Startup Estonia's Legal Model Documents: What's Changed?

Key changes to the model documents, 2023 to 2026

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OPTION AGREEMENT · 2023 → 2026

Vesting & exercise: what changes for optionholders

Topic	2023	2026
1 **Part-time work**	Not addressed. Vesting ran at the same monthly rate regardless of the optionholder's workload.	Monthly vesting is multiplied by the part-time percentage (E%) from the first day of the next month. Vested shares are untouched and the full rate returns with full-time work. The Vesting Period does not extend, so the shortfall lapses. Example: 1,000 options, 60% part-time for 12 months → 900 vest, 100 lapse.
2 **When to exercise**	Three triggers: Exit or Liquidation, a fixed date at least 3 years after grant, or the optionholder's death.	Two triggers: Exit or Liquidation, or once vesting has concluded (full term or Good Leaver), never earlier than 3 years from grant and up to a long-stop date (draft: 10 years). The option can be exercised only once. Heirs get at least 12 months after a death, but not beyond the option's termination date.
3 **Net exercise (optional)**	Only at Exit: the Company could collect the sale price and net off any deferred exercise price.	New optional route, with Company consent: the exercise price is paid in shares, not cash. Shares issued = exercised × (Fair Value − Price) ÷ Fair Value. Example: 1,000 options, FV €500, price €10 → 980 shares. The nominal value (€9.80) is still paid in cash.

OPTION AGREEMENT · 2023 → 2026

Leavers: who keeps what, and when

Topic	2023	2026
1 **Retrospective Bad Leaver**	Status was assessed at termination. The option lapsed on Bad Leaver status only if it arose during the Vesting Period. Misconduct found after exit was not covered.	New 12-month look-back: pre-exit misconduct found later (breach, conviction, material damage) makes the person a Bad Leaver. Shares can be called back free; any cancellation payment is repayable within 30 days. The option also lapses on this, or on a post-exit confidentiality or non-compete breach, even after vesting ends.
2 **Buy-back narrowed**	Shares could be called back free of charge from Bad Leavers, and at Fair Value from Good and Voluntary Leavers.	The call option applies only to Bad and Retrospective Bad Leavers, free of charge. Good and Voluntary Leavers keep the shares they already hold, and no longer face a Fair Value buy-back.
3 **Cancellation payment now net of price**	Good or Voluntary Leaver holding no shares: the Company could cancel the option and pay the Fair Value of the vested shares. The clause was tied to the Good Leaver call right.	Same right to cancel, now standalone since that call right is gone. The payment is Fair Value of the vested shares minus the exercise price they would have cost, so only the real gain is paid.

Coverage and authority: who is in, what they sign

Topic	2023	2026
1 **Mutual exit = Good Leaver**	No rule for agreed exits. Classification depended on the general Good, Bad and Voluntary tests.	If the relationship ends by mutual agreement in a written form, the person is a Good Leaver by default, unless the termination agreement says otherwise. Leaver status can be settled in the exit deal itself.
2 **Professional Relationship**	Covered employment, board, service, advisory and works contracts with any Group Company.	Also covers anyone engaged through an employer of record, a professional employer organisation or a similar arrangement. Transfers between Group Companies still do not count as termination.
3 **Powers of attorney & spouse**	Irrevocable power of attorney to the Company, on request, for shareholder votes only. Proof that the Shares are separate property if married was an optional clause.	On request, the Optionholder and, where applicable, the spouse must issue an irrevocable power of attorney to the Company or persons it authorises for (i) voting on shareholders' resolutions, (ii) entering into and amending the shareholders' agreement and (iii) signing share purchase agreements to perform drag-along. If married, proof that the Shares are separate property is no longer optional.

Conversion: investors take on duties

Topic	2023	2026
1 **Investor duties on conversion**	Investors had to sign the financing, sale or shareholders' agreement documents if asked. Paying by contributing the loan claim sat in the share-issue clause.	New Investor's obligations clause: contribute the loan claim as a non-monetary contribution, sign the transfer agreement, supply requested documents and sign everything else needed, within a period the Company sets in writing (at least 5 Business Days). Signing transaction documents stays conditional on them giving Investors their agreed rights.
2 **Penalty for investor delay**	Penalties ran one way: Investors could claim [0.1]% of their loan per day if the Company or its shareholders delayed conversion.	New consequences of Investor's breach: if an Investor misses its conversion duties, the Company is not liable for the resulting delay and may claim a penalty of [0.1]% of that Investor's loan per calendar day. The Investor's own penalty for Company delay stays.
3 **Cancellation right narrowed**	If conversion was not completed within 20 Business Days of the due date, an Investor could cancel and demand repayment, whatever the reason.	Cancellation and repayment now apply only if the delay is due to the Company or its shareholders. An Investor who has itself failed to perform its conversion duties can no longer use the right.

Later deals: the most-favoured-investor clause

Topic	2023	2026
1 **Notice and scope**	The Company had to notify Investors within 5 Business Days of any later convertible instrument, giving its price and all terms.	Notice period extended to 20 Business Days. The notice now covers only defined “Protected Terms”: the main commercial terms, conversion and repayment mechanics, events of default and investor rights.
2 **Who decides, and by when**	An Investor could elect better terms if it decided, in its sole discretion, that a later instrument was more favourable. No deadline was set.	The test is now reasonableness: the Protected Terms must be more favourable taken as a whole. The Investor has 10 Business Days from the notice to elect and must give its reasons in writing.
3 **All-or-nothing**	Investors could have “such terms” included in the agreement. No rule against picking individual terms was stated.	The Protected Terms come across as a complete package, with no cherry-picking. They can be taken from one Subsequent Instrument only, never combined from several.

Shareholder approval, liability and warranties

Topic	2023	2026
1 **Shareholder approval**	Backed by an “Approval Agreement” among shareholders, whose recital also recorded their promise to take all actions needed for conversion.	Can now be a shareholders’ resolution (Option 2) as well as an agreement. Event of Default widens to cancellation, invalidity or nullity of the approval, the warranty requires it to be duly obtained and in force, and the recital drops the shareholders’ promise. The Agreement regarding Convertible Instruments and the Convertible Loan Term Sheet are aligned with the 2026 terms.
2 **Cap on warrantor liability**	The text contained no limit on Warrantor liability for breach of warranties.	New cap: the Company’s liability to each Investor is limited to that Investor’s loan. Each Founder is limited to a [%] of the loan, multiplied by the Founder’s share of all Founders’ shares.
3 **New warranties**	No sanctions, AI or cybersecurity warranties.	Three additions. Sanctions: no sanctions, no breaches over [3] years, no investigations. AI: Option 1 internal productivity use only, Option 2 full compliance plus rights to outputs and training data. Cybersecurity: safeguards and no notifiable incident in [3] years.

Founders and leavers: the Former Founder regime

Topic	2023	2026
1 **Status of Founders who leave**	Founders were fixed by name. Nothing dealt with a Founder's status once they stopped working for the Company.	A Founder whose Professional Relationship ends automatically becomes a Former Founder and stays a Party. The Management Board updates the cap table without further consent, and shareholders must vote to amend the Articles within 30 days of a request. Founder undertakings and HoldCo rules carry over.
2 **Founders' Retrospective Bad Leaver**	Bad Leaver status covered a Founder's conduct up to termination, plus later breaches of confidentiality, non-compete or non-solicit. Misconduct found afterwards was not covered.	New 12-month look-back: pre-exit circumstances found later that would have made the Founder a Bad Leaver reclassify them. The Company can take remaining shares free of charge and demand repayment of the price paid for vested shares within 30 days.
3 **Founders' vesting and exit**	Founders' vesting ran from the Effective Date. A Founder's Shares had to be transferred within 14 days of the Option Notice. Mutual exits were not addressed.	Founders' vesting runs from a Vesting Start Date: the 1st of the month if the Effective Date falls on days 1 to 15, otherwise the next month. A mutual termination is a Good Leaver case by default. The Company can take a leaving Founder's shares in tranches up to a year apart.

Founders' non-compete and non-solicit: a reset

Topic	2023	2026
1 **Founders' restriction period**	Ran while the Founder or HoldCo was a Shareholder, with an optional extra period of [x] months after exit, set separately for each obligation.	One Restricted Period for both: while the Founder has a management-level Professional Relationship, plus 12 months after it ends. It also runs while a Former Founder still has Control over the Company, plus 12 months after control ends.
2 **Founders' non-compete scope and consent**	The Founders' non-compete territory covered a set area plus markets above a turnover threshold. The only carve-out was listed shares up to 5%.	Consent for a Founder to compete now needs both the Company and the Investor Majority. Territory grows only where the Founder approved the expansion, explicitly or through their duties. Any purely financial holding without a management role or material influence is allowed.
3 **Founders' non-compete enforceability**	A penalty for the same breach by a Founder under this agreement and the Professional Relationship could be claimed only once, under either.	Where both restrict the same activity of a Founder, the stricter one prevails. If law requires compensation for a restriction, the Group Company pays it. The penalty is claimed once, at the higher of the two. New clauses record legitimate interests and add severability.

Time commitment and leave of absence

Topic	2023	2026
1 **Founders' time commitment**	Two options for the Founders. Option 1: entire business time (at least 40 hours a week), with Investor Majority approval for any other activity. Option 2: substantially all business time with a minimum number of weekly hours to fill in, plus a list of permitted outside activities.	One simplified rule: Founders devote substantially all their business time and need Investor Majority consent for other business activities. The "entire business time" option and the fixed weekly hours are gone. Named outside activities can still be carved out, subject to the non-compete.
2 **Founders' leave of absence**	No rule for adjusting a Founder's vesting when the Founder is away for a long time. Vesting ran on from the Effective Date.	New right to adjust vesting. If a Founder is on leave (on any grounds) for more than 56 days in aggregate within 12 months, the Management Board, with Investor Majority Consent, may suspend vesting for the excess days or adjust it fairly. Each day counts once and the Founder does not vote. Suspended vesting resumes where it stopped and the vesting period is extended.

Treasury shares, waivers and drag-along

Topic	2023	2026
1 **Treasury Shares**	No defined concept. Company-held shares appeared only in passing, for example in threshold calculations.	New defined term. Treasury Shares are treated like newly issued shares: transferring them triggers shareholders' pre-emptive rights, while transfer restrictions, ROFR and co-sale do not apply. New holders must still sign an adherence agreement.
2 **Waiver protection**	Pre-emption could be excluded, and transfer restrictions waived, by the Management Board with all Investors or the Investor Majority. Other shareholders had no protection.	Optional, for the Investor Majority route only. If a shareholder who voted for an exclusion or waiver (or an affiliate) benefits from it, every other shareholder may take a pro rata share on the same terms and price, or sell alongside on a waived sale. Offers never exceed what they originally held.
3 **Drag-along and co-sale mechanics**	No authority for the Company to sign for a Called Shareholder, no rule for missing bank details, and no escrow contribution for co-sellers.	Optionally, Called Shareholders irrevocably authorise the Company to sign transfer documents if they fail to. If bank details are missing, the buyer pays the Company, which releases funds within 14 days of receiving them. Co-sellers can be required to put their share of the price into escrow, pro rata.

Articles of association: preferences, class rights, pre-emption

Topic	2023	2026
1 **Liquidation preference**	Investors received the higher of their subscription amount or an as-converted share of proceeds, computed pro rata to nominal values across all shareholders.	The as-converted comparison now treats Investors who do better converting as converted, and deducts the preference amounts of those who do not. If Preferred Shares carry different preference amounts, the test runs separately per class. Shortfalls are still shared pro rata.
2 **Changing share-class rights**	Two alternatives: all votes of the affected class (Option 1), or at least [75]% of that class (Option 2).	New Option 3 with no class vote: the usual statutory majority for amending the Articles suffices, but any shareholder adversely affected other than pari passu pro rata within its class must also consent. A new senior class is not, by itself, treated as adverse. Options 1 and 2 remain.
3 **Pre-emption and share transfers**	No clause on excluding pre-emptive rights for selected shareholders only. Management Board approval of transfers was optional.	New clause: statutory pre-emptive rights can be excluded for selected shareholders if this follows the shareholders' agreement and a shareholders' resolution approves it. The optional transfer approval is now a Management Board resolution, and transfers to or by the Company are outside it.

Founders agreement: same changes, founders decide

1 Same as in the shareholders' agreement

- Former Founder status after the role ends
- 12-month Retrospective Bad Leaver rule
- Vesting Start Date (month-start rule)
- Mutual exit counts as Good Leaver
- Call option shares returned in tranches
- Treasury Shares regime
- Time commitment: one simplified rule
- One Restricted Period, 12-month tail
- Territory and financial-holding carve-out
- Stricter rule prevails, one penalty only
- Consent to compete and Business-change rule
- Company claims penalty, no pro rata split
- Bad Leaver override covers Former Founders
- Leave-of-absence vesting adjustment

2 What differs: who decides

Shareholders' agreement: Investor Majority

- Consent to compete: Company and Investor Majority
- Penalty claimed: on Investor Majority's request
- Bad Leaver override: Board with Investor Majority Consent
- Time commitment consent: Investor Majority
- Leave adjustment: Board with Investor Majority Consent

Founders agreement: the other Founders

- Consent to compete: Company and all other Founders
- Penalty claimed: on the other Founders' request
- Bad Leaver override: the other Founders
- Time commitment consent: the other Founders
- Leave adjustment: the other Founders

Additional investors, payment default and new warranties

Topic	2023	2026
1 **Additional investors**	The agreement had no mechanism for adding investors after signing.	New optional clause: the Company may issue Additional Shares at later closings to investors approved by the Company and the Investor Majority. Conditions: a deadline and a cap, a price no lower than for the New Shares, terms no better than the Investors', pre-emption waivers and adherence to the Shareholders' Agreement. The Investors receive copies of all documents.
2 **Payment default and closing deadlines**	The Company could withdraw from a defaulting Investor, or from all Parties with Investor Majority approval or on a Material Default. Registry and issuance deadlines ran from the end of the Payment Term.	The Investor Majority can now require the Company to withdraw from all defaulting Investors. The 10 and 40 Business Day registry and issuance deadlines now run from receipt of all Investments (excluding Investors the Company has withdrawn from), not from the end of the Payment Term.
3 **Warranties from the Company and Founders**	No warranties on sanctions, export control, anti-bribery, cybersecurity, artificial intelligence or foreign direct investment clearance.	New warranties from the Company and each Founder on sanctions and cybersecurity, plus optional export control, anti-bribery and FDI clearance. AI comes in two options: a light one (internal productivity use only) or a full one (lawful use, rights to AI outputs and training data, internal controls).

Employment, board and advisor agreements: IP reaches back

	Topic	2023	2026
1	**IP created before signing**	IP was assigned only for work created in performing the agreement.	Employment and board member agreements: the assignment now also covers IP created earlier. In the employment agreement, from the start of continuous employment (date to insert). In the board member agreement, from appointment to the Position. The advisor agreement does not reach back.
2	**Personal data clause**	The employee or board member confirmed reading the Company's privacy policy. The advisor agreement described how the Company processes the advisor's data.	All three agreements: the clause is removed. The contracts no longer deal with personal data processing.
3	**Authors' team and probation**	No consent to authors' teams. Probation was extended only for time unable to work and for holidays.	Employment agreement only: the employee consents to joining an authors' team for works and inventions and may refuse only with good reason. Probation is also extended for time spent on other duties while working on a sick-leave certificate.

IP assignment: one model becomes two

Topic	2023	2026
1 **Two models instead of one**	One agreement for everyone: individuals or companies, tied to a specific agreement or to the general relationship, always with Company, Foreign, Foreground and Background IP.	Simple model: for individuals, assigns everything delivered under any Professional Relationship. Comprehensive model: for individuals or companies under a specific agreement, keeping the full IP categories and adding Contributors. The next slide compares them.
2 **AI-generated content**	Nothing on AI. Only third-party IP, including open source, was restricted.	Both models: no AI-Generated Elements in the Deliverables unless the Company permits it. The assignor must disclose the AI tool providers and terms of use. Covers AI output whether or not it is protectable.
3 **When rights pass**	IPR was measured from when the obligations arose. No rule on when the assignment took effect.	Both models: IPR is measured from the creation of each work, and assignments and licences are deemed made at the moment of creation. The licence expressly covers exercising rights that cannot be assigned, such as moral rights.

Simple or comprehensive: which model to use

Topic	Simple	Comprehensive
1 **Who signs and for what**	Individuals only: founders, employees, board members, advisors, consultants. Covers any Professional Relationship, whatever the form or validity of the contract, and optionally a founder's work before the Company was set up.	Individuals or companies, such as a development agency or contractor. Tied to one specific Relevant Agreement.
2 **What is assigned**	Everything delivered, to the extent not already assigned. No split between foreground and background IP and no Company IP licence.	Foreground IP is assigned. Background IP may be used only if permitted, and the Company then gets a licence. Company IP is licensed to the assignor for the work.
3 **Subcontractors**	No Contributors concept. The assignor is treated as the only author.	Contributors (individuals the assignor uses) are covered. Their work counts as Foreground or Background IP, and the assignor must make them respect the Company's rights and waive payment claims.

Simple share purchase agreement: a new model

Topic	Key terms
1 **Purpose**	For selling an existing share in an Estonian private limited company from one seller to one purchaser, for example a secondary sale by a founder, early employee or angel investor. Signed in simple written or digital form instead of before a notary. This requires the Company to have waived notarisation and recorded it in the Commercial Register.
2 **Conditions and closing**	Optional conditions: shareholders waive ROFR and co-sale rights, the purchaser adheres to the shareholders' agreement, the management board approves, and a spouse consents (Startup Estonia model form). Either side may withdraw if they are not met within [14] days. Closing is on signing, on an agreed date or within [5] days. Title passes when the seller receives the price, and the board updates the shareholders' list and the Commercial Register within 5 days.
3 **Warranties and liability**	Both parties: capacity, authority, no conflicts, no insolvency. Seller: full title, share validly issued and fully paid, no other disposals, no consents or encumbrances beyond the articles and shareholders' agreement. The purchaser confirms its own review, and no other warranties are given. The seller is liable only for direct damages, capped at the purchase price, unless there is wilful misconduct or gross negligence.

SAFE, cap table, spousal consent and due diligence

Topic	2023	2026
1 **Post-money SAFE**	Based on YC post-money SAFE v1.1. One form combining a valuation cap and a discount.	Now based on YC post-money SAFE v1.2, in two forms: Valuation Cap and Discount Only. Safe Preferred now matches the round's preferred shares in seniority and liquidation multiple; only price-based terms use the SAFE price.
2 **Cap table**	Example with 1,000 founder shares and conversion shares calculated to two decimals.	Reflects the definition of Share in the equity investment agreement: a notional part of a share with a nominal value of EUR 0.01, so 100 Shares equal EUR 1. Share counts are larger (e.g. 100,000 founder shares), conversion and seed shares are whole numbers, and the example is dated 2026. The Simple Cap Table now also counts whole shares.
3 **Spousal consent**	Titled a consent or agreement. The spouse also undertook not to seek shareholder status on a division of joint property.	Now a Spousal Consent only. The undertaking on division of joint property is removed from both forms (Company shares and Founder HoldCo shares) and the wording is shortened. Core consent and authority remain.
4 **Due diligence checklist**	No questions on AI, cybersecurity, sanctions or foreign investment screening.	New requests on AI use, cybersecurity incidents, sanctions exposure and FDI or foreign subsidy reviews, plus optional export control and anti-bribery. Mirrors the new warranties in the equity investment agreement.