**Option Agreement**

|  |  |
| --- | --- |
| Place: | [insert information] |
| Date: | [insert information] |

This option agreement (the **Agreement**) is entered between the following parties:

**the Company**

|  |  |
| --- | --- |
| Company name: | [insert information] |
| Registration number: | [insert information] |
| Registered address: | [insert information] |
| represented by legal / authorised representative: | |
| [name and surname] | |

**The Shareholder**

|  |  |
| --- | --- |
| Company name / name and surname: | [insert information] |
| Registration number / identity code / date of birth: | [insert information] |
| Registered address / residential address: | [insert information] |
| represented by legal / authorised representative:[[1]](#footnote-1) | |
| [name and surname] | |

**The Optionholder**

|  |  |
| --- | --- |
| Name and surname: | [insert information] |
| Identity code / date of birth: | [insert information] |
| Residential address: | [insert information] |

The Company, the Shareholder and the Optionholder collectively referred to as the “**Parties**” and individually a “**Party**”,

WHEREAS:

1. The Optionholder is [employed with the Company / works for the Company under management board member agreement] (the **Employment**);
2. The Company wishes to retain the Optionholder as an employee, thus is willing to grant to the Optionholder specific bonuses;
3. The Company and the Shareholder wishes to grant to the Optionholder an option to acquire shares of the Company on the terms set out in the Agreement (the **Option**),

The Parties conclude the following Agreement:

1. **Definitions**

The terms used in the Agreement shall have the following meanings:

|  |  |
| --- | --- |
| **Cause** | (i)  material breach of the Employment by the Optionholder, (ii) material breach of laws by the Optionholder, (iii) material damage caused to the Company by the Optionholder, or (iv) continued inability of the Optionholder to perform duties under the Employment. |
| **Option Shares** | the Shareholder and the Company grants Optionholder an option to acquire [number] shares of the Company, which at the moment of conclusion of the Agreement constitute [number]% of the Company’s share capital. |
| **Option Price** | the price of the Option Shares is EUR [number]. |
| **Option Period** | The Option shall be valid and exercisable until [date]. |

1. **The Option**
   1. The Shareholder and the Company grants Optionholder the Option Shares in accordance with the terms and conditions of the Agreement. The price of the Option Shares is the Option Price.
   2. The Option shall be valid and exercisable until the Option Period.
   3. The Optionholder is informed that the total share capital of the Company may change until exercise of the Option and thus the percentage of the Option Shares at the time of exercise of the Option may be less than set out in the Agreement.
2. **Exercise of the Option**
   1. The Optionholder shall have the right to exercise the Option upon occurrence of one of the following:
      1. On or after [description];
      2. [description].
   2. The Optionholder shall have a right to use the Option only for all of the Option Shares and not in parts.
   3. In case the Optionholder wishes to use the Option, the Optionholder, subject to Clause 3.1, shall give a written notice to the Company and the Shareholder on use of the Option in a form set out in Appendix 1 (the **Exercise Notice**). The Exercise Notice shall be given within 5 (five) business days as of occurrence of the respective grounds giving effect to the Option but not later than until the end of the Option Period.
   4. Following the receipt of the Exercise Notice within 10 (ten) business days, subject to the discretion of the Shareholder:
      1. the Shareholder shall conclude a share purchase agreement with the Optionholder for the purchase of the Option Shares for the Option Price; or
      2. the Company shall convene a Company’s shareholders meeting and the Shareholder shall adopt a decision on increase of the Company’s share capital by the amount of the Option Shares, and the Optionholder shall subscribe for the new shares corresponding to the amount of the Option Shares;
      3. the Optionholder shall pay the Option Price either as purchase price to the Shareholder under the Agreement mentioned in Clause 3.4.1 or a subscription fee under the Shareholder’s decision mentioned in Clause 3.4.2 within 2 (two) business days as of the agreement mentioned in Clause 3.4.1. is signed or Shareholder’s decision mentioned in Clause 3.4.2 is adopted;
      4. the Optionholder shall sign a shareholder’s agreement with the Shareholder, if so requested by the Shareholder and in a form as proposed by the Shareholder;
      5. the Optionholder shall sign all other documents and take all other necessary actions as may be reasonably requested by the Company and / or the Shareholder in order to give effect to the Option.
   5. The Option shall be considered as duly exercised upon fulfilment of actions set out in Clause 3.4.
   6. The title to the Option Shares shall be transferred to the Optionholder as of the moment when the Optionholder is recorded as a shareholder in the Company’s shareholder’s register and the Optionholder has fulfilled requirements set out in Clause 3.4.3 and 3.4.4.
   7. The Optionholder shall not have a right to sell, transfer, encumber or otherwise dispose of the Option Shares, unless a prior written consent of the Shareholder and the Company is received.
3. **Termination**
   1. The right to use the Option under the Agreement and to acquire the Option Shares shall be terminated upon:
      1. death of the Optionholder;
      2. the end of the Option Period;
      3. the resignation from the Company by the Optionholder;
      4. the termination of the Employment with the Company with a Cause;
      5. [description].
   2. In case the Employment with the Company is terminated without a Cause, the Company shall have a right to compensate the Option Price to the Optionholder in money instead of granting the Option Shares as set out in the Agreement.
4. **Shareholder’s call option**
   1. In case the Optionholder has used the Option and following the use of the Option any of the circumstances set out in Clause 4.1.1, 4.1.3 and 4.1.4 occurs, the Shareholder shall have a call option with respect to the Option Shares (the **Call Option**).
   2. In order to exercise the Call Option the Parties shall take the following actions:
      1. the Shareholder shall within 10 (ten) business days as of the day it became aware of the respective circumstances give a written notice to the Optionholder (or in case of Clause 4.1.1 – to its legal successors) on use of the Call Option in a form set out in Appendix 3 (the **Call Notice**);
      2. the Optionholder (or in case of Clause 4.1.1 – its legal successors) shall conclude a share purchase agreement with the Shareholder for the sale of the Option Shares under the Call Option;
      3. the Optionholder (or in case of Clause 4.1.1 – its legal successors) shall sign all other documents and take all other necessary actions as may be reasonably requested by the Company and / or the Shareholder in order to give effect to the Call Option.
   3. The price for the Call Option shall be:
      1. in cases set out in Clause [4.1.1 and 4.1.3] – the Option Price;
      2. in case set out in Clause [4.1.4] – EUR 1 (one euro).
   4. As of the date of the Call Notice, the Optionholder shall not be entitled to use any of its shareholder’s rights, including the right to vote at shareholder’s meetings and to receive dividends.
5. **Miscellaneous**
   1. The Optionholder shall not be entitled to assign any of its rights and obligations under the Agreement, however, the Agreement shall be binding to its legal successors.
   2. In case the Company becomes liable for any taxes due to or related to the exercise of the Option or compensation of the Option Price as set out in Clause 4.2, the Optionholder shall indemnify the Company for all such taxes, including but not limited to the personal income tax and social security contributions. Any such payments shall be either withheld from any amounts payable to the Optionholder under the Agreement or shall be paid to the Company by the Optionholder.
   3. In the event that until the use of the Option by the Optionholder the Company merges with another company so that the Company will not be surviving company, the Company may at its sole discretion (i) replace the Option with the option to the shares of such surviving successor company; or (ii) decide that the Option may become exercisable immediately prior to the completion of the merger.
   4. Any amendments to the Agreement shall be made in writing and signed by the Parties.
   5. The Agreement shall be governed by the laws of the Republic of Latvia. Any disputes arising from and in connection with the Agreement shall be resolved by the courts of the Republic of Latvia.
   6. The Agreement is prepared in English in 3 (three) copies, 1 (one) shall remain with the Company, 1 (one) with the Shareholder and 1 (one) with the Optionholder.

|  |  |  |
| --- | --- | --- |
| On behalf of the Company:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **[name and surname]** |  | On behalf of the Shareholder / the Shareholder:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **[name and surname]** |
| The Optionholder:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **[name and surname]** | | |

**Appendix 1 – Form of the Exercise Notice**

To: [name of Company]

(the **Company**)

and

[name of the Shareholder]

(the **Shareholder**)

|  |  |
| --- | --- |
| From: [name of the Optionholder]  [residence address]  (the **Optionholder**)  *Re: Exercise of the Option under the option agreement concluded by and between the Optionholder, the Company and the Shareholder on [date] (the* ***Agreement****)* |  |

The Optionholder hereby gives notice on exercise of the Option for the Option Shares in accordance with the provisions of the Agreement.

The grounds giving effect to the Option are: [description].

The definitions used in this Exercise Notice shall have the same meaning as defined in the Agreement, unless explicitly define otherwise herein.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature of the Optionholder

[place], [date]

**Appendix 2** – **Form of the Call Notice**

To: [name of Company]

(the **Company**)

and

[name of the Optionholder]

(the **Optionholder**)

From: [name of the Shareholder]

(the **Shareholder**)

*Re: Exercise of the Call Option under the option agreement concluded by and between the Optionholder, the Company and the Shareholder on [date] (the* ***Agreement****)*

The Shareholder hereby gives notice on exercise of the Call Option for the Option Shares in accordance with the provisions of the Agreement.

The grounds giving effect to the Call Option are: [description].

The definitions used in this Exercise Notice shall have the same meaning as defined in the Agreement, unless explicitly define otherwise herein.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature of the Shareholder

[place], [date]

1. This section should be deleted if the founder is a natural person. [↑](#footnote-ref-1)