[Name of the Company]   
ARTICLES OF ASSOCIATION

1. DEFINITIONS
   1. Definitions

The capitalized terms used in these Articles have the meanings set out in Schedule 1.

1. BUSINESS NAME AND SEAT
   1. Business name

The business name of the Company is [insert].

* 1. Seat

The seat of the Company is [insert], the Republic of Estonia.

1. SHARE CAPITAL AND SHARES
   1. Amount of Share Capital

The minimum amount of the Share Capital shall be EUR [insert] and the maximum amount shall be EUR [insert]. The amount of the Share Capital may be increased and decreased within the limits of the minimum and maximum Share Capital without amending these Articles.

* 1. Shares
     1. The Share Capital is divided into two classes of shares: Seed Preferred Shares (in Estonian: *Seed-Eelisosad*) and Common Shares (in Estonian: *Lihtosad*).
     2. The minimum nominal value of each Share is one eurocent. If the nominal value of a Share is greater, then it shall be a multiple of one eurocent.[[1]](#footnote-2) Shares may be issued at a premium.
     3. Each Shareholder may own one Share of the same class. If a Shareholder acquires an additional Share of the same class, the nominal value of the Share of that class held by that Shareholder shall increase accordingly.
     4. The Shares shall grant their holders the rights set forth in these Articles and, to the extent not set forth herein, the rights set forth in the law.
  2. Voting rights
     1. Each Common Share and each Seed Preferred Share shall give its holder the right to participate in the adoption of resolutions on matters that fall within the competence of the Shareholders.
     2. Each one eurocent of the nominal value of a Share shall grant its holder one vote[[2]](#footnote-3). The holders of Common Shares and Seed Preferred Shares shall vote together as a single class on all matters that fall within the competence of the Shareholders, unless otherwise set forth in these Articles.
  3. Liquidation preference[[3]](#footnote-4)
     1. Upon the occurrence of a Liquidity Event, the Investors shall have preferential rights in respect of the distribution of assets and/or proceeds as set out in this Section 3.4.
     2. Upon the Liquidity Event, the assets of the Company available for distribution to the Shareholders shall be divided as follows:

*[Note: use the following in case of 1x non-participating liquidation preference]*

* + - 1. first, in paying to each Investor, in priority to each Common Shareholder, an amount per each eurocent of the nominal value of the Seed Preferred Share held by the Investor equal to the greater of (i) the amount paid by the Investor for the subscription of the Seed Preferred Share (per each eurocent of the nominal value of the Seed Preferred Share) or (ii) such amount as would have been payable had the assets of the Company available for distribution to the Shareholders been distributed between all Shareholders *pro rata* to the nominal values of their Shares (the “**Liquidation Preference**”), provided that if the assets of the Company are insufficient to pay the Investors the entire Liquidation Preference, the Investors shall share ratably in any distribution of such assets in proportion to the respective amounts which would otherwise be payable in respect of the Shares held by them upon such distribution if the aggregate Liquidation Preference were paid in full.
      2. second, the balance of the assets available for distribution to the Shareholders (if any) shall be distributed among Common Shareholders *pro rata* to the nominal values of their Shares.
    1. Upon a Majority Share Sale the Proceeds of Sale shall be distributed (in respect of the Shares Transferred in connection with that Majority Share Sale) in the order of priority set out in Section 3.4.2 and the Company and the Shareholders shall take all actions required to ensure that the Proceeds of Sale are so distributed.
    2. Upon an Asset Sale the surplus assets of the Company remaining after payment of its liabilities shall be distributed (to the extent that the Company is lawfully permitted to do so) in the order of priority set out in Section 3.4.2 provided always that if it is not lawful for the Company to distribute its surplus assets in accordance with these provisions, the Company and the Shareholders shall take any action required (including actions that may be necessary to put the Company into voluntary liquidation) so that Section 3.4.2 applies.
    3. Upon the merger of the Company involving a Change of Control, the proceeds distributable to the Shareholders shall be distributed in the order of priority set out in Section 3.4.2 and the Company and the Shareholders shall take all actions required to ensure that such consideration is so distributed.
    4. If any portion of the consideration payable to the Shareholders in connection with the liquidation of the Company, the Majority Share Sale, the Asset Sale or a merger of the Company involving a Change of Control is payable only upon the satisfaction of certain contingencies (the “**Additional Consideration**”) then (a) the portion of the total consideration exceeding the Additional Consideration (such portion, the “**Initial Consideration**”) shall be allocated among the Shareholders in accordance with Section 3.4.2 as if the Initial Consideration were the only consideration payable in connection with such Liquidity Event and (b) any Additional Consideration that becomes payable to the Shareholders upon the satisfaction of such contingencies shall be allocated among the Shareholders in accordance with Section 3.4.2 after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Section 3.4.6, consideration placed into escrow or retained as holdback to be available for satisfaction of indemnification or similar obligations in connection with such Liquidity Event shall be deemed to be Additional Consideration.
    5. None of the Shareholders, nor the Company, shall enter into any transaction that constitutes or results in a Liquidity Event unless the relevant transaction provides that the consideration payable to the Shareholders shall be allocated in accordance with the provisions of this Section 3.4.
  1. Payment for the Share
     1. The Share shall be paid for by monetary and/or non-monetary contributions. The terms and conditions of the payment for the Share shall be established by a resolution of Shareholders.
     2. The value of the non-monetary contribution shall be appraised by the Management Board. In cases provided by law, the appraisal of the value of the non-monetary contribution shall be verified by an auditor who shall issue a written opinion on whether the value of the non-monetary contribution meets the requirements of the law.
  2. Pre-emptive rights upon issues of new Equity Securities[[4]](#footnote-5)
     1. Subject to Sections 3.6.5 and 3.6.6 the Shareholders shall have the pre-emptive right (the “**Pre-emptive Right**”): (a) to subscribe for new Shares to be issued upon the increase of Share Capital as set forth in Section 193 of the Commercial Code and (b) to acquire any Shares, options, convertible notes or other instruments giving their holders the right to acquire new Shares (through conversion, exercise or otherwise) that are issued or offered by the Company (the instruments in (a) and (b) together the “**Equity Securities**”). The Pre-emptive Right may be exercised in accordance with this Section 3.6.
     2. The Company shall offer any new Equity Securities in the first instance to the Shareholders (the “**Subscribers**”) on the same terms and at the same price as those Equity Securities are being offered to other persons on a *pro rata* basis to the nominal values of the Shares held by respective Shareholders (the “**Pre-emptive Offer**”). The Pre-emptive Offer shall be made by the Company at least in the form reproducible in writing and it
        1. shall be open for acceptance for at least seven days after the date of the Pre-emptive Offer (the “**Subscription Period**”); and
        2. shall include details of the respective Equity Securities (including nominal values, if applicable, subscription prices, amounts and other main terms); and
        3. may set forth that the Shareholders may acquire Equity Securities in excess of the proportion to which each is entitled and that they should in their acceptance state the nominal value or the amount of excess Equity Securities which they wish to acquire.
     3. If, at the end of the Subscription Period, the aggregate nominal value or the amount of the Equity Securities applied for is equal to or exceeds the aggregate nominal value or the amount of the Equity Securities being issued or offered by the Company, the Equity Securities shall be allotted to the Subscribers who have applied for them on a *pro rata* basis to the nominal values of the Shares held by such Subscribers which procedure shall be repeated until all Equity Securities have been allotted (without increasing the nominal value or amount allotted to any Subscriber beyond that for which the Subscriber applied).
     4. If, at the end of the Subscription Period, the aggregate nominal value or the amount of the Equity Securities applied for is less than the aggregate nominal value or the amount of the Equity Securities being issued or offered by the Company, then the Equity Securities shall be allotted to the Subscribers in accordance with their applications and any remaining Equity Securities may be offered to any other person determined by the Management Board at the same price and on the same terms as set forth in the Pre-emptive Offer.
     5. The Pre-emptive Right to acquire Equity Securities may be excluded in accordance with Section 193(3) of the Commercial Code by a resolution of Shareholders supported by the majority of votes required by law and these Articles, including, in any event, the votes of [Alternative 1: all Investors. / Alternative 2: the Investor Majority].
     6. The Pre-emptive Right to acquire Equity Securities may be excluded with respect to certain Shareholders as set forth in Section 193(4) of the Commercial Code in the following cases:
        1. in respect of any options to be granted pursuant to an option plan approved in accordance with these Articles;
        2. in respect of any Common Shares to be issued under options mentioned in paragraph (a);
        3. in respect of any Shares to be issued under any Equity Securities which have been previously offered to the Shareholders for acquisition under the Pre-emptive Right in accordance with these Articles;
        4. in respect of any Equity Securities to be issued in consideration of the acquisition by the Company of any company or business which has been approved in accordance with these Articles;
        5. in respect of any Equity Securities to be issued or proposed with respect to which it has been determined, in the resolution adopted under Section 3.6.5, that the Pre-emptive Rights should be selectively excluded.
  3. Encumbrance of a Share

A Shareholder may not encumber its Share with any Encumbrance, unless the Investor Majority (without accounting the votes of the Investor who wishes to encumber its Share) has approved the Encumbrance in the form reproducible in writing in advance.

* 1. Division of a Share

A resolution of the Shareholders is not required for the division of a Share.

* 1. Transfer of a Share
     1. The pre-emptive right set forth in Article 149(2) of the Commercial Code shall not apply upon the Transfer of Share or part thereof.
     2. A Shareholder may Transfer any Share or any part thereof to any third party only if the Transfer has been approved by the Management Board at least in the form reproducible in writing. The condition set forth in the previous sentence constitutes a condition for the transfer of Share within the meaning of the first sentence of Article 149(3) of the Commercial Code. Any Transfer of any Share or any part thereof executed without this condition being satisfied is null and void. The approval of the Management Board is not required for the Transfer of any Share or any part thereof to the Company.
     3. The Management Board is obliged to give its approval for the Transfer if all the following conditions are fulfilled:
        1. the Transferring Shareholder has duly followed all the provisions of Sections 3.10-3.13, except to the extent that [Alternative 1: all Investors. / Alternative 2: the Investor Majority] have / has waived the compliance with such provisions (which waiver may be granted at their sole discretion); and
        2. if there is a shareholders’ agreement regarding the Company among the Shareholders, the acquirer of the Share has entered into an adherence agreement whereby it undertakes to be bound by the terms of such agreement.
     4. The Management Board is obliged to give its approval for the Transfer also in case the Shares are Transferred in connection with a Proposed Transaction in respect of which a Drag Along Notice has been submitted under Section 3.14.
     5. The Management Board is entitled to give its approval for the Transfer only in cases where it is required to do so under Section 3.9.3 or 3.9.4.
  2. Transfer only for consideration in cash

A Shareholder may Transfer any Share or any part thereof to any third person (excluding the Company itself) only by way of sale for consideration payable in cash. The aforesaid shall not apply in case:

* + - 1. [Alternative 1: an Investor / [Alternative 2: [insert names of specific Investors]] Transfers any Share to any of its Affiliates; or
      2. a Founder Transfers of all of his or her Shares to a Founder HoldCo.
  1. Restriction on the Founder and Founder HoldCo

A Founder or a Founder HoldCo who holds a Common Share may not Transfer its Common Share to any person during the Vesting Period, unless

* + - 1. the Founder Transfers all his or her Shares to the Founder HoldCo;
      2. the Transfer has been approved in the form reproducible in writing in advance by [Alternative 1: all Investors. / Alternative 2: the Investor Majority]; or
      3. the Founder or Founder HoldCo Transfers the Shares to a Proposed Purchaser to perform the obligations of a Called Shareholder arising from Section 3.14.
  1. Right of First Refusal
     1. Subject to Section 3.12.9, a Transfer of a Share or part thereof (the “**Sale Share**”) by a Shareholder to a third party shall be subject to the right of first refusal set forth in this Section 3.12 (the “**Right of First Refusal**” or “**ROFR**”).
     2. A Shareholder who wishes to Transfer the Sale Share (the “**Seller**”) to a third party shall, before agreeing to Transfer the Sale Share, offer such Sale Share to the Investors (the “**ROFR Shareholders**”) for acquisition on the same terms and at the same price (per each eurocent of the nominal value of the Share) as such Sale Share is being offered to a third party by giving a notice in a form reproducible in writing (the “**Transfer Notice**”) to the Company and ROFR Shareholders. The Transfer Notice must state:
        1. the nominal value of the Sale Share;
        2. the price per each eurocent of the nominal value of the Share at which the Sale Share is proposed to be Transferred (the “**Transfer Price**”);
        3. the name of the transferee (the “**Original** **Buyer**”); and
        4. the Seller’s address (or e-mail address) where applications for exercising Right of First Refusal should be sent.
     3. To exercise the Right of First Refusal, a ROFR Shareholder must submit an application in the form reproducible in writing to the address specified in the Transfer Notice within 30 days of the date of receipt or deemed receipt of the Transfer Notice (the “**Pre-emption Period**”). Such application must state the maximum nominal value of the Share that the ROFR Shareholder wishes to acquire which may be equal to his Proportionate Allocation or greater or lower than that (but not exceed the nominal value of the Sale Share). The “**Proportional Allocation**” is a Share with a nominal value x calculated as follows: x=A/B\*C where “A” is the nominal value of the Share of the respective class (e.g. Seed Preferred Share) owned by the Shareholder exercising the Right of First Refusal, “B” is the aggregate nominal value of all Shares of the respective class (e.g. Seed Preferred Shares) and “C” is the nominal value of the Sale Share.
     4. Within seven days after the expiry of the Pre-emption Period (or the date on which applications or refusals have been received from all ROFR Shareholders, if sooner) the Seller shall allot the Sale Share as follows:
        1. if the nominal value obtained by adding up the nominal values of Shares stated in the applications submitted by Shareholders exercising the ROFR is equal to or less than the nominal value of the Sale Share, each Shareholder exercising the ROFR shall be allotted such part of the Sale Share that equals the nominal value for which it applied and, if the Sale Share is a Common Share, the remaining part of the Sale Share shall be offered to the holders of Common Shares in accordance with Section 3.12.5;
        2. if the nominal value obtained by adding up the nominal values of Shares stated in the applications submitted by Shareholders exercising the ROFR exceeds the  nominal value of the Sale Share, each Shareholder exercising the ROFR shall be allotted his Proportionate Allocation which procedure shall be repeated until the whole Sale Share has been allotted, provided that no Shareholder exercising the ROFR shall be allotted a Share with the nominal value beyond that applied for by him; and
        3. fractional entitlements shall be rounded to the nearest number that corresponds to the lowest nominal value of the Share.
     5. If the Sale Share is a Common Share and, after the allotments under Section 3.12.4, the whole Sale Share has not been allotted, the Seller shall offer the unallotted part of the Sale Share to the Common Shareholders in accordance with Section 3.12.2-3.12.4 which shall be applied *mutatis mutandis*, except that the Pre-emption Period shall be 15 days.
     6. Within seven days after the expiry of the latest Pre-emption Period (or the date on which applications or refusals have been received from all ROFR Shareholders, if sooner) the Seller shall give a notice of allocation in a form reproducible in writing (an “**Allocation Notice**”) to all Shareholders that have exercised the ROFR in accordance with Sections 3.12.2-3.12.5 (the “**Purchasing Shareholders**”). The Allocation Notice shall specify the nominal value of the part of the Sale Share allocated to each Purchasing Shareholder in accordance with Sections 3.12.2-3.12.5 and the place and time (being not less than seven nor more than 14 days after the date of the Allocation Notice) for the completion of the Transfer of the Sale Share.
     7. The Seller is obliged to Transfer the Sale Share, and each Purchasing Shareholder is obliged to purchase the relevant part of the Sale Share allocated to him in accordance with Sections 3.12.2-3.12.5 and pay the Transfer Price (per each eurocent of the nominal value of the Sale Share purchased) in the way specified in the Allocation Notice made in accordance with Section 3.12.6.
     8. Notwithstanding anything stated in this Section 3.12, if the Right of First Refusal has not been exercised under Sections 3.12.2-3.12.5 with respect to the total nominal value of the Sale Share, all rights of the ROFR Shareholders to acquire the Sale Share under this Section 3.12 shall be deemed to have automatically terminated and the Seller shall be free to Transfer the whole, but not less than the whole Sale Share to the Original Buyer at a price at least equal to the Transfer Price (per each eurocent of the nominal value of the Sale Share), provided that such Transfer is consummated within eight weeks after the date of expiry of the latest Pre-emption Period or by the end of the period set forth in Section 3.13.7, if applicable.
     9. The Right of First Refusal shall not apply in case:
        1. [Alternative 1: an Investor / [Alternative 2: [insert names of specific Investors]] Transfers any Share to any of its Affiliates;
        2. a Founder Transfers of all of his or her Shares to a Founder HoldCo;
        3. the Share is Transferred to the Company;
        4. the Share is Transferred by a person as a result of the exercise of its right of co-sale in accordance with Section 3.13; or
        5. the Shares are Transferred in the course of the Proposed Transaction specified in Section 3.14.1 in respect of which the Drag Along Notice has been submitted in accordance with Section 3.14.
  2. Co-sale right
     1. If a Common Shareholder wishes to Transfer a Common Share or a part thereof, such Transfer has been subject to ROFR (i.e. ROFR is not excluded under Section 3.12.9), but due to the failure of the ROFR Shareholders to exercise the ROFR with respect to the whole Sale Share the Common Shareholder is entitled to Transfer the Sale Share to the Original Buyer under Section 3.12.8, the Common Shareholder shall give a notice thereof in a form reproducible in writing (”**Co-Sale Notice**”) to all Investors at least 15 days before the proposed completion of the Transfer transaction with the Original Buyer. The Co-Sale Notice must state the name of the Original Buyer, the nominal value of the Sale Share, the Transfer Price and the Seller’s address (or e-mail address) where applications for exercising the co-sale right should be sent.
     2. Each Investor is entitled within 15 days after the receipt of the Co-Sale Notice to exercise the co-sale right, i.e. to send to the Seller an application specifying the nominal value of the Share that such Investor wishes to Transfer to the Original Buyer. The maximum nominal value of such Share “x”= A/B\*C where “A” is the nominal value of the Sale Share to be sold by the Seller, “B” is the aggregate nominal value of the Share held by the Seller and “C” is the nominal value of the Share held by the Investor.
     3. If any Investor exercises its co-sale right in accordance with Section 3.13.2, the Seller is entitled to Transfer the Sale Share to the Original Buyer only on the condition that the Buyer at the same time purchases from each Investor that has exercised its co-sale right the Share with such nominal value that such Investor has indicated in its application and such purchase is made on terms no less favourable than those applicable to the Seller.
     4. If the Transfer of the Sale Share(s) by one or more Sellers (either Common Shareholders and/or Investors) to the Original Buyer or to the Shareholders having exercised the ROFR would constitute the Majority Share Sale and no Drag Along Notice has been submitted in respect of such transaction under Section 3.14, the Sellers shall give a Co-Sale Notice in accordance with Section 3.13.1 to all other Shareholders and each of such other Shareholders is entitled to exercise the co-sale right, i.e. to send to the Sellers an application specified in Section 3.13.2 specifying the nominal value of the Share that such Shareholder wishes to Transfer to the Original Buyer or the Shareholders having exercised the ROFR. The maximum nominal value of such Share “x”= A/B\*C where “A” is the aggregate nominal value of all Sale Shares to be sold by all Sellers, “B” is the aggregate nominal value of all Shares held by all Sellers and “C” is the nominal value of the Share held by the respective Shareholder.
     5. If any Shareholder exercises its co-sale right in accordance with Section 3.13.4, the Sellers are entitled to Transfer the Sale Shares to the Original Buyer or the Shareholders having exercised the ROFR only on the condition that the latter at the same time purchase from each Shareholder exercising its co-sale right the Share with the nominal value that such Shareholder has indicated in its application and such purchase is made on terms no less favourable than those applicable to the Sellers. In such case, the consideration payable to the Sellers and persons that have exercised the co-sale right shall be distributed in accordance with Section 3.4.
     6. Co-Sale Notice may require that a Shareholder exercising the co-sale right accepts the following terms in connection with the relevant Transfer transaction (but may not require the acceptance of any other terms):
        1. each a Shareholder exercising the co-sale right shall give representations and warranties that the Original Buyer or the Shareholders having exercised the ROFR may reasonably request, reflecting such Shareholder’s exercising the co-sale right shareholding in and position with respect to the Company (i.e. founder, senior manager, employee, passive investor, etc.) provided that representations and warranties to be made by any Shareholder exercising the co-sale right who is an Investor shall be limited to authority, ownership and the ability to convey title to the Shares held by such Shareholder;
        2. the Shareholder exercising the co-sale right shall not be liable for the inaccuracy of any representation or warranty made by any other person;
        3. the liability of any Shareholder exercising the co-sale right who is an Investor for the inaccuracy of any representations and warranties made by the Company or its Shareholders, is several and not joint with any other person, and is proportional to, and does not exceed, the amount of consideration paid to such Shareholder exercising the co-sale right in the Transfer transaction;
        4. the liability of each Shareholder exercising the co-sale right for representations and warranties shall, to the extent legally permissible: (i) be limited to such Shareholder’s proportionate share of the aggregate liability of all Shareholders; (ii) limited to the amount of consideration payable to such Shareholder in the Transfer transaction; and (iii) be subject to the same time limitations as the liability of the Seller(s).
     7. No Transfer by the Seller(s) shall be made pursuant to any Co-Sale Notice more than three months after the date of that Co-Sale Notice.
     8. The co-sale rights set forth in this Section 3.13 shall not apply in case:
        1. [Alternative 1: an Investor / [Alternative 2: [insert names of specific Investors]] Transfers any Share to any of its Affiliates;
        2. a Founder Transfers of all of his or her Shares to a Founder HoldCo; or
        3. a Common Share is Transferred to the Company.
  3. Drag-along
     1. If the Investor Majority and the Common Majority (a “**Drag Along** **Majority**”) wish to Transfer all their Shares (the “**Majority Shares**”) to a purchaser who wishes to acquire all (100%) Shares of the Company (“**Proposed Purchaser**” and the relevant transaction a “**Proposed Transaction**”), the Drag Along Majority shall have the right to require that all other Shareholders (the “**Called Shareholders**”) Transfer all of their Shares (the “**Called Shares**”) to the Proposed Purchaser in accordance with this Section 3.14.
     2. The Drag Along Majority may exercise the right set forth in Section 3.14.1 by giving to the Company, at any time before the Transfer of the Majority Shares to the Proposed Purchaser, a notice in a form reproducible in writing (a “**Drag Along Notice**”) which the Company shall forthwith copy to the Called Shareholders. A Drag Along Notice must specify: (i) the name and information about the Proposed Purchaser; (ii) the consideration for which the Called Shares are to be Transferred calculated in accordance with Section 3.14.4; and (iii) the date of Transfer of Shares that may not be earlier than 14 days of the date of receipt or deemed receipt of the Drag Along Notice.
     3. A Drag Along Notice shall be irrevocable but will lapse if for any reason there is not a Transfer of the Majority Shares by the Drag Along Majority to the Proposed Purchaser within three months of the date of the Drag Along Notice. The Drag Along Majority shall be entitled to serve further Drag Along Notices following the lapse of any particular Drag Along Notice.
     4. The purchase price for which the Called Shareholders shall be obliged to Transfer their Called Shares shall be that to which they would be entitled if the total purchase price proposed to be paid by the Proposed Purchaser for the Majority Shares and the Called Shares were distributed to the holders of the Majority Shares and the Called Shares in accordance with the provisions of Section 3.4 (Liquidation Preference).
     5. Drag Along Notice may require that Called Shareholders accept the following terms in connection with the Proposed Transaction (but may not require the acceptance of any other terms):
        1. each Called Shareholder shall give representations and warranties that the Proposed Purchaser or the Drag Along Majority may reasonably request, reflecting such Called Shareholder’s shareholding in and position with respect to the Company (i.e. founder, senior manager, employee, passive investor, etc.) provided that representations and warranties to be made by any Called Shareholder who is an Investor shall be limited to authority, ownership and the ability to convey title to the Shares held by such Called Shareholder;
        2. the Called Shareholder shall not be liable for the inaccuracy of any representation or warranty made by any other person (except to the extent that funds may be paid out of an escrow established to cover a breach of representations, warranties and covenants of the Company as well as a breach by any Shareholder of any identical representations, warranties and covenants provided by all Shareholders);
        3. the liability of any Called Shareholder who is an Investor for the inaccuracy of any representations and warranties made by the Company or its Shareholders, is several and not joint with any other person, and is proportional to, and does not exceed, the amount of consideration paid to such Called Shareholder in the Proposed Transaction;
        4. the liability of each Called Shareholder for representations and warranties shall, to the extent legally permissible: (i) be limited to such Called Shareholder’s proportionate share of the aggregate liability of all Shareholders; (ii) limited to the amount of consideration payable to such Called Shareholder in the Proposed Transaction; and (iii) be subject to the same time limitations as the liability of the Drag Along Majority;
        5. each Called Shareholder shall, upon the request of the Drag Along Majority, be obliged to pay a portion of its share of the purchase price into an escrow account in favour of the Proposed Purchaser, provided that amounts payable by him are proportional to the amounts payable by the Drag Along Majority and provided that the amounts payable by him are not held in escrow longer than the amounts payable by the Drag Along Majority.
     6. On the Shares’ Transfer date indicated in the Drag Along Notice the Called Shareholders shall take all actions necessary to Transfer their Shares to the Proposed Purchaser in accordance with the Proposed Purchaser’s instructions, provided that the Proposed Purchaser has provided the Called Shareholders evidence that it has or will pay them for the Shares the amounts due pursuant to Section 3.14.4, e.g. by executing the Transfer of Shares and payment of funds via a delivery versus payment transaction.
     7. [If any person, following the issue of a Drag Along Notice, becomes a Shareholder pursuant to the exercise of a pre-existing option to acquire Shares or pursuant to the conversion of any convertible instrument of the Company (a “**New Shareholder**”), the Company shall ensure that the terms of any such pre-existing option to acquire Shares or any such convertible instrument shall provide that (i) a Drag Along Notice shall be deemed to have been served on the New Shareholder on the same terms as the previous Drag Along Notice and (ii) such New Shareholder shall then be bound to Transfer all Shares so acquired to the Proposed Purchaser in accordance with the Proposed Purchaser’s instructions and (iii) the provisions of this Section 3.14 shall apply to the New Shareholder *mutatis mutandis,* except that the completion of the Transfer of the Shares shall take place immediately after the Drag Along Notice has been delivered to the New Shareholder].
     8. If a Liquidity Event other than a Majority Share Sale is approved by the Drag Along Majority, the Drag-Along Majority shall have the right, by a notice in a form reproducible in writing to all other Shareholders, to require that all other Shareholders take all such actions to give effect to or otherwise implement such Liquidity Event, subject to the proceeds from such Liquidity Event being distributed to the Shareholders in accordance with Section 3.4 (Liquidation Preference).

1. SHAREHOLDERS
   1. Competence of Shareholders

The following matters shall be in the competence of Shareholders:

* + 1. amending the Articles;
    2. issuing any new Shares or otherwise changing the Share Capital;
    3. excluding the Pre-Emptive Right in accordance with Section 3.6.5 and 3.6.6;
    4. issuing convertible notes, convertible loans, options or entering into any other agreement whereby the Company grants the right to acquire any Shares; amending the material terms and conditions of any aforementioned transaction;
    5. approving, and changing any material terms of, any option plan, unless such right has been directed by the Shareholders to the Supervisory Board;
    6. acquiring own Shares and Transferring such Shares;
    7. deciding on the merger, division, transformation or dissolution of the Company;
    8. deciding on the initial public offering of Shares;
    9. distributing profit;
    10. taking any of the actions specified in Sections 4.1.1-4.1.9 with respect to any subsidiary of the Company;
    11. electing and recalling members of the Supervisory Board;
    12. entering into, and changing any material terms of, any transaction with a Supervisory Board member or his Related Party, raising a claim against a Supervisory Board member or his Related Party and appointing the Company’s representative in any such matter;
    13. approving the annual report;
    14. electing an auditor;
    15. designating the special audit and approving the remuneration procedure of the special auditor;
    16. resolving other matters placed within the competence of Shareholders by law.
  1. Investor Majority Reserved Matters

The prior approval (in a form reproducible in writing) or affirmative vote of the Investor Majority shall be required to take any of the actions or adopt any of the decisions listed in Section 4.1.1-4.1.10 (the “**Investor Majority Reserved Matters**”).

* 1. Resolutions of Shareholders

The Shareholders shall adopt resolutions on matters that fall within their competence either at the meeting of Shareholders in accordance with the procedure set forth in Section 4.4 or without convening a meeting in accordance with the procedure set forth in Section 4.5.

* 1. Meeting of Shareholders
     1. The meeting of Shareholders shall take place at the time and venue determined by the Management Board.
     2. The meeting of Shareholders shall be convened by the Management Board unless otherwise provided by law. The Management Board shall notify all Shareholders of convening the meeting in a way that the respective notice would reach the addressee at least [seven] days prior to the meeting of the Shareholders.
     3. Subject to Section 4.4.4, a meeting of Shareholders shall be competent to adopt resolutions if more than half of the votes represented by the Shares are represented at the meeting.
     4. A meeting of Shareholders shall be competent to adopt resolutions in any of the Investor Majority Reserved Matters only if more than half of the votes represented by all Shares, including the votes represented by the Seed Preferred Shares held by the Investor Majority are represented at the meeting.
  2. Adoption of resolutions without convening a meeting of Shareholders
     1. To adopt a resolution without convening the meeting of Shareholders as set forth in Article 173 of the Commercial Code, the Management Board shall send the respective notice together with a draft of the resolution to all Shareholders specifying the term, which may not be shorter than [seven] days, during which a Shareholder must submit its opinion on the resolution. If a Shareholder does not respond within this term, the Shareholder shall be deemed to have voted against the resolution. The Management Board shall prepare a voting record of the voting results and shall immediately send it to the Shareholders.
     2. A resolution of Shareholders may be adopted without observing the procedure provided in Section 4.5.1 provided that the resolution is drafted in a written or electronic form in the manner set forth in the law and signed by all Shareholders. In such case the resolution is adopted if it has been signed by all Shareholders.
  3. Required majority of votes for adoption of resolutions
     1. Subject to Section 4.6.2 and 4.6.3 or higher majority requirements set forth in the law (a) a resolution of the meeting of Shareholders is adopted if more than half of the votes represented at the meeting of Shareholders are cast in favour and (b) a resolution of Shareholders proposed for adoption without convening a meeting in accordance with Section 4.5.1 is adopted if more than half of the votes represented by all Shares are cast in favour.
     2. A resolution in any Investor Majority Reserved Matter is adopted only if such resolution is supported by at least the minimum majority of votes required by law for the adoption of the relevant resolution including, in any event, the votes represented by the Seed Preferred Shares held by the Investor Majority.
     3. [A resolution of Shareholders to amend or terminate any rights attached to the Seed Preferred Shares pursuant to the Articles is adopted only if such resolution is supported by at least the minimum majority of votes required by law and other provisions of these Articles for the adoption of the relevant resolution including, in any event, all votes represented by the Seed Preferred Shares.]

1. SUPERVISORY BOARD
   1. Role

The Supervisory Board plans the activities of the Company, organises and directs the management of the Company and supervises the activities of the Management Board in accordance with law, these Articles and the Shareholders’ resolutions. To the extent not regulated by these Articles, the Supervisory Board shall have the competence and shall act as set forth in law.

* 1. Transactions requiring the consent of the Supervisory Board

The consent of Supervisory Board is required for the Management Board for the following transactions:

* + 1. making material changes in the business plan; adopting a new business plan;
    2. adopting, or making material changes in, the annual budget;
    3. entering into, and changing any material terms of, any transaction for borrowing or taking other debt in excess of budgeted amounts;
    4. entering into, and changing any material terms of, any other transaction resulting in costs or liabilities in excess of budgeted amounts;
    5. entering into, and changing any material terms of, any transaction for granting a loan or providing a guarantee, suretyship, or any other security;
    6. entering into a transaction for an Asset Sale;
    7. entering into, and changing any material terms of, any transaction for Transferring or granting any right to use over any intellectual property or other material assets, other than non-exclusive licenses granted in the ordinary course of business;
    8. establishing, acquiring, Transferring or encumbering any shareholding in any entity, including a Subsidiary;
    9. electing and removing Management Board members;
    10. entering into, and changing any material terms of, a transaction with Management Board member or his/her Related Party, conducting legal dispute with Management Board member or his/her Related Party and appointing the Company’s representative in any such matter;
    11. entering into, and changing any material terms of, a transaction with a Shareholder or his/her/its Related Party, conducting legal dispute with a Shareholder or his/her/its Related Party and appointing Company’s representative in any such matter;
    12. commencing, conducting or settling material court, arbitration or similar proceedings;
    13. entering into, changing any material terms of, and terminating any transaction with any key employee or key service provider;
    14. entering into, and changing any material terms of, (a) a transaction that cannot be unilaterally terminated by the Company at most three months’ notice (b) a transaction that includes exclusivity rights or obligations or (c) transaction which includes non-competition or non-solicitation obligations of the Company;
    15. entering into, and changing any material terms of, any transaction involving or leading to costs or liabilities exceeding (individually or in any period of 12 months) the amount of EUR [insert] (whether or not the relevant costs and liabilities are in excess of budgeted amounts);
    16. taking any of the actions specified in Sections 5.2.1-5.2.15 with respect to any Subsidiary.
  1. Investor Director Reserved Matters

The prior approval (in a form reproducible in writing) or affirmative vote of the Investor Director shall be required to take the actions listed in Sections [insert] (the “**Investor Director Reserved Matters**”):

* + 1. [insert relevant matters].
  1. Composition

The Supervisory Board comprises [insert number] members who shall be elected for the term of five years.

* 1. Election of members of the Supervisory Board

The members of the Supervisory Board shall be elected as follows:

* + 1. as long as [name of investor] (including its Permitted Transferee) is an Investor, [one] Supervisory Board member shall be elected by the Shareholders amongst the candidates nominated by [name of investor];[[5]](#footnote-6)
    2. [insert number] Supervisory Board members shall be elected by the Shareholders amongst the candidates jointly agreed between [the Founders and the Investors / the Common Shareholders and the Investor Majority], it being agreed that each such Supervisory Board member must be independent from the Shareholders;
    3. the remaining Supervisory Board members shall be elected by the Shareholders amongst the candidates nominated by the [Founders jointly / Founders’ majority / Common Shareholders].
  1. Chairman

The members of the Supervisory Board shall elect a chairman from among themselves who shall organise the activities of the Supervisory Board.

* 1. Meeting of the Supervisory Board
     1. The meetings of the Supervisory Board shall be held at least with such minimum frequency as set forth in the mandatory provisions of law.
     2. The chairman of the Supervisory Board shall send to the members of the Supervisory Board a notice of each meeting at least [seven] days in advance.
     3. A meeting of the Supervisory Board has a quorum if more than half of the members of the Supervisory Board, including more than half of the Investor Directors, are present. If a meeting has been convened in accordance with all requirements set forth in the laws and these Articles and within one-half hour from the time appointed for such meeting a quorum is not present, then the meeting shall be adjourned to such day (not being earlier than three Business Days as of the non-quorate meeting), time and place as determined by the majority of the Supervisory Board members present, including more than half of the Investor Directors (to the extent present). No matters shall be discussed and decided at any adjourned meeting except matters that might lawfully have been discussed and decided at the original meeting. Such adjourned meeting shall have quorum if more than half of the members are present.
  2. Adoption of resolutions without convening a meeting of the Supervisory Board
     1. The Supervisory Board has the right to adopt resolutions without calling a meeting if (a) all members of the Supervisory Board consent to it or (b) such right is set forth in the work procedure of the Supervisory Board which has been approved by the Supervisory Board with the consent of more than half of the Investor Directors.
     2. To adopt a resolution without convening a meeting, the chairman of the Supervisory Board shall send a draft of the resolution to all members of the Supervisory Board, specifying the term, which may not be shorter than [five] days, by the end of which the member of the Supervisory Board must submit his or her position on it. A position of the Supervisory Board member must be in a form reproducible in writing. If a member of the Supervisory Board does not give notice of whether he or she is in favour of or opposed to the resolution during this term, he or she shall be deemed to have voted against the resolution. The chairman of the Supervisory Board shall prepare a record of voting on the results of voting in lieu of minutes of the meeting in accordance with the requirements set forth in the law and shall send the record promptly to the members of the Supervisory Board and the Management Board.
     3. A resolution of the Supervisory Board may be formalised also without advance notice and record of vote if all members of the Supervisory Board agree to and sign the resolution. A resolution shall set out the names of the members of the Supervisory Board and the time of passing the resolution.
  3. Required majority of votes for adoption of Supervisory Board resolutions
     1. Subject to Section 5.9.2 and higher majority requirements set forth in law, a resolution of the Supervisory Board is adopted if more than half of the Supervisory Board members present at the meeting vote in favour or – if a resolution is proposed for adoption without convening a meeting in accordance with Section 5.8.1-5.8.2 - if more than half of all Supervisory Board members vote in favour.
     2. A resolution of the Supervisory Board in Investor Director Reserved Matters is adopted if more than half of the Supervisory Board members present at the meeting, including [at least one / more than half] of the Investor Directors, vote in favour or – if a resolution is proposed for adoption without convening a meeting in accordance with Section 5.8.1-5.8.2 - if more than half of all Supervisory Board members, including [at least one / more than half] of the Investor Directors, vote in favour.
     3. The chairman of the Supervisory Board [shall / shall not] have a casting vote.
  4. [*Observer RIghts*][[6]](#footnote-7)

*[[Insert name] has the right to appoint a non-voting observer to the Supervisory Board who shall have a right to participate in the Supervisory Board meetings in a nonvoting observer capacity. The Company shall procure that such observer shall be given copies of all notices, minutes, consents, and other materials that it provides to the members of the Supervisory Board at the same time and in the same manner as provided to such members of the Supervisory Board, provided that such observer is bound by obligation to hold any non-public information submitted to him/her in confidence.*]

1. MANAGEMENT BOARD
   1. Competence of the Management Board

The Management Board is the management body of the Company which represents and manages the Company. The Management Board may take any actions specified in Section 4.1 only upon the prior approval of the Shareholders, and any actions specified in Section 5.2 only upon the prior consent of the Supervisory Board.

* 1. Members of the Management Board
     1. The Management Board shall comprise [one to three] members. The members of the Management Board shall be elected without a term.
     2. The members of the Management Board shall be elected and recalled by the Supervisory Board.

1. REPRESENTATION

Each Management Board member may represent the Company in transactions or other legal acts.

1. BUSINESS YEAR

The business year of the Company begins on first of January and ends on 31 December.

1. SCHEDULES

These Articles have the following Schedules:

* + 1. Schedule 1 DEFINITIONS

The Shareholders have approved these Articles of Association on [insert date].

**SCHEDULE 1  
DEFINITIONS**

In these Articles the following capitalized terms shall have the following meanings:

|  |  |
| --- | --- |
| **“Additional Consideration”** | defined in Section 3.4.6. |
| **“Affiliate”** | in respect of an Investor, a person Controlled, Controlling or under common Control with such Investor and, in case of an Investor which is an investment fund managed by a fund manager (a) any other investment fund managed by that fund manager and (b) a person Controlled, Controlling or under common Control with that fund manager and (c) any participant, unitholder, partner in or shareholder of any such investment fund (but only in connection with the dissolution of such investment fund or any distribution of assets of such investment fund pursuant to the operation of the investment fund in the ordinary course of business). |
| **“Allocation Notice”** | defined in Section 3.12.6. |
| **“Articles”** | these Articles of Association. |
| **“Asset Sale”** | the Transfer of all or substantially all of the Group Companies’ assets (including intellectual property rights), or the granting of an exclusive license over all or substantially all of the intellectual property rights of the Group Companies, whether effected through a single transaction or series of related transactions, except in case such Transfer is an Excluded Transaction. |
| **“Business Day”** | any day other than Saturday, Sunday or a public holiday (in Estonian: *rahvus- või riigipüha*) in Estonia. |
| **"Called Shares”** | defined in Section 3.14.1. |
| **“Called Shareholders”** | defined in Section 3.14.1. |
| **“Change of Control”** | an acquisition or Transfer of Control over a respective entity. |
| **“Common Majority”** | Common Shareholders holding Common Shares with the aggregate nominal value representing more than 50% of the total nominal value of all Common Shares. |
| **“Common Share”** | common share (in Estonian: *Lihtosa*) of the Company granting its holder the rights attached to the class of Common Shares pursuant to the Articles and, to the extent not set forth herein, the respective rights set forth in law. |
| **“Common Shareholder”** | a holder of a Common Share. |
| **“Company”** | [insert name of the Company]. |
| **“****Control”, “Controlled”, “Controlling”** | refers to a relationship in which a person is a controlled entity (in Estonian: *kontrollitav äriühing*) of another person within the meaning of Article 10 of the Securities Market Act (in Estonian: *väärtpaberituruseadus*). |
| **“Co-Sale Notice”** | defined in Section 3.13.1. |
| **"Drag Along Majority”** | defined in Section 3.14.1. |
| **"Drag Along Notice”** | defined in Section 3.14.2. |
| **“Encumbrance”** | (a) a security interest of any kind, including any pledge, mortgage, financial collateral arrangement, retention of title arrangement or security assignment; (b) any claim or right belonging to a third person, including, without limitation, any right of pre-emption, right of first refusal, option, requirement of consent, lease; (c) other encumbrance or restriction of any kind. |
| **“Equity Securities”** | defined in Section 3.6.1. |
| **"Excluded Transaction”** | a transaction which sole purpose is to (a) create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s shares immediately before such transaction or (b) obtain funding for the Company in a bona fide financing transaction that is approved in accordance with the Articles. |
| **“Founder”** | any of the following persons: [insert name], [insert personal identification code/date of birth]; [insert name], [insert personal identification code/date of birth]. |
| **“Founder HoldCo”** | in respect of a relevant Founder, a company in which all shares and all voting rights arising from such shares are held solely by such Founder. |
| **“Group Company”** | the Company or any of its subsidiaries. |
| **“Initial Consideration”** | defined in Section 3.4.6. |
| **“Investor”** | a holder of a Seed Preferred Share. |
| **“Investor Director”** | a member of the Supervisory Board elected pursuant to Section 5.5.1. |
| **“Investor Director Reserved Matters”** | defined in Section 5.3. |
| **“Investor Majority”** | [Investors holding Seed Preferred Shares with the aggregate nominal value representing more than 50% of the total nominal value of all Seed Preferred Shares.] |
| **“Investor Majority Reserved Matters”** | defined in Section 4.2. |
| **“Liquidation Preference”** | defined in Section 3.4.2(a). |
| **“Liquidity Event”** | 1. dissolution of the Company; 2. merger of the Company involving a Change of Control; 3. Asset Sale; and/or 4. Majority Share Sale. |
| **“Majority Share Sale”** | the Transfer of any Shares which will result in the acquirer of those Shares, and persons Controlled, Controlling or under common Control with such acquirer, acquiring Control over the Company, whether effected through a single transaction or series of related transactions, except in case such Transfer is an Excluded Transaction. |
| **“Majority Shares”** | defined in Section 3.14.1. |
| **“Management Board”** | management board of the Company. |
| **“Original Buyer”** | defined in Section 3.12.2(c). |
| **"Permitted Transferee”** | any Affiliate of an Investor to whom the Investor has Transferred its Share. |
| **"person”** | private individual, legal entity, partnership or any unincorporated body. |
| **“Pre-emptive Offer”** | defined in Section 3.6.2. |
| **“Pre-emption Period”** | defined in Section 3.12.3. |
| **“Pre-emptive Right”** | defined in Section 3.6.1. |
| **"Proceeds of Sale”** | the consideration payable (including any deferred and/or contingent consideration) whether in cash or otherwise to those Shareholders Transferring Shares under a Majority Share Sale. |
| **“Proportional Allocation”** | defined in Section 3.12.3. |
| **"Proposed Purchaser”** | defined in Section 3.14.1. |
| **"Proposed Transaction”** | defined in Section 3.14.1. |
| **“Purchasing Shareholders”** | defined in Section 3.12.6. |
| **“Related Party”** | a party related to a person within the meaning of IAS 24 (Related Party Disclosures) as adopted by the International Accounting Standards Board. |
| **“Right of First Refusal” or “ROFR”** | defined in Section 3.12.1. |
| **“ROFR Shareholders”** | defined in Section 3.12.2. |
| **“Sale Share”** | defined in Section 3.12.1. |
| **“Seed Preferred Share”** | seed preferred share (in Estonian: *Seed-Eelisosa*) of the Company granting its holder the rights attached to the class of Seed Preferred Share pursuant to the Articles and, to the extent not set forth herein, the respective rights set forth in law. |
| **“Seller”** | defined in Section 3.12.2. |
| **"Sellers’ Shares”** | defined in Section 3.14.1. |
| **“Share”** | a share of the Company. |
| **“Share Capital”** | share capital of the Company. |
| **“Shareholder”** | a holder of a Share. |
| **“Shareholders’ Agreement”** | a shareholders’ agreement relating to the Company between the Company and its Shareholders, dated [insert date]. |
| **“Subscribers”** | defined in Section 3.6.2. |
| **“Subscription Period”** | defined in Section 3.6.2(a). |
| **“Supervisory Board”** | supervisory board of the Company. |
| **“Transfer”** | any assignment, other disposal or transfer, whether conducted under sale, donation, in-kind contribution or otherwise. |
| **“Transfer Notice”** | defined in Section 3.12.2 |
| **“Transfer Price”** | defined in Section 3.12.2(b). |
| **“Vesting Period”** | a period of [insert] years of the registration of these Articles in the Commercial Register. |

1. NOTE TO DRAFT: The Commercial Code provides that the minimum nominal value of a share shall be one eurocent and if the nominal value of a share is greater than one eurocent, it shall be a multiple of one eurocent. The Articles may still set out that the minimum nominal value of a share is one euro. If the user changes the numbers in this section 3.2.2, it is advisable to amend the numbers in section 3.3.2 respectively. [↑](#footnote-ref-2)
2. NOTE TO DRAFT: The Commercial Code provides that each one eurocent of a share shall grant one vote unless the articles of association prescribe otherwise. If the user changes the numbers in this section 3.3.2, it is advisable to amend the numbers in section 3.2.2 respectively. By making foregoing amendments, please also check the respective provisions of the Liquidation Preference and Right of First Refusal so that the use of terms “euro” or “eurocent” would be aligned. [↑](#footnote-ref-3)
3. NOTE TO DRAFT: Section 3.4 sets out the most commonly used Liquidation Preference alternative - **1x non-participating liquidation preference**. There are also two main alternatives that are also used in practice: (a) **participating liquidation preference**, in which case an investor will firstly be paid its liquidation preference and where the investor will then secondly participate in the distribution of any additional proceeds in proportion to its shareholding of all shares, and (b) **capped (or partially participating) liquidation preference**, in which case an investor will have the same rights as those described in alternative (a) with respect to the (fully) participating liquidation preference with the exception, however, that its aggregate return shall be capped to a certain amount upon the receipt of which the investor will stop “participating” in the distribution of the proceeds. The **non-participating liquidation preference** may also have different multiples (e.g. 1,5x, 2x, 3x etc.). [↑](#footnote-ref-4)
4. NOTE TO DRAFT: The pre-emptive right entitles a Shareholder to maintain its shareholding in the Company in case of issuance of Equity Securities. [↑](#footnote-ref-5)
5. Note to draft: insert additional subsections in case of more than three Supervisory Board members. [↑](#footnote-ref-6)
6. Note to draft: delete if granting of the observer rights has not been agreed with the Investors. [↑](#footnote-ref-7)