

**OPTION AGREEMENT**

between

**{YOUR COMPANY }**

and

**{option holder }**

*Signing this document will make you legally bound by its terms. You should take independent legal and taxation advice before signing.*

This Agreement is dated                     .

## OPTION AGREEMENT

### BETWEEN

- (1) **{your company name}**, incorporated and registered in England and Wales with company number **{your company number}** whose registered office is at **{your company address}** (“Company”); and
- (2) **{option holder name}**, residing at **{option holder address}** (“Option Holder”).

### RECITALS

WHEREAS the Company intends to grant to the Option Holder an Option to acquire Shares in the Company on the following terms and conditions (all as defined below):

### THEREFORE IT IS HEREBY AGREED AS FOLLOWS:

#### 1 INTERPRETATION

1.1 In this Agreement the following words shall have the following meanings respectively:

- |                    |   |
|--------------------|---|
| <b>Act:</b>        | means the Income Tax (Earnings and Pensions) Act 2003, as amended from time to time;  |
| <b>Agreement:</b>  | means this agreement for the grant by the Company to the Option Holder of the Option on the terms set out in this agreement;  |
| <b>Articles:</b>   | means the articles of association of the Company in place from time to time;  |
| <b>Asset Sale:</b> | means the sale or transfer of 50% or more of the property and/or undertaking of the Company and its Group Members on a group-wide basis (in one transaction or a series of transactions) to a bona fide third party (or persons acting in concert) on arm’s length terms;   |
| <b>Bad Leaver:</b> | means a person who becomes a Leaver as a result of any of the following situations: <ol style="list-style-type: none"><li>(a) in circumstances justifying Summary Dismissal of the Leaver;</li><li>(b) where the Leaver takes up Employment with or undertakes the provision of services to a competitor of the Company in breach of any applicable restrictive covenants contained in the relevant Leaver’s Employment or service contract; or</li></ol> |

- (c) where the Leaver breaches any obligation of confidentiality contained in the relevant Employment or service contract or otherwise;

<b>Board:</b>	means the board of directors of the Company from time to time;
<b>Controlling Interest:</b>	means an interest in any shares in the capital of the Company conferring in the aggregate more than 50% of the total voting rights conferred by all the issued shares in the Company;
<b>Date of Grant:</b>	means the date of delivery of this Agreement;
<b>Employee</b>	means any employee or contractor of or any person who is seconded to or otherwise provides remunerated services to the Company or any Group Member of the Company (whether via an employer of record solution or otherwise) and derivative terms, including, without limitation, “ <b>Employment</b> ” “ <b>Employing</b> ” and “ <b>Employed</b> ” shall be construed accordingly;
<b>Exercise Criteria:</b>	means any conditions of exercise of the Option specified in Schedule 1;
<b>Exit Event:</b>	means an Asset Sale, Listing, or a Share Sale;
<b>Expert:</b>	means an independent accountant or lawyer (acting as expert and not as arbiter), selected by the mutual agreement of the parties or, if the parties fail to agree, appointed by the President for the time being of the Institute of Chartered Accountants in England and Wales;
<b>Good Leaver:</b>	means a person who becomes a Leaver other than as a Bad Leaver;
<b>Group Member:</b>	means any holding company, subsidiary company, wholly-owned subsidiary company or a parent company, in each case as defined in the Companies Act 2006;
<b>Leaver:</b>	means an Option Holder who ceases to be an Employee of the Company or any Subsidiary and ceases to be Employed by any Group Member of the Company;
<b>Listing:</b>	means the admission to listing of any part of the Company’s share capital (or the share capital of any Group Member of the Company) on the London Stock Exchange plc or the grant of permission to deal in all or any part of the share capital of the Company (or of any Group Member of the Company) on the Alternative Investment Market operated by the London Stock Exchange plc, or any other recognised investment exchange (including without limitation any recognised investment exchange as defined in section 285 of the Financial Services and Markets Act 2000) and their respective share dealing markets or any prescribed market, recognised overseas investment exchange, designated investment exchange, or regulated

market or equivalent in any part of the world, including without limitation a reverse takeover (within the meaning contained in (and in accordance with) the UKLA publication entitled “the Listing Rules” current at the date of this Agreement) by a member of another group of companies any of whose shares are already the subject of a flotation;

<b>Majority Decision:</b>	a decision of the Board acting by majority decision;
<b>Option:</b>	means the option granted in accordance with Clause 2 of this Agreement;
<b>Option Notice:</b>	means the notice in writing from the Option Holder to the Company, substantially in the form set out in Schedule 2;
<b>Option Period:</b>	means ten years beginning with the Date of Grant;
<b>Option Price:</b>	means £0.1353 in respect of each Share subject to an Option, subject to any adjustment pursuant to Clause 8;
<b>Option Shares:</b>	means Shares which are subject to an Option or which have been allotted in accordance with an Option;
<b>Relevant Liability:</b>	in connection with an Option, means any income tax, capital gains tax, employer and employee national insurance contributions, value added tax, stamp duty or their equivalent in any other jurisdiction or any other tax or duty applicable to the Option, whether arising in the United Kingdom or any other jurisdiction;
<b>Share:</b>	means an ordinary share of £0.0001 in the share capital of the Company, subject to the rights and privileges set out in the Articles and subject to any adjustment pursuant to Clause 8;
<b>Share Sale:</b>	means a change in the legal or beneficial ownership of any shares in the share capital of the Company (in one transaction or a series of transactions) which results in any party (or parties acting in concert) holding a Controlling Interest in the Company, where such person was either not a shareholder of the Company immediately prior to such sale or who, directly or indirectly, held less than a Controlling Interest in the Company immediately prior to such change of ownership;
<b>Subsidiary:</b>	means a qualifying subsidiary (within the meaning of Paragraph 10 of Schedule 5 of the Act) of the Company;
<b>Summary Dismissal:</b>	means dismissal or termination without notice by the Company of an Employee for reasons of fraud, gross misconduct, dishonesty or some other substantial reason relating to the material adverse conduct of the Employee (and in the event that the relevant person to which this definition applies is an officer or consultant of the Company then the foregoing definition shall be construed so that

the person's material adverse conduct would have resulted in him being dismissed without notice if he had been an Employee of the Company);

**Unvested Option:** means an Option (or part thereof) in respect of which the Exercise Criteria set out in paragraph 1 of Schedule 1 have not been met, and "**Unvested**" shall be construed accordingly;

**Vested Option:** means an Option (or part thereof) in respect of which the Exercise Criteria set out in paragraph 1 of Schedule 1 have been met, and "**Vested**" shall be construed accordingly;

**Working Day:** means any day from Monday to Friday inclusive which is not a local, public or statutory holiday in England; and

1.2 In this Agreement:

1.2.1 words denoting the singular shall include the plural and vice versa;

1.2.2 words denoting one gender shall include all genders;

1.2.3 reference to any statute, or to any statutory provision, including any regulation, statutory instrument, or other subordinate legislation derived from such statutory sources, shall include references to any statute or other statutory provision which amends, extends, consolidates or replaces the original statutory reference or which subsequently affects any such revised statutory reference; and

1.2.4 headings to each Clause are for convenience only and have no legal effect.

## **2 GRANT OF OPTIONS**

2.1 In order to recruit, retain, and/or incentivise the Option Holder, the Company hereby grants to the Option Holder an option to acquire X Shares in exchange for payment of the Option Price (the "**Option**").

2.2 The date on which the Option is granted is the Date of Grant.

2.3 The Option is not intended to be a Qualifying Option and is granted under the provisions of Chapter 9 of Part 7 of the Act and Schedule 5 of the Act.

## **3 EXERCISE OF OPTION**

3.1 Subject to Clause 6 and the satisfaction of the Exercise Criteria, the Vested Options may only be exercised by the Option Holder in whole or in part during the Option Period on an Exit Event. Where the Vested Option is exercised in part, the balance of the Option shall be exercisable in accordance with the terms of this Agreement.

3.2 The Option shall be exercised by the Option Holder delivering to the Company an Option Notice intimating that the Option Holder wishes to exercise the Vested Option (or a part thereof) and specifying the number of Option Shares the Option Holder wishes to purchase.

3.3 The Option Notice shall be accompanied by payment of (or confirmation of arrangements satisfactory to the Company for the payment of) the total amount of the Option Price payable for all of the Option Shares then to be purchased.

3.4 Subject to Clause 3.1, within 30 days after receipt of (i) the Option Notice and (ii) payment of the applicable Option Price (or confirmation of arrangements satisfactory to the Company in accordance

with Clause 3.3), or prior to the completion of an Exit Event if earlier and if applicable in accordance with Clause 4, the Company shall issue and allot the Option Shares exercised by the Option Holder on that occasion to the Option Holder and deliver to him a share certificate in respect thereof or, at the sole discretion of the Board, the share certificate shall be retained by the Board to be delivered to the acquirer of the Company.

- 3.5 All Shares being the subject of an Option Notice shall be allotted and issued free from all liens, charges or encumbrances and together with all rights attaching thereto as set out in the Articles. After the date of the exercise of the Option, any Option Shares allotted pursuant to this Agreement shall rank *pari passu* in all respects with the Shares of the Company of the same class then in issue.
- 3.6 The Option Shares shall be issued to the Option Holder in accordance with and subject to the Articles.

#### **4 EXIT EVENT**

- 4.1 The Company shall give the Option Holder at least 14 days' prior written notice of any prospective Exit Event or, where it is not possible to give such notice, as much notice as reasonably possible in the circumstances and at least 2 Working Days' notice.
- 4.2 Upon receipt of notice from the Company in accordance with Clause 4.1 of a prospective Exit Event, the Option Holder shall be entitled to exercise the Option in whole or in part (and for the avoidance of doubt such exercise shall be subject to the Exercise Criteria) at any time prior to the date of completion of the Exit Event conditional upon that Exit Event; declaring that such exercise of the Option by the Option Holder shall be deemed not to be effective until the date of completion of such Exit Event. For the avoidance of doubt, where the Exit Event does not conclude, then the Option (in whole or in part as applicable) shall be deemed not to have been exercised and shall continue to be exercisable in accordance with this Agreement. The procedure for exercising the Option pursuant to this Clause 4.2 shall be as set out in Clause 3.
- 4.3 The provisions of Clause 6.1.4 may not apply in circumstances where another company obtains all of the issued share capital of the Company and the Option Holder, the Company and the acquiring company enter into an agreement whereby the Option Holder releases his rights in respect of an Option in consideration of the grant to him of rights which are equivalent but relate to shares in the acquiring company.
- 4.4 In the event of negotiations being conducted for a prospective Exit Event, the Company shall be entitled to request in writing that the Option Holder provide (within 14 days of the Company's request or such shorter period of notice as provided for in Clause 4.1) a binding commitment in writing either to exercise or not to exercise the rights to Shares under this Option upon the occurrence of the Exit Event. In the event that the Option Holder fails to provide such a binding commitment within the aforementioned period or indicates his intention not to exercise the right under the Option, the Option shall lapse.
- 4.5 Where the Option Holder has provided the Company with a binding commitment to exercise his right to Shares under the Option upon a Share Sale, such commitment shall be deemed to include an undertaking to sell the Option Shares to the purchaser as part of the Share Sale. If the Option Holder defaults in transferring the Option Shares to the purchaser, the chairman or any of the directors for the time being of the Company nominated by the Board for that purpose shall be deemed to be the duly appointed attorney of the Option Holder with full power to execute, complete and deliver in the name and on behalf of the Option Holder a transfer of the Option Shares to the purchaser.

## **5 ARTICLES OF ASSOCIATION**

The Option Shares shall be issued to the Option Holder in accordance with and subject to the Articles. A link to a copy of the current Articles is provided in Schedule 3.

## **6 LAPSE OF OPTION**

6.1 The whole Option (whether Vested or Unvested) shall lapse upon the first to occur of the following:

- 6.1.1 subject to Clause 6.4, the Option Holder's death;
- 6.1.2 subject to Clauses 6.2 and 6.3, the date upon which the Option Holder shall become a Leaver for any reason other than death;
- 6.1.3 the expiry of the Option Period;
- 6.1.4 subject to Clauses 4.1 and 4.3, immediately following completion of an Exit Event;
- 6.1.5 subject to Clause 6.4, the Option Holder being deprived of the beneficial or legal ownership of the Option by operation of law or doing or omitting to do anything which causes him to be so deprived or becoming bankrupt or apparently insolvent;
- 6.1.6 the circumstances referred to in Clause 3.1;
- 6.1.7 the circumstances referred to in Clause 4.4;
- 6.1.8 the circumstances referred to in Clause 7; or
- 6.1.9 the passing of an effective resolution, or the making of an order by the court, for the winding up of the Company.

6.2 In the event of the Option Holder becoming a Bad Leaver, the Board may, in its absolute discretion acting by Majority Decision, dis-apply Clause 6.1.2 for some or all of the Vested Option (which dis-application may be subject to any conditions that the Board by Majority Decision may determine). Any such dis-application of Clause 6.1.2 must be notified in writing to the Option Holder within 90 days of the Option Holder becoming a Bad Leaver.

1.1 Where the Option Holder is a Good Leaver (other than in the case of death), the Option Holder shall be entitled to retain any portion of the Option which has Vested (without any requirement for prior consent of the Board), but for the avoidance of any doubt any portion of the Option which is Unvested shall lapse.

1.2 In the event of the Option Holder's death, the Board may allow the Vested Option (or any part thereof) to be exercised by the executors and personal representatives of the Option Holder within 12 months of the date of death of the Option Holder.

## **7 RIGHTS NOT ASSIGNABLE**

The Option is personal to the Option Holder who shall not be entitled to assign or otherwise transfer in whole or in part or create any security or other interest over his rights under this Agreement to any other person or persons save to executors or personal representatives after death pursuant to Clause 6.4. In the event that the Option Holder purports to make any transfer or create any interest in contravention of this Clause 7 the Option shall lapse forthwith.

## **8 VARIATION OF SHARE CAPITAL**

8.1 In the event of any consolidation, sub-division, bonus issue or reduction or other variation of share capital by the Company, but excluding for the avoidance of doubt any issue of shares (otherwise than

pursuant to a bonus issue), the number and nominal value of Option Shares and the Option Price for each of those Option Shares may be adjusted by the Board (acting by Majority Decision) in such manner and with effect from such date as the Board may determine to be reasonable, provided always that:

- 8.1.1 any such adjustment shall be made with the intention of placing the Option Holder in the same position (or as nearly as possible) as regards the number of Option Shares and/or the Option Price as if the Option had been exercised immediately prior to such an event; and
- 8.1.2 the Company shall promptly after any adjustment has been made pursuant to this Clause 8 give notice of the adjustment to the Option Holder.

## **9 TERMS OF EMPLOYMENT**

9.1 The terms and conditions of Employment by the Company (or any Group Member of the Company) of the Option Holder shall not be changed or affected in any way by the Option Holder being the holder of an Option granted in pursuance of this Agreement, and in the event of termination of the Option Holder's Employment the Option Holder shall not be entitled to compensation or damages in respect of any loss or diminution in value of the rights of the Option Holder under this Agreement or pursuant to an Option which may occur as a result of:

- 9.1.1 such termination;
  - 9.1.2 the Option Holder's failure to exercise Vested Options; or
  - 9.1.3 the lapse of Options (whether Vested or Unvested) in accordance with the provisions of this Agreement,
- and the Company shall not be liable to the Option Holder for any loss or diminution in value of the rights of the Option Holder which may occur under the circumstances set out in this Clause 9.

9.2 Nothing in this Option Agreement or other instrument executed pursuant to it shall:

- 9.2.1 form part of the Option Holder's contract of Employment or terms of appointment; or
- 9.2.2 confer upon any person any right to continue in the Employment of the Company (or any Group Member of the Company); or
- 9.2.3 affect the ability of the Company (or any Group Member of the Company) to terminate the Employment of any person.]

## **10 TAXATION**

10.1 All taxation which may become payable by the Option Holder upon the grant and/or exercise of the Option will be the responsibility and liability of the Option Holder alone and not that of the Company. To the extent that it is legally permissible the Option Holder agrees by acceptance of the grant of the Option pursuant to this Agreement:

- 10.1.1 that the Company or as appropriate the Option Holder's Employing company shall be entitled to recover from the Option Holder all and any Relevant Liability arising in connection with or as a result of the grant and/or exercise of the Option by withholding such amount or making such other arrangements as the Company reasonably considers necessary to obtain an amount equal to the Relevant Liability including, but not limited to (a) the sale of Shares on behalf of the Option Holder; and (b) making deductions within 90 days of the date of exercise of the Option of the necessary amount from the Option Holder's salary payments or other sums due to him;
- 10.1.2 to indemnify and keep indemnified the Company in respect of such Relevant Liability; and



- 10.1.3 that in the event that the Company is assessed as liable for any tax liability payable in respect of the exercise of the Option, in whole or in part, at any time, the Option Holder shall reimburse the Company within 28 days after being requested by the Company to do so.
- 10.2 The Board shall in its absolute discretion have the right to elect to pay such sums to the Option Holder as to cover any employer National Insurance Contribution arising from the exercise of the Option.
- 10.3 The indemnity in terms of Clause 10.1 shall continue to subsist and shall remain in force against the Option Holder notwithstanding the exercise of the Option (or part thereof).
- 10.4 As a condition of exercise of the Option the Option Holder (i) is deemed to give all necessary consents and authorisations to the Company or otherwise, so as to give effect to this Clause 10, and (ii) agrees to immediately execute any further document, agreement or election or do any other thing reasonably required by the Company in relation to this Clause 10.
- 10.5 Neither the Company nor any Group Company of the Company accepts liability to the Option Holder in the event that the Option does not, or ceases to, qualify for whatever reason for any tax relief.
- 10.6 The Option Holder undertakes to the Company that, if requested to do so, he or she will join with the Company in electing, pursuant to section 431 of the Act, that for the relevant tax purposes the market value of any Option Shares acquired upon the exercise of any Option shall be calculated as if they were not restricted and sections 425 to 430 of the Act are not to apply to any such shares.
- 10.7 The Option Holder, by his acceptance of the grant of the Option pursuant to this Agreement, agrees that should the Option Holder not reimburse the Company for any sums due by the Option Holder to the Company, whether pursuant to this Agreement or otherwise, within a reasonable timeframe specified by the Company then the Company shall have, and shall be entitled to exercise, a lien over the Shares registered in the name of the Option Holder up to the value of the sum due to the Company by the Option Holder.

## **11 DISPUTES**

- 11.1 Any disputes relating to the following matters shall be referred to an Expert:
- 11.1.1 whether or not the Exercise Criteria have been met;
- 11.1.2 whether or not the conditions relating to an Exit Event or any other conditions required for an Option to be exercisable in terms of this Agreement have been met;
- 11.1.3 whether an adjustment pursuant to Clause 8.1 is fair and reasonable in the circumstances;
- 11.1.4 the application of Clause 10; or
- 11.1.5 any other dispute that the parties mutually agree to refer to an Expert.
- 11.2 The Expert shall, in his sole discretion, decide the matter and his decision shall be binding and final except in the event of manifest error.
- 11.3 The costs of the Expert arising from a dispute set out in Clause 11.1 shall be borne by the party against whom the Expert makes a final decision.

## **12 NOTICES**

- 12.1 All notices hereunder shall be sent to the Option Holder at the address set out above, and to the Company at its registered office for the time being, or in both cases to such other address in the United Kingdom as one party shall notify to the other in accordance with this Clause 12.

- 12.2 Any notice or other communication under or in connection with this Agreement may be given by the Company either personally or by first class recorded or special delivery (or similar service) post and to the Company either personally or by first class recorded or special delivery (or similar service) post to the secretary; items sent by first class recorded or special delivery (or similar service) post shall be pre paid and shall be deemed to have been received 72 hours after posting.
- 12.3 Where the deemed day of receipt of a notice is not a Working Day or where receipt occurs at the place of delivery on a Working Day but after 1700hrs, that notice shall be deemed to have been received at 0930hrs on the next Working Day.
- 1.3 The Option Holder shall be solely responsible for keeping the Company apprised of his up-to-date contact details and the Company shall not be liable to the Option Holder for any loss arising as a result of the Option Holder failing to receive any communication sent to him by the Company in accordance with the terms of this Clause 12.

### **13 ENTIRE AGREEMENT**

This Agreement (together with any documents referred to herein) constitutes the entire agreement and understanding of the parties to this Agreement and supersedes all prior agreements, representations, discussions, negotiations and arrangements whether written or oral, express implied, by the parties, their representatives or agents in relation to the Option Shares.

### **14 MODIFICATIONS**

No variation or modification of this Agreement shall be valid unless made in writing and signed by or on behalf of each of the parties.

### **15 SEVERABILITY**

If any of the Clauses, Sub-Clauses or other provisions of this Agreement are found by an arbiter, court or other competent authority to be void or unenforceable, such provision shall be deemed to be deleted from this Agreement but the remaining provisions of this Agreement shall continue in full force and effect insofar as they are not affected by any such deletion. In the event of any such deletion, the parties shall negotiate in good faith with a view to replacing the provisions so deleted with legal and enforceable provisions that have similar economic and commercial effect to the provisions so deleted.

### **16 COUNTERPARTS**

This Agreement may be executed in any number of counterparts, each of which when executed shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

### **17 GOVERNING LAW AND JURISDICTION**

- 17.1 This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England.
- 17.2 The English courts have exclusive jurisdiction to determine any dispute arising in connection with this Agreement, including any dispute relating to any non-contractual obligations.

This Agreement is delivered and takes effect on the date above first written:

**SCHEDULE 1**

**Exercise Criteria**

**1. Exercise Criteria**

1.1 Subject to the other terms of this Agreement, the Options shall Vest in accordance with and subject to achievement of the following Exercise Criteria:

Period of time in which the Option Holder acts as a director or employee of the Company, starting from the Date of Grant	Number of Option Shares Vested
Base Date	{insert date}
Between the Date of Grant and the date falling the day before the Cliff Vesting Date (as defined below)	No Option Shares shall become Vested.
On the first anniversary of the Base Date (the “Cliff Vesting Date”)	One quarter of the total aggregate achievable, rounded up to the nearest whole Option Share, shall become Vested.
On the last day of the calendar month in which the Cliff Vesting Date falls (the “Relevant Month End”) and subsequently on the last day of each calendar month for a period of 35 additional months following the Relevant Month End	1/48 <sup>th</sup> of the total aggregate achievable, rounded up to the nearest whole Option Share, shall become Vested, <b>PROVIDED THAT</b> at the end of such period the total number of Option Shares which shall have Vested shall in no circumstances exceed the total aggregate achievable and the final tranche of Option Shares which become Vested shall be adjusted accordingly.
Total aggregate achievable	X

1.2 Only those Options which are Vested, all in accordance with Schedule 1, may be exercised and such Vested Options may only be exercised in accordance with the terms of this Agreement.

**SCHEDULE 2**  
**Option Notice**

TO:  
The Directors

**{your company name}**

**{your company address}**

Dear Sirs

**{your company name}** (“Company”)

**Option Agreement between the Company and {option holder name}, dated \_\_\_\_\_ (“Option Agreement”)**

I hereby give notice under Clause 3 of the Option Agreement of my intention to exercise an Option granted to me by the Company pursuant to the Option Agreement.

I confirm that the Exercise Criteria set out in Schedule 1 to my Option Agreement with the Company in relation to \_\_\_\_\_ Option Shares have been satisfied or, in the case of an Exit Event, are expected to be satisfied.

I wish to exercise my full/partial entitlement of \_\_\_\_\_ Option Shares at an Option Price of £X per share, and I

- o enclose a cheque for
- o have electronically transferred to the Company’s bank account
- o irrevocably agree that in relation to the proceeds of sale that are due to be paid to be me pursuant to the Exit Event, the purchaser can pay to the Company (rather than to me)

the sum of £\_\_\_\_\_ in full payment of the subscription price for the Option Shares.

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Dated: \_\_\_\_\_

**SCHEDULE 3:**

**{your company name}{your company number}**  
**Articles of Association**

Link to Company filing history and Articles of Association:

[SIGNATURE PAGE]

They are subscribed by  
**{option holder name}**

They are subscribed for and on behalf of  
**{your company name}**

at

*(place)*

at {your company address}

*(place)*

on

*(date)*

on

*(date)*

by **{director name}**

*(name)*

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**Option Holder**

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**Director**