued at a 1:1 ratio of the FMV equity share value of the Holding Company at the grant date.
  - The FMV of the Holding Company at the grant date is Rs. 33,33,33,275 with 12,12,121 equity shares outstanding.
  - i.e. A subscriber who subscribed for an amount of Rs.1,10,00 will hold 400 SARS valued at Rs. 275 (Rupees two hundred and seventy five Only) each.
  
2. The company chooses to voluntarily redeem the outstanding SARs within 18 months of subscription
  - The SAR value is the higher of either the FMV or the minimum monetary multiple.
  - The minimum monetary multiple after 18 months is 1.5x
  - And assume the FMV of the Holding Company is still Rs.275 per equity share
  - The value of each SAR being redeemed will be Rs.412.5 (275 x 1.5)
  - If we assume the FMV of the Holding Company is Rs.825 per equity share after 18 months then the SAR value will be Rs.825, since Rs.875 is greater than the minimum monetary multiple of 412.5 (1.5 x 275)
  
3. The company decides to voluntarily redeem 25% of outstanding SARs 19 months from the subscription date
  - Assume the value of the SAR as per FMV continues to be Rs. 275
  - The applicable minimum monetary multiple at 19 months is 2x

- A subscriber who had subscribed for an amount of Rs. 1,10,000 shall be entitled to receive Rs. 55,500 for redemption of 25% of outstanding SARs i.e.
  - $25\% \text{ of } 110,000 = 27,500$
  - $27,500 \times 2 = 55,000$
- The subscriber will continue to hold 75% of their SARs valued at the new multiple of 2x of the FMV value at the time of subscription i.e. 300 SARs valued at Rs.550 each and a total of Rs.1,65,000.
- The SAR letter shall be updated accordingly to reflect this.

#### 4. Company decides to voluntarily redeem the remaining 75% of SARs

- Assume that the FMV of the company has recently been determined at Rs. 200 Crores (Rupees Two Hundred Crores Only) or 6x of the FMV on the grant date.
- Thus, the revised value of each SAR shall also be 6x i.e.
  - $\text{Rs. } 275 \times 6 = 1650$  each (Rupees One Thousand six hundred and fifty each)
  - The remaining 75% of SARs held by the Subscriber is now valued at 6x of the subscription price, now worth a total value of Rs. 4,95,000 (Rupees Four Lakhs Ninety Five Thousand) i.e.  $300 \text{ SARs} \times 1650 = 4,95,000$
- Assume that the redemption is taking place beyond the 49<sup>th</sup> month from the date of original subscription. Thus, the minimum monetary multiple applicable shall be 4x
  - The amount that the SAR holder will be entitled to receive for the remaining 75% of SARs shall be higher of Rs. 4,95,000 (current FMV) or Rs. 3,30,000 (minimum monetary guarantee). Hence, the company shall pay Rs. 4,95,000 to the SAR holder to redeem the outstanding SARs.
  - This action shall also result in termination of the CSOP agreement executed at the time of original subscription.
  - The subscriber who having subscribed Rs.1,10,000 worth of SARs is compensated with a total of Rs. 5,50,000 ( $55,000 + 4,95,00$ ) over the lifetime of the CSOP agreement.

#### 5. Company enters into an agreement to be acquired by another company triggering an Involuntary Exit Event 48 months from the subscription date

The FMV of the company determined as per terms of the acquisition is Rs. 300 Crores

Since the FMV and the value per equity share of the Holding Company has increased by 9x, the SAR value will become Rs. 2,475 each ( $9 \times 275$ )

The revised SAR value will be communicated by the company to the SAR holder. A Subscriber who had subscribed Rs. 1,10,000 towards the original subscription and was granted 400 SARs valued at 275 each will be entitled to receive Rs. 9,00,000 (Rupees Nine Lakhs Only)

#### 7. Issue of bonus equity shares

Assume that the company has announced a bonus issue of equity shares with a ratio of 1:1. Thus, if the equity shares outstanding before the issue was 12,12,121, then another 12,12,121 equity shares will be issued to the equity shareholders.



In this case, the outstanding number of SARs will be adjusted to reflect the impact of the issue of bonus shares. Thus, the outstanding number of SARs for a person who had subscribed Rs. 1,10,000 (i.e. 400 SARs at Rs.275 each) will increase proportionately and the outstanding number of SARs will now become 800 at a value of Rs. 137.5 each.

A SAR letter to reflect the change in number and value of SARs shall be issued to the subscribers.

### **LETTER OF ACKNOWLEDGMENT OF RISKS**

I, [NAME OF THE SUBSCRIBER], hereby understand, acknowledge and agree that:

- (i) I have read and understood the terms of the CSOP together with Annexures and have obtained independent counsel regarding the documents that I am executing, including this Agreement;
- (ii) The CSOP Plan is an incentive-based scheme designed by the Company to reward its community evangelizers and is not a security under the Companies Act, 2013 and does not give me any rights in relation to the Company as a security holder;
- (iii) The contribution to the CSOP Plan is a subscription and not a deposit or loan to the Company, and under no circumstances, I will not ask for a refund of the subscription amount other than in case of an exit event, even if I do not participate in the community activities;
- (iii) The CSOP Plan and this Agreement does not guarantee any monetary return to the SARs holders but gives the SAR holder an opportunity to benefit from the growth of the Company;
- (iv) The Company is a startup and the growth of the Company is linked to multiple factors including many, which are not in the control of the Company and the Company and the Founder/s shall not be liable in any manner to me in relation to the pay out Amount for the SARs held by me.

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The Subscriber  
Date: 31/05/2023  
Place:

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David M. Belo  
Director  
For Naviluna Mysore PVT LTD  
Date: 31/05/2023  
Place: Mysore