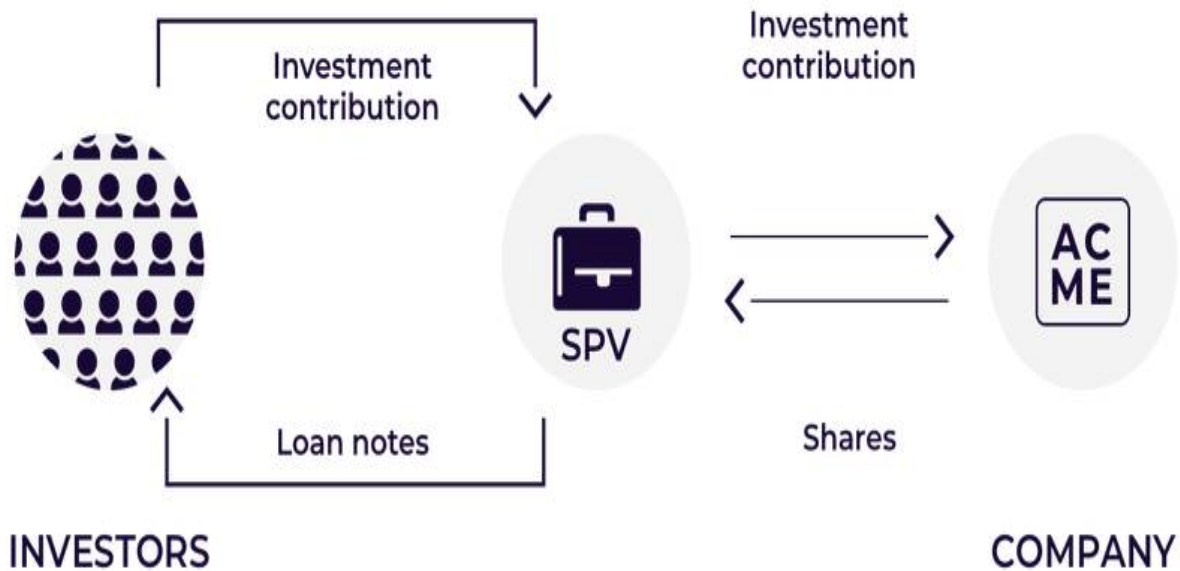


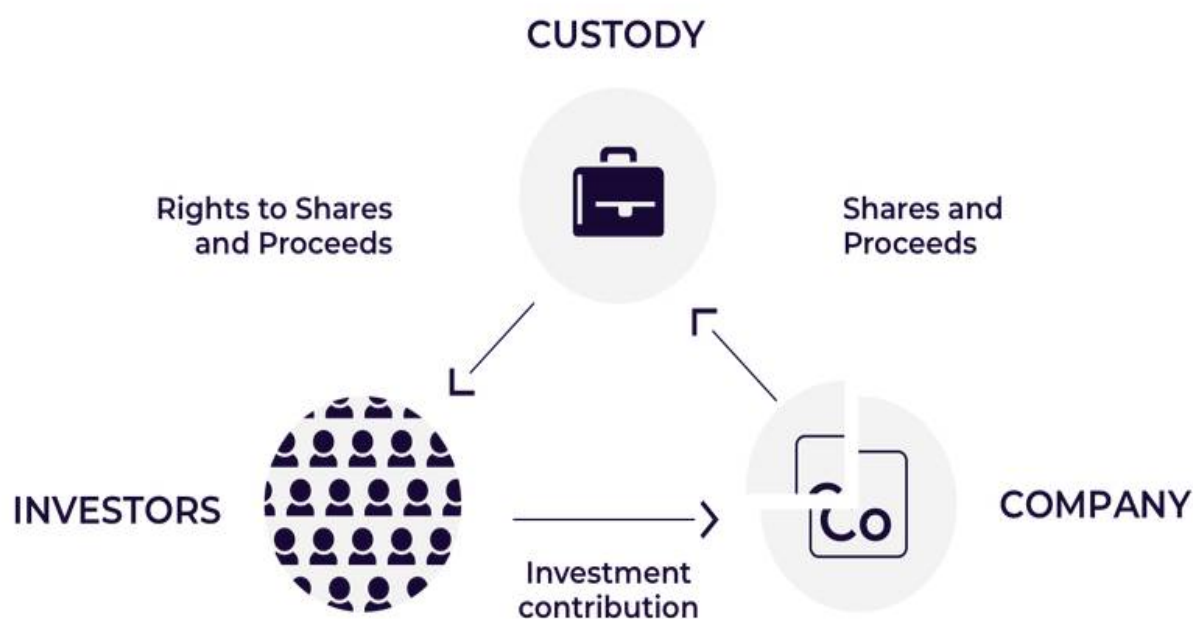
Loan structure

In making their investment, investors will subscribe to Loan Notes issued by the special-purpose vehicle (the SPV). The SPV then invests the collective principal amount of the loans in the investee company, based on the terms agreed in the relevant investment agreement. The SPV becomes the legal shareholder of the fundraising company. A unique SPV is created for each fundraising company that completes a funding round through the platform. The fundraising company will have only one new shareholder instead of all the syndicate participants becoming individual shareholders.



Nominee structure

Investors make their investment in the shares of the fundraising company via the Nominee, which holds the issued shares on their behalf. Funderbeam acts as the Nominee shareholder in the interest of the investors, who are the beneficial owners of the investment. Similar to the SPV, only the Nominee is listed as a shareholder of the fundraising company.



With the nominee, the investor receives the instrument specified during the investment round i.e including whether it is share units, shares, or convertible notes. In the case of an SPV structure, investors always receive a loan note that has the right to any proceeds that arise for the underlying instrument.

Dividends

A company may or may not choose to offer dividends to its investors. Any proceeds that arise from dividend payments are passed through the investment vehicle to the investors' wallets. In the case of loan notes, such dividends would be treated as a profit from the loan. Depending on the respective investment terms, dividend payments may be subject to a carry fee, as specified in the respective Investment Agreement.

To learn more about the relevant fee structure, please refer to the Investment Agreement that is available in the documents section of the syndicate page.

Comparison

We aim to help lead investors and fundraising companies chose the best possible structure for their needs. As an introduction, you can see the main differences here:

	Loan structure	Nominee structure
Who holds the shareholders' rights towards the fundraising company? (Voting, dividends)	The SPV	The investors
Who is the beneficial owner of shares?	The SPV	The investors
What do the investors receive in return for their investment?	Notes representing the loan	Units representing the shares
Which instruments are available?	Equity and convertible	Equity and convertible
What costs are incurred by the Fundraising Company for setting up the investment vehicle?	Funderbeam fees + Capital requirement for SPV	Funderbeam fees
How many additions are made to the Fundraising Company's cap table?	One single investment vehicle	
Who is responsible for the information disclosure?	Fundraising company	
Who is responsible for the taxes from the investor's side?	Investors	

SPVs by FII

Foreign Companies also resort to SPV route by foreign companies to enter into areas of business in India, which are prohibited for them under Automatic route. The foreign policy does not permit foreign investors to invest in certain business activities in India without the approval from FIPB. As a result, the foreign investors take SPV route to reach the Indian Markets.

Synthetic Leasing

SPVs can be used for acquiring assets indirectly so that they are prevented from being caught in the tax net. In this method, the sponsor takes the assets on lease from its SPV on rent. Expenses incurred as rent is allowed as a deduction to sponsor for income tax purpose. On the other hand, the SPV acquires the asset through raising debt, the interest on which is a deductible expense for tax purpose. This way the same asset can be used claim deduction by both. Apart from tax saving it prevents any debt being shown in Sponsor's balance sheet.

Real Estate Investment Trusts

The emergence of SPVs in the Indian market have led to the foundation of a new investment option for the Indian investors in the form of Real Estate Investment Trusts ("REITs"). It resembles to mutual fund, wherein several investors pool in funds with real estate as the underlying asset class. These will be regulated by SEBI and will give an opportunity for the public to invest in real estate projects through these REITs.