Articles of Association of the Company
SHER Technologies a.s.
commercial company is governed by Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (Business Corporations Act) (hereinafter referred to also as the „Act“), as amended

1. *Business Name, Registered Office, Identification Number and Duration of the Comapny.*

The business name of the Company shall read: SHER Technologies a.s. (hereinafter referred to as the „Company“).
The registered office of the Company shall be Čepí.
Identification Number: 275 28 171.
The Company has been established for an indefinite period of time.

2. *Website.*

2.1. The Company shall be obliged to establish its own website with free of charge access, where without undue delay after its incorporation and thereafter on a continuous basis release information, which shall be in the commercial documents and other information prescribed by the Act.

2.2. The address of the Company´s website where the invitations to the General Meetings and other relevant information are posted shall be determined by the Board of Directors of the Company.

2.3. Website contains especially:
- *Information about the business name and registered office;*
- *Information about an registration in the Commercial Register, exclusive of the Section and File no.;*
- *Identification number.*

3. *Subject of Business (Activity) of the Company*

The Subject of Business of the Company shall be:
- *Production, trade and services not listed in Annexes 1 to 3 of the Trade Licensing Act;*
- *Conducting of foreign business with military equipment within the scope of the permission issued pursuant to Act No. 38/1994 Coll., as amended;*
- *Development, production, repair, modification, transport, purchase, sale, lending, storage, deactivation and destruction of weapons and ammunition;*
- *Research, development, production, destruction, deactivation, processing, purchase and sale of explosives;*
- *Purchase and sale, lending, development, production, repair, modification, storage, stocking, transport, deactivation and destruction of security material*

4. *Share Capital, Shares in the Company.*

4.1. The share capital of the Company shall amount to 2.100.000,- CZK (in words: two millions and one hundred thousand Czech crowns) and is divided into:
- *20 (twenty) pieces of ordinary shares, in certificated form, registered, each of them in the par value of the share of 100.000,-- CZK (one hundred thousand Czech crowns);*
- *7 (seven) pieces of ordinary shares, in certificated form, registered, each of them in the par value of the share of 10.000,-- CZK (ten thousand Czech crowns);*
- *2 (two) pieces of preference shares in certificated form, registered, each of the in the par value of the share of 10.000,-- CZK (ten thousand Czech crowns) and each*

associated with issuer´s share profit in the amount of 20/21%,not listed on the public market

- *9 (nine) pieces of ordinary shares, in certificated form, registered, each of them in the par value of the share of 1.000,-- CZK (one thousand Czech crown),*
- *1 (one) piece of preference share, in certificated form, registered, with par value of the share of 1.000,-- CZK (one thousand Czech crowns) and associated with issuer´s share profit in the amount of 2/21%, not listed on the public market.*

So according to the above mentioned, preference shares are associated with a preferential right to pay a share profit in the amount of twice of the share profit which corresponds to the ordinary share of the same par value.

4.2. Each 1.000,-- CZK (one thousand Czech crowns) of par value of share shall be associated with one vote. Total number of votes in the Company shall be 2.100 (two thousand and one hundred).

Voting rights are connected to the preference shares.

4.3. All shares shall be fully transferable without restriction.

4.4. All shares in the Company are registered securities in certificated form.

4.5. A registered share shall be transferred by endorsement, clearly identifying the transferee. In order for a transfer of a registered share to be effective vis-à-vis the company, the change of the shareholder must be notified to the company and the registered share must be presented to the company (Sec. 269 para. 1. and 2. of the Act).

<u>A) Manner of transfer:</u>

According to Section 1103 para. 2 of the Act No. 89/2012 Sb., the Civil Code, as amended (hereinafter referred to as the „Civil Code“) the right of ownership in registered share shall be transferred by an endorsement and a contract to the moment of its hand over. Necessary requirements of an endorsement beyond the requirement of the Bill of Exchange Act is exact identification of the acquirer; without such identification no share transfer is realized. Share purchase contract may be in other then writing form.

B) <u>Effectiveness of the transfer:</u>

In relation to the contracting parties and third parties, the effectiveness of the transfer is not affected by deficiency of the procedure referred to in Sec. 269 para. 2 of the Act on Commercial Corporations.

However, the Company shall not be obliged to treat the acquirer of the share as a shareholder until the transferor or transferee notifies the transfer to the Company or until the acquirer submits the share to the Company. The submission of the share by the acquirer may also be considered as a notification. The Company is obliged to register the acquirer in the list of shareholders without undue delay.

The right of ownership in registered securities is transferred by the contract itself upon its effective date (Sec. 1103 para. 3. of the Civil Code).

4.6. The shares may be issued as global shares replacing individual shares. The rights associated with a global share shall not be divided into shares by transfer. The owner of a global share shall have right to exchange it for individual shares or other global shares upon written request addressed to the Company´s office within 30 (thirty) days from the receipt of such a request.

4.7. Shares shall be registered in the register of shareholders kept by the Company. The following shall be recorded in the register of shareholders:

a) type of share,
b) per value of share,
c) name and place of residence or registered office of shareholders,

d) number of a bank account held with an entity authorised to provide bank services in a country which is a full member of the Organisation for Economic Co-operation and Development,

e) share marking and any changes in the data recorded,

f) separation or transfer of a separately transferable right.

4.8. As regards a company, a shareholder is presumed to be any person registered in the register of shareholders. A company shall include a new owner in the register of shareholders without undue delay after a change of the shareholder has been evidenced to the company.

4.9. Where a shareholder has caused that his or her name is not included in the register of shareholders or that the record does not correspond to reality, the shareholder cannot claim the invalidity of a resolution of the general meeting on the grounds that the company did not allow him or her to attend the general meeting or to exercise the voting right.

4.10. Any data recorded in the register of shareholders can only be used by a company for internal purposes in relation to the shareholders. The use of such data for any other purpose by a company shall require the consent of the shareholders concerned by the data. Where a shareholder is no longer a shareholder in a company, he or she shall be deleted by the company from the register of shareholders without undue delay.

5. Company bodies.

5.1. The Company decides to have a dualistic system of an internal structure. The bodies of the Company are:

a) the General Meeting (eventually a sole shareholder performing its powers),

b) the Board of Directors and

c) the Supervisory Board.

5.2. In case the Company has the sole shareholder, the general meeting shall not be convened and its powers will be performed by such shareholder in the extent of article 6.6. hereof. The decision adopted under the competence of the general meeting will be delivered by the shareholder either at the hands of any member of the board of directors or to the address of the registered office of the Company, or to an e-mail address designated by the board of directors. The members of the bodies shall be obliged to submit proposal of decisions to the sole shareholder in sufficient time. The sole shareholder is entitled to determine the period within the it the concrete proposal of decision shall be submitted.

6. General Meeting.

6.1. The general meeting is the supreme body of the Company.

6.2. The general meeting shall have a quorum if the present shareholders hold shares the par value which exceeds 30% of the registered capital. Matters which have not been included in the proposed agenda of the general meeting may be decided only with the participation and with the consent of all shareholders of the Company.

6.3. At the general meeting, the vote is held by show of hands (publicly).
In case the shareholder (shareholders) referred to in Sec. 365 et seq. of the Act so demand(s) or if the general meeting so decides, the vote shall be carried out non-publicly (by ballots).

6.4. At least 30 days prior to the date of the general meeting, the convener shall post an invitation to the general meeting on the Company's website and, at the same time, send it to shareholders holding registered shares or book-entry shares to their address *specified in the register of shareholders or in the book-entry securities register or at their electronic address, which shareholders will notify in writing for such purpose.*

The general meeting may be convened within a shortened period under Sec. 367 para. 1 and Sec. 414 para. 1 of the Act..

The general meeting may take place without meeting the requirements of the Act and Articles of Association related to the convening of the General Meeting, provided that all shareholders agree so.

Invitation to the general meeting shall include at least information specified in Sections §§ 407 and 408 of the Act.

The Company shall post proposal of shareholders of general meeting decisions on its website without undue delay after their deliverance.

6.5. *It is allowed to decide per rollam according to Sections §§ 418 - 420 of the Act.*

6.6. *The competence of the general meeting includes decisions on issues which the Act or these Articles of Association include in the scope of the General Meeting. The scope of general meeting also includes:*

- a) *decisions to amend the articles of association, where so provided in the articles of association or by law, unless it is an amendment resulting from an increase of the registered capital by a duly authorised board of directors or an amendment occurring on the basis of other legal facts,*
- b) *decisions to change the amount of registered capital and to authorise the board of directors to increase the registered capital*
- c) *decisions to allow the possibility to set off a pecuniary receivable towards the company against a receivable from the payment of the issue price,*
- d) *decisions to issue convertible or preferential bonds,*
- e) *appointment and recall of members of the board of directors or the statutory manager, unless it is determined in the articles of association that it falls under the competence of the supervisory board,*
- f) *appointment and recall of members of the supervisory board or administrative board and other bodies specified in the articles of association, except for those members of the supervisory board who are not elected by the general meeting,*
- g) *approval of ordinary, extraordinary or consolidated financial statements as well as, where their preparation is required under another legal regulation, of interim financial statements,*
- h) *decisions to distribute profit or the company's other own resources, or to cover the loss,*
- i) *decisions to file an application to have the company's participating securities admitted for trading on a European regulated market or to exclude such securities from trading on a European regulated market,*
- j) *decisions to dissolve the company with liquidation,*
- k) *appointment and recall of a liquidator,*
- l) *approval of the proposed distribution of the liquidation balance,*
- m) *approval of a transfer or a pledge of an enterprise or such a part thereof that would imply a significant change of the existing structure of the enterprise or a significant change in the objects or activity of the company,*
- n) *decisions to assume the effects of actions taken on behalf of the company before its incorporation,*
- o) *approval of a silent partnership agreement, including approval of its amendments and termination,*
- p) *any other decisions falling under the powers of the general meeting by virtue of this Act or of the articles of association.*

6.7. The general meeting may not reserve the decision-making authority in matters that do not fall under its powers pursuant to this Act or the articles of association.
6.8. The convener's proposal is voted first on the general meeting.

7. Board of Directors.

7.1. The board of directors is the statutory body of the Company which shall be in charge of the management of the Company's business.
7.2. The board of directors shall ensure the books are properly kept, and submit ordinary, extraordinary, consolidated and, where appropriate, interim financial statements to the general meeting for approval. In accordance with the articles of association, it shall also submit a proposal on profit distribution or coverage of loss.
7.3. The board of directors shall consist of three (3) members appointed and recalled by general meeting. The board of directors shall appoint and recall its chairman from its members.
7.4. The term of office of the member of the board of directors shall be 5 (in words: five) years.
7.5. The board of directors, in which the number of members has not decreased by more than one half, may appoint substitute members until the next general meeting.
7.6. The board of directors has at least one session once a year. The session of the board of directors is convened by chairman of the board of directors in writing or by electronic invitation with place, date, time and agenda of session. Invitation with all documents determined to be decided by board of directors shall be delivered within the period of 10 (in words: ten) days before the session is held. If there is a risk of delay, this period may be shortened to the necessary extent. The chairman of the board of directors shall be obliged to convene a session of the board of directors without undue delay upon request of any member of the board of directors or Supervisory board. If the Chairman of the Board of Directors does not convene a meeting without undue delay, it may be convened by any member of the Board of Directors of the Company or the Supervisory Board.
7.7. The votes of all its members (unanimous decision) are decided by the:
- *a) appointment and recall of the chairman of the board of directors,*
- *b) adoption of decision on behalf of the Company as shareholder or member of another business corporation performing its right of shareholder or member for voting at the general meeting whose decision shall be certified by authentic instrument,*
- *c) acquisition of assets by Company in the amount exceeding 10.000.000,- CZK (in words: ten million Czech crowns) – excluding ordinary business transactions and under the conditions usual in business environment,*
- *d) sale or other transfer of the Company´s assets in the amount exceeding 500.000,- CZK (in words: five hundred thousand Czech crowns) - excluding ordinary business transactions and under the conditions usual in business environment,*
- *e) the conclusion of a licensing agreement or similar contract granting the exclusive right to use inventions, industrial and utility designs, trade marks, know-how and other industrial rights, the conclusion of a contract for the transfer of rights to inventions, industrial and utility designs, trade marks, know-how and other industrial rights,*
- *f) acceptance or provision of credit and/or loan in any form (excluding ordinary business transactions and under the conditions usual in business environment),*
- *g) securing a third party debt, acceding to debt, assumption of a debt,*

h) *the provision of a donation, sponsorship or promotion contract in the amount exceeding 1,000,000,- CZK (in words: one million Czech crowns)*

7.8. *The board of directors may decide per rollam under conditions all members of the board of directors have agreed with it. In such cases writing voting or voting using technical means are allowed. Then, voting members shall be considered present.*

7.9. *A member of the board of directors may resign from his or her office; however, he or she may not do so at a time which is inappropriate for the Company. The resigning member shall notify his or her resignation to the board of directors, made in writing and a delivered at the address of the Company or personally handed over to any member of the board of directors on the board of directors´ session. His or her office shall terminate one month after the delivery or hand over of such notification.*

7.10. *If the different office termination date shall be realized, the general meeting shall approve such request of the resigning member. The member of the board of directors may also resign so that he or she announces its resignation on the general meeting. In such a case its office shall terminate by announcement of his or her resignation on the general meeting session, unless the general meeting approves a different office termination date at the request of the resigning member.*

7.11. *The board of directors act on behalf of the Company so that always two members of the board of directors from which one shall be chairman shall act on behalf of the Company in regard to the third persons.*

The member of the board of directors sings on behalf of the Company so that he or she attaches his or her signature to the business name of the Company.

The member of the board of directors shall be entitled, to the extent of his or her rights to represent the Company, to grant powers to represent the Company for third persons.

7.11. *The board of directors shall be obliged to have prior consent of the supervisory board for legal acts through which the following decision of the board of directors are made:*

- *a)* *acceptance of loan and/or credit in any form with amount exceeding of 10.000.000,- CZK (in words: ten million Czech crowns) and simultaneously not exceeding the amount of 20.000.000,- CZK (in words: twenty million Czech crowns),*
- *b)* *provision of loan and/or credit in any form with amount exceeding of 1.000.000,- CZK (in words: one million Czech crowns) and simultaneously not exceeding the amount of 5.000.000,- CZK (in words: five million Czech crowns),*
- *c)* *securing a third party debt, inclusive of assumption of a third party debt and acceding to third party debt – this provision shall not apply if it is a securing, assumption or acceding of a debt of the business corporation controlled by Company,*
- *d)* *securing of a debt of a business corporation controlled by Company, inclusive of assumption of a debt and/or acceding of a debt, if the amount exceeds 5.000.000,- CZK (in words: five million Czech crowns),*
- *e)* *provision of donation, sponsorship and/or conclusion of a contract, whose the principal subject matter is promotion of the Company and/or products and services of the Company, if amounts exceed 1.000.000,- CZK (in words: one million Czech crowns),*
- *f)* *conclusion of contract beyond terms and conditions common for that business with duration more than one year and/or with notice period more than one year with subject matter with common price exceeds 1.000.000,- CZK (in words: one million Czech crowns).*

7.12. *The Board of Directors is obliged to request the prior consent of the general meeting for legal acts, through which the following decisions of the board of directors are made:*

a) *acquisition of any assets or other property value, except ordinary business, if the normal price of such assets or other property value exceeds CZK 10,000,000 (in words: ten million Czech crowns),*
b) *transfer, mortgage, lease, usufructuary lease or other burden by the right of a third party of any assets or other property value of the Company, if the normal price of such assets or other property value exceeds 500.000,- CZK (in words: five hundred thousand Czech crowns) – all except of normal terms and conditions common for that business*
c) *acceptance of a loan and/or credit in any form with amount exceeding 20.000.000,- CZK (in words: twenty million Czech crowns),*
d) *provision of a loan and/or credit in any form with amount exceeding 5.000.000,- CZK (in words: five million Czech crowns),*
e) *realization of an investment whose financial cost exceeds amount of 5,000,000 CZK (in words: five million Czech crowns), the amount of the costs being assessed in the aggregate of all factual and/or purpose-related transactions – if the implementation of the investment as a whole is agreed, it is no longer required to agree to the implementation of the individual negotiations within it*
f) *the acquisition, transfer, mortgage or other burden by the right of a third party to the Company's equity in another legal person, including the establishment and dissolution of another legal person by Company*
g) *transformation of business corporation directly controlled by Company,*
h) *allowing the company's documentation to be audited*
i) *appointment and recall of statutory and control bodies of business corporation directly controlled by Company,*
j) *a change in a founding document of a commercial corporation directly controlled by Company*
k) *other decisions belonging to the general meeting of the business corporation directly controlled by the Company under the Act on Commercial Corporations or under the Articles of Association of the commercial corporation*

8. Supervisory Board.

8.1. *The supervisory board is the control body which shall supervise the exercising of powers by the board of directors and the Company's activities.*

8.2. *The supervisory board shall adhere to the principles approved by the general meeting, unless these are in violation of this Act or of the articles of association. A violation of these principles shall not have any effect vis-à-vis third parties.*

8.3. *The supervisory board shall be entitled to review all documents and records concerning the company's activities and check whether the accounting records are kept properly and in accordance with reality, and whether the company's business or other activities are carried out in accordance with other legal regulations and with the articles of association. The authority referred to the precedent sentence may only be exercised by the members of the supervisory board on the basis of a decision by the supervisory board, unless the supervisory board is unable to carry out its tasks*

8.4. *The supervisory board shall review the ordinary, extraordinary, consolidated and, where appropriate, interim financial statements as well as a proposal on profit distribution or coverage of loss, and shall submit its opinions to the general meeting.*

8.5. *If the supervisory board has more members, it determines its member which will represent the Company before the courts and other bodies against a member of the board of directors.*

8.6. The supervisory board shall have one (1) member, which is appointed and recalled by general meeting.
8.7. The term of office of the member of the supervisory board shall be 5 (in words: five) years.
8.8. A member of the supervisory board may not be a member of the board of directors or any other person authorized to act on behalf of the Company according to the registration in the commercial register.
8.9. The supervisory board may prohibit a member of the board of directors from certain legal acts if it is in the Company´s interest.
8.10. A member of the supervisory body may resign from his or her office; however, he or she may not do so at a time which is inappropriate for the Company. The resigning member shall notify his or her resignation to the board of directors, made in writing and a delivered at the address of the Company or personally handed over to any present member of the board of directors. His or her office shall terminate one month after the delivery or hand over of such notification. If the different office termination date shall be realized, the general meeting shall approve such request of the resigning member. The member of the supervisory board may also resign so that he or she announces its resignation on the general meeting. In such a case its office shall terminate by announcement of his or her resignation on the general meeting session, unless the general meeting approves a different office termination date at the request of the resigning member.

9. Changes in registered capital, financial assistance and profit distribution.
9.1. The relevant provisions of the Act shall apply to the procedure for increasing and reducing of the registered capital, unless specified otherwise.
9.2. In the event of an increase in the registered capital, the subscribers are obliged to fully repay the issue price of the subscribed shares within the period and in the manner specified by the general meeting, even. in the manner set by board of directors. The non-monetary contribution will be made by the subscriber before the registered capital is increased.
9.3. The preferential right of shareholders to subscribe to shares not subscribed by another shareholder shall be excluded in the second or, eventually, in any subsequent subscription round.
9.4. The Company is entitled to provide financial assistance under the conditions laid down by the Corporations Act (Sec. 311 et seq. of the Act).
9.5. Based on the decision of the general meeting, the Company may issue convertible and/or preferential bonds.

10. Right to profit share
10.1. The shareholder shall have the right to a profit share approved by the general meeting for distribution among the shareholders. Unless the Articles of Association determines otherwise in relation to a particular type of share, the profit share shall be determined by the ratio of the shareholder's share to the registered capital. The Company pays a profit share at its expenses and risk only by non-cash transfer to the shareholder account indicated in the register of shareholders. A profit share shall be due within 3 months after the adoption of the financial statements.
10.2. The Articles of Association allow the profit to be paid to persons other than shareholders and statutory bodies of the Company on the basis of the decision of the general meeting.

10.3. Upon the agreement with shareholder, a profit share may be paid otherwise than in the money.

11. Dissolution and termination of the Company

11.1 For dissolution of the Company, Sec. §§ 168 to 173 of the Act No. 89/2012 Coll., the Civil Code, as amended shall apply. The Company is dissolved especially by:
· legal act;
· decision of the public body.

11.2 The general meeting decides about the dissolution of the Company with liquidation. The resolution for dissolution of the Company with liquidation must be adopted by a majority of at least two-thirds of the votes of the participating shareholders and shall be certified by a notarial record.

11.3 The method of liquidation of the Company when it is dissolved, is governed by generally binding legal regulations, in particular Act No. 89/2012 Coll., Civil Code and No. 90/2012 Coll., on Commercial Corporations.

11.4 The right to a share of the liquidation balance is separately transferable from the date on which the Company entered into liquidation. In the event that the liquidation balance is not sufficient to pay the nominal value of the shares, it shall be divided into the part attributable to the owners of the preferential shares and to the part attributable to the owners of the other shares to the extent determined by Articles of Association. Parts of the liquidation balance are divided among the shareholders in proportion to the paid-up nominal value of their shares.

11.5 The right to pay the share of the liquidation balance arises by handing over the shares of the Company at the invitation of the liquidator.

11.6 The Company terminates on the date of its deletion from the public register

12. Effectiveness of the Articles of Association

12.1 The Company was submitted to this act no. 90/2012 Coll., on business corporation as a whole.

12.2 This amendment to the Articles of Association shall take effect at the time of its decision, unless this decision or the Act implies that the amendment takes effect at a later date.

12.3 Establishment, legal form, legal relationships and dissolution of the Company shall be governed by the laws of the Czech Republic.