

SHAREHOLDER'S AGREEMENT

The undersigned founding collaborators are collaborating with the purpose of developing as a team a business concept and related technology, which, if developed, would be transferred to and launched by a start-up company (named "Tranzitter") to be formed by the founding collaborators. In connection therewith, and for the purposes of setting out the basis upon which the founding collaborators propose to proceed in the event they successfully develop the Technology, the undersigned founding collaborators hereby agree as follows:

Equity allocation and vesting

- Each Collaborator shall assign to 'Tranzitter' upon its formation with full title guarantee all of his or her right, title and interest in and to the Technology for the full term of such rights. The collaborators agree to be involved in all future renewals and extensions and shall do all such further acts necessary to execute all such further documents and instruments as required from time to time by 'Tranzitter' that are necessary to vest absolute legal and beneficial ownership of the technology in 'Tranzitter'.
- Upon formation of 'Tranzitter', the entire issued **share ownership**^[1] of 'Tranzitter' will be split as follows:
 - Each of the undersigned collaborator receives a 10% of the shares of 'Tranzitter'.
 - The current acting CEO of 'Tranzitter' will be assigned an additional 5% share, in considering the responsibilities.
 - Remaining 25% shares of 'Tranzitter' will be reserved as a share option pool which will be assigned equally among the undersigned founding collaborators of 'Tranzitter' when deemed necessary.
- The shares issued to each collaborator shall be on a vesting schedule so that if any collaborator's relationship with 'Tranzitter' terminates for any reason proper measures can be taken. The **vesting**^[2] schedule is as follows:
 - As on 15th day of March, 2016, no collaborator has exclusive ownership of the shares. 'Exclusive ownership' means that the collaborator is no longer required to forfeit his shares to the company if a collaborator's relationship with 'Tranzitter' terminates for any reason.
 - If a collaborator's relationship with 'Tranzitter' terminates for any reason during 24 month period from 15th day of March, 2016 and until 'Tranzitter' is valued at \$1 million, the collaborator is liable to return 100% of his/her shares back to the 'Tranzitter'.
 - Post 24 months from 15th day of March, 2016 and after \$1 million valuation of 'Tranzitter', each collaborator will have exclusive ownership of 4% of the total shares assigned to the collaborator which he is no more liable to return to the

company in case collaborator's relationship with 'Tranzitter' terminates for any reason.

- Post 24 months from the 15th day of March, 2016 and after \$1 million valuation of 'Tranzitter', each collaborator will gain exclusive ownership of a further 1% of shares for each 6 month period the collaborator is associated with 'Tranzitter'. This schedule will be followed until each undersigned collaborator has received 6% of shares of 'Tranzitter' by the vesting mechanism defined above.
- When 'Tranzitter' is valued at \$50 million every collaborator will receive 'exclusive ownership' of 7.5% of shares.
- Upon exit(when the company is sold) each collaborator will automatically receive 'exclusive ownership' of 10% of the shares.
- In situation when collaborator's relationship with 'Tranzitter' terminates for any reason, all the non-exclusive shares will be added to the option pool. A collaborator's meeting can be used to decide splitting of these shares equally between the remaining founding collaborators.
- Until exit a collaborator cannot be vested with more than 70% of the shares he is entitled to receive, except in situations where redeemed shares have been decided to be distributed among the founding collaborators.

Reverse vesting clause: Whenever a shareholder leaves 'Tranzitter', the company has the right to buy-back up to 50% of the 'exclusive ownership' shares issued to the shareholder in the last 12 month period.

- **Shotgun Clause** (*Buy Me Buy You (BMBY)*): Any of the founding collaborators can trigger this clause in case of irreconcilable dispute or disagreement with the company. A founding collaborator is required to offer to sell his shares to the other shareholders at a certain price per share, or otherwise offer to buy other shareholders' shares at the same price per share. The remaining shareholders then either accept the offer and sell their shares, or buy the triggering shareholder's shares at the suggested price per share. The decision to buy/sell the shares has to be made within 30 days from the time of triggering the clause, failure to which implies acceptance of the offer. The concerned shareholders then have a further 30 days to close the transaction.
- Upon **exit of the company** the following has been agreed upon^[5]:
 - All the shares in the option pool will be equally divided among the founding collaborators active in the company and involved with the operation of the company.
 - All the non-vested shares that an employee is supposed to receive will be vested in a situation of an exit.
- If any of the undersigned founding collaborators decide to sell their shares of 'Tranzitter' to a third party within a period of 60 months from 15th day of March, 2016, they shall be required to seek permission of all the remaining founding collaborators^[4].

- If any of the undersigned founding collaborators decide to sell their shares of 'Tranzitter' to a third party within a period of 60 months from 15th day of March, 2016, they have to offer to sell the shares back to the company for 75% of the current price and 'Tranzitter' shall decide whether to buy or reject the offer. All such shares bought by 'Tranzitter' will be transferred to the option pool[4].
- If holders of the qualified majority of the shares in 'Tranzitter' wish to sell 'Tranzitter' to a third party, they shall have the right to require the other shareholders of 'Tranzitter' to sell their shares to such third party on the same terms[4].

Leaver clause[5]

- Terms for **termination** of relationship with a collaborator:
 - Death: In case of death of one of the collaborators, his contract is deemed invalid from the time of death and he is evaluated as a good leaver. His voting rights will be invalid despite the shares held. The shares can be then sold back to the company or kept by the collaborator's heritors.
 - Terminal illness: In case of terminal illness, the concerned person's situation is discussed in the founder's meeting and decision is taken based on if the collaborator can contribute to the company or will be a liability. If it is decided to terminate the contract, the case is evaluated as a good leaver.
 - Lack of performance: If a collaborator is delinquent and irresponsible to his duties and tasks, the collaborator can be reviewed in the founder's meeting and a decision can be taken to terminate his contract and whether to consider him as a good or bad leaver.
 - Unethical activities or breach of company policy: If a collaborator knowingly or unknowingly indulges in any activity that puts the name of the company in bad position or breaches any company policy, the collaborator(s) contract will be terminated immediately and will be treated as a bad leaver.
 - In all other cases, the collaborator will be classified as a good leaver.

Good Leaver: The collaborator will be eligible for 50% of the shares that will be vested in his name in the next achievable milestone. The other 50% of the shares go into the option pool of the company.

Bad Leaver: All the non-vested shares are transferred to the option pool of the company.

The redemption or purchase price of the shares in case of a Bad Leaver Event shall be the original price of the shares, and the redemption or purchase price of the shares in case of a Good Leaver Event shall be the fair value of the shares on the date of the Good Leaver Event.

Confidentiality, noncompetition and nonsolicitation

All the founding collaborators are expected to undertake and execute in to the company's holistic target. All the collaborators agree to respect all the resolutions taken during the meetings and work towards achieving them.

- The founding collaborators shall not at any time hereafter disclose or communicate to any person (other than, where relevant, to their officers, employees or professional advisors, whose position makes it necessary to know the same) any **Confidential Information**[\[6\]](#) which may be within or which may come to their knowledge save for:
 - Such information at the time of disclosure is public knowledge other.
 - Disclosure is required by law, regulation or order by a court of a competent jurisdiction or a governmental agency;
 - The third party receiving the information has the right to use or transmit the information received from the disclosing person without any obligation of confidentiality;
 - Information independently developed by personnel of the receiving Party that is being used by the company for its business.
- Each of the founding collaborators undertake during the validity of this Agreement and for a period of 18 months after they have ceased to be a Shareholder in 'Tranzitter' not to:
 - **Compete**[\[6\]](#) directly or indirectly, personally or through companies owned or controlled by the individual.
 - Acting as an employee, member of the board of directors or an consultant or advisor in a company competing with the business of 'Tranzitter'.
 - Directly or indirectly enter into, engage, participate in, assist in, or promote in any manner any activity the purpose of which is to a) **solicit**[\[6\]](#) away from 'Tranzitter' the business or any customer or potential customer.
 - Have business dealing with any customer or prospective customer of 'Tranzitter' with the aim of assisting such customer or prospective customer of 'Tranzitter' in activities competing with the business of 'Tranzitter'
 - Hire or promote the hiring by third parties of any employees of the Company
- Each of the founding collaborators undertake during the validity of this Agreement and until they are no longer a shareholder or else quit 'Tranzitter' to:
 - Assign all **Intellectual Property**[\[6\]](#) pertaining to the business of 'Tranzitter' to 'Tranzitter' without any additional remuneration.
 - Intellectual Property of the individual based on their employment with 'Tranzitter' and to the results of their work shall be transferred to 'Tranzitter'

- 'Tranzitter' shall have the sole right to utilise the results commercially and industrially, to transfer them to third parties in accordance with the ordinary business practices of 'Tranzitter', to alter and further develop them without the specific consent of the respective Shareholder(s).

Shareholders' meetings [\[7\]](#)

- Shareholders' meetings are held between all the shareholders (initially the founding members) to enforce compliance with their mandate, to review and release financial situation of the company, execute compensation packages and incentive plans, take decisions regarding equity or new investments and decide on board composition. Attendance for such a meeting is not mandatory, however recommended in order to facilitate quick decision making. For critical issues, the shareholders can also call for an extraordinary **board meeting**.
- Shareholders' meetings can take place as often as needed, but not fewer than once per year.
- Binding decisions can only be taken if the total number of shares owned by the shareholders present at the meeting adds to a minimum of 75% and including always all shareholders owning 50% or more of the shares (if they exist) are present.
- Decisions are taken by simple majority according to the total number of owned shares among the present members, unless otherwise noted (e.g. to name the President of the Board).

Board of Directors [\[7\]](#)

*We consider this is as the optimal composition that assures that the initial vision of the company founders is preserved, but at the same time giving enough room for potential investors to take new decisions and contribute with new and fresh ideas to the daily operations of the company. We also procure that deadlocks are avoided by giving casting vote to the **President** [\[7\]](#), who best represents the interests of the Shareholders.*

Composition

- The Board of Directors decides over the strategy and vision for the company and responsible for defining policies and objectives. It may consist of 2 to 5 ordinary members and 2 advisors with voice but no vote. The Shareholders have the right to appoint Board members as follows:
 - the founding collaborators jointly shall have the right to appoint 2 ordinary members;
 - the Investor(s) jointly shall have the right to appoint 1 ordinary member;
 - The founding collaborators and Investor(s) jointly shall also have the right to appoint 2 additional ordinary members and 2 [advisors](#) without voting rights .

The [President](#) of the Board shall be elected by absolute majority of the Shareholders, which requires more than 50% of all members, irrespective of the number of those voting.

Founding collaborators who have the right to nominate members of The Board of Directors may, with or without cause, at any time remove any of the members of the Board of Directors. The detailed enquiry and follow-up for the action will be a matter of discussion at a later convenient time.

Board meetings

- Board Meetings shall take place once every 6 months. For important decision making, any founding collaborator has the right to **call for an extraordinary Board Meeting** and decisions can be made only if quorum is met. In order to meet the quorum, a minimum of 75% attendance^[8] of Board Members is required. Decisions are taken with simple majority (one more than half of the given votes) unless otherwise noted. In case of a tie during board meetings, the President will have the casting vote.

Each Collaborator hereby represents and warrants to the other founding collaborators that he or she is not a party to any agreement or arrangement which would restrict such Collaborator's ability to perform its obligations as set forth above and that no third party can claim any rights to the technology which may be developed by each Collaborator that is the subject of this Agreement.

This Agreement shall be governed by and construed in all respects in accordance with *Tranzitter-utopian* law.

The parties have signed this Agreement on the 15th day of March, 2016.

Adam Uhler

Anantha Krishna Pillai

Antek Grzanka

Jose Carlos Camposano

Qiao Deng

Vitali Rief

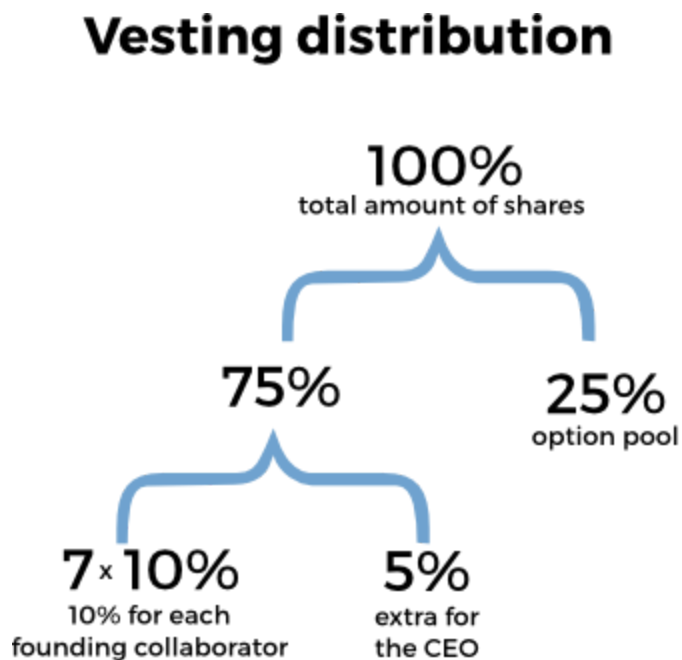
William Lavoue

Endnotes

We start with a team of **7 founding members** who have split up 70% of the company shares equally and put the remaining 30% in the option pool. The Board of Directors comes into play when there is an investment in the company and new people become responsible for the decision making. Currently, we have expertise in design, product and software development, business operations, management. The skills and diversity is broad and should serve the company's requirement for a considerable time. We considered a stock-option mechanism for when employees will be hired, but decided not to develop it further now, but consider it at a later stage when company has some traction.

1. *(Reference to 7.4 Vesting in FIBAN Angel Investment SHA)*

We decided that each member should have equal shares and also that there should be some amount of shares in the option pool which could be used or distributed among investors and angels at a later stage. Our distribution scheme is as shown below:



Upon exit: 'exclusive ownership' of 10% clause shares.

Each of the 7 founding collaborator has right to 10% of the total shares by equal distribution of the shares for founding collaborators.

The CEO has an additional 5% share which are available for the additional responsibilities and challenges associated with the position. Moreover, in case of a deadlock the CEO will have his votes from the 5% extra shares to break such deadlocks.

Option pool is used so that any investor can be allotted shares from the option pool. Moreover, in situations where the company decides to buy-back shares, they do not need to be assigned to an individual.

2. *(Reference to 7.4 Vesting in FIBAN Angel Investment SHA)*

We have a double sanity vesting mechanism where the shares are vested based on both the **time duration** and also on **investment milestones**.

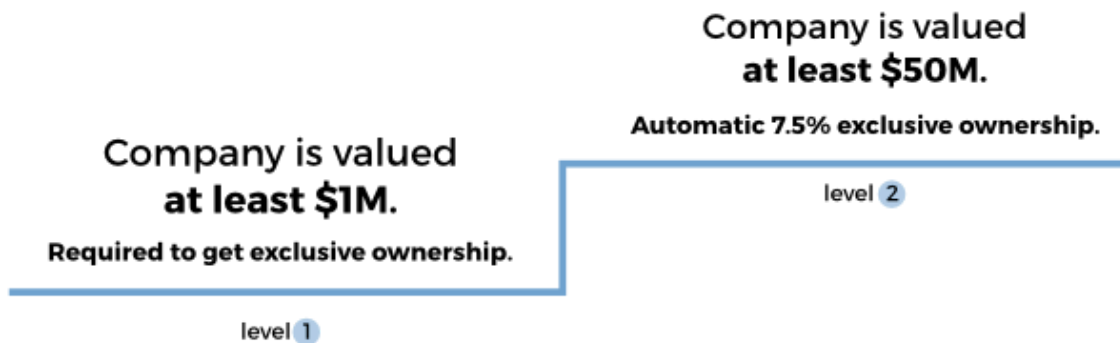
- a. The criteria for time-based vesting is chosen so that a collaborator remains with the company for a certain period of time even if the company secures a good funding very early on. For example, if the company secures \$30M after first 3 months, the founder needs to be part of its activities for certain time before being eligible for his share. If after such very good funding an employee decides to leave he should not receive the benefits of work that will be done by others who decide to stay with the company.
- b. The idea behind the implementation of investment milestone -based vesting is to make sure that the founding collaborators are really interested in the company's business and they work towards a specific common target in order to realize their own value in terms of shares held. By having investment targets individuals will be motivated to achieve those collectively than focussing on individual performance and targets.
- c. **Reverse vesting sanity** - This is an optional vesting scenario which favours the company rather the collaborator. This ensures that when a collaborator leaves the company, the company has the right to buy back 50% of the 'exclusive ownership' shares that were issued to the collaborator during the past 12 months at fair value of the shares on the date of buy-back.
A reverse vesting mechanism is in force over a time and milestone based vesting scheme because in case a collaborator has a good share of equity but is a bad leaver, then the company can decide to activate the reverse-vesting clause and buy-back more percentage of the share from a bad-leaver. This is more for a sanity check but might not be exercised in regular exit scenarios.
- d. **Exit clause** - When the company decides to exit, then all the 10% of the shares required to be vested to each individual collaborator will be automatically vested. In the event of an exit, the option pool will be equally distributed among the remaining collaborators actively involved in the activities of the company.

Vesting schedule

A) Time-based



B) Performance-based



C) Reverse vesting (optional, based on founders' decision)

Founders have an option to **buy back 50% of exclusive ownership shares** issued in last 12 months.

Why we prefer using fixed equity sharing (FES) over dynamic equity sharing (DES)?

- ★ In DES, any founder with substantial responsibility and ownership has a direct financial rewards from their own performance. When collaborators perform well, the company is more likely to succeed, which would result in increase of their equity value. More equity and increase of a collaborators share value/percentage will result in overcompensating the respective collaborator for hitting his personal milestones, which can create perverse incentives such as resource hoarding or

internal competition. Dynamic equity is based on performance and hence might off-skew the team dynamics. Our team is built on trust and if you do not trust the co-founders do not start a business with them, more energy will be spent on maintaining the team than on running the business.

For example: After 12 months when a technology product has been developed, milestones to be achieved in technology decreases drastically. However the milestones for marketing and sales is much higher. A DES that rewards based on individual milestones will result in good compensation for a technology person at the early stages but will be unfair to him later, while sales people will be at an advantage at the later stages when they can hit good targets. Both these activities are the core to the functioning of the company but might not always happen in the same period of time.

There are chances that all the founders aim for individual milestones and feel underrepresented in terms of shares for the work they have done, which may be bad for the spirit of the company.

- ★ We stick to FES because we trust the co-founders and believe they will not slack in performing their duties as expected. DES will result in a rationally fair sharing but humanely unfair sharing of the equity. To keep sanity check in FES we have introduced collective performance-based and time-based milestones and will keep a reverse-vesting clause for extraordinarily bad leaver events.

We believe that the reverse-vesting clause will be triggered by company only when required, as it will also define the value of the company and how properly it values the holistic contribution of its employees.

3. *(Reference to 'R Deadlocks' in Linder Myers Solicitors SHA Checklist')*

The shotgun clause is put in place as a deadlock resolution mechanism. In case a shareholder is particularly unhappy about his situation in the company he can trigger the shotgun clause and buy his way out of the company or offer to buy-out other collaborators shares to gain a majority to influence decisions, as required. This is for extreme situations when the founders cannot reach upon an agreement and it is impossible to agree on a certain issue/topic causing the stress among the collaborators.

4. *(Reference to 'B Shares, shareholders and transfer of shares' in Linder Myers Solicitors SHA Checklist)*

There is a time cap of 5 years during which period any transfer of shares has to be informed to the company and any sale of shares should be first offered to the company. Moreover, to the best interests of the company, the individual should offer to sell the shares at 75% of the fair price valuation to the company. This ensures that the company has a better chance of retaining its shares within the founding collaborators and not be forced to sell to third-party.

Finally, in case a majority of the shareholders collectively wish to sell their shares to a third-party then it is required that the remaining shareholders have the option to sell their share with the same terms and conditions. It is done to the best interests of the founding

collaborators who might end-up being minority if a considerable founding shares are sold to third-party.

5. *(Reference to '7 Working obligation and leaver situations' in FIBAN Angel Investment SHA)*

(Reference to 'M Death', 'N Good/bad leaver', 'Q Life and/or critical illness' and 'L Breach of Shareholders Agreement' in Linder Myers Solicitors SHA Checklist)

We have decided to classify an event in which a collaborators leaves a company by classifying them as a good/bad leaver. This ensures that the best interests of the company and the remaining collaborators are kept. In case a person is a bad leaver, the company will have right to buy-back shares if deemed necessary and will be valued at its original price. However, if a collaborator is classified as a good leaver, he is eligible for 50% of shares of the next vesting round and any buy-backs will be valued at the current market value.

Death and illness are classified as good leaver. However, breach of laws or negligence to carry out activities or poor performance result in being labeled as a bad leaver. In situations where no classification is made then it is deemed that the collaborator is a good leaver.

6. *(Reference to '8 Certain Rights and obligations' in FIBAN Angel Investment SHA)*

(Reference to 'I Non-competition', 'J Confidentiality', 'K Obligations of shareholders' in Linder Myers Solicitors SHA Checklist)

The aspects related to confidentiality, noncompetition and nonsolicitation have been introduced to protect the company from any situations that can happen if any collaborator or employee decides to leave the company and tries to do an activity that affects the company's business.

Confidentiality is an important aspect and it is necessary that information related to business, partners and technology remain within the company and among people responsible with the corresponding aspect. Leakage of information like potential customers or partners can cause negative impact on the company and even lead to loss of customers. Unless the information is made public, no information is to be shared outside. However it can be shared with parties who have the right to receive such information, e.g. when it is legally required.

The founding collaborators are neither allowed to leave the company to join or start another competing company, or advise another competing company in activities related to the same business as that of 'Tranzitter' for a period of 18 month from the date of quitting. There can be cases when a person can have good contacts made while working for the company which can be exploited again to take business away from 'Tranzitter' by a competitor. .

Any activity or product developed while associated with the company will be handed over to the company along with the IPR to the product. Any piece of software developed for the company or a non-tangible process established in the company will remain with the company and cannot be reused outside the company.

7. (Reference to '5 Management of the company' in FIBAN Angel Investment SHA)
(Reference to 'C Directors', 'D Directors meetings', 'E Service agreements for Directors'
and 'F Shareholders meetings' in Linder Myers Solicitors SHA Checklist)

The company management hierarchy is as shown in the image on the right. Initially there will only be the founding collaborators. However, when the company has investors then a board of directors is put into place which is responsible for taking important decisions.

The board of directors' has a President who has the right to cast a final vote in case of a tie. President will be chosen by the shareholders.

Balance of power: While the board is at the pinnacle making decisions for the company. In case of any malpractice, the founding collaborators have the right to raise voice and fire the board members. This ensures a two-way check between the board and the founding collaborators. The shareholders have the ultimate power who elect the President of the board. The CEO for the company is one among the founding collaborators.

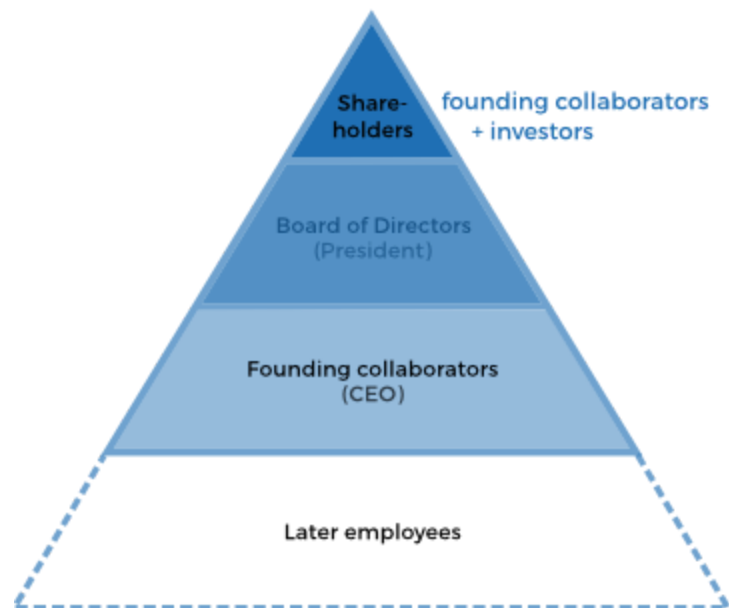
The above is true until the company goes public and until there are no third-party other than the investors having shares in the company.

We have decided to have **advisors** in the board who can represent the interest of both the founders and the investors and can advise from a non-biased perspective. Advisors can be people like 'Jimmy Wales' and other such people who advise startups and help them grow and thrive. The advisors will not have any voting right but can advise and influence the members of the board to make a decision in the best interests of the company.

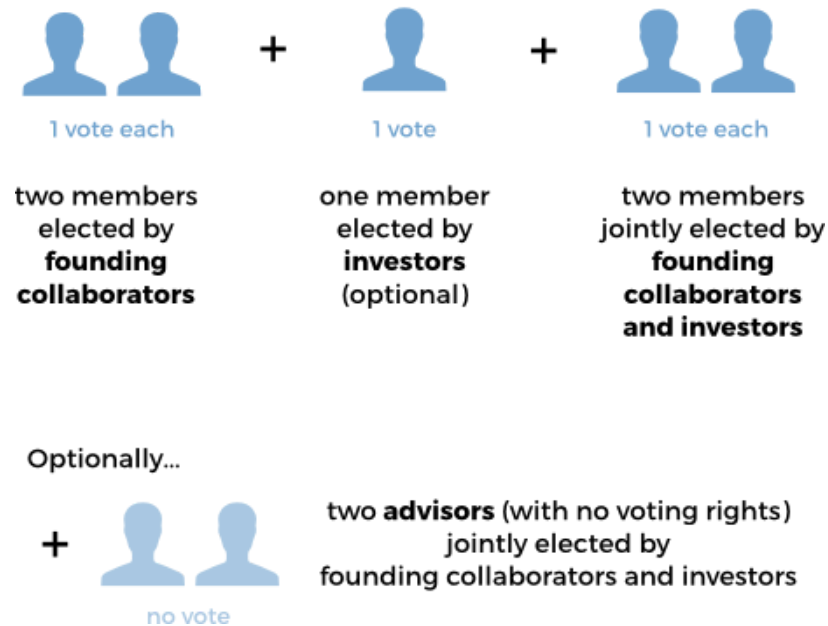
The minimum number of members in the board is 2 and the maximum can be 7(5 with voting rights and 2 advisors without voting right).

The jointly elected members and the advisors are in place for that there is no monopoly

Company's structure



Board of Directors' structure



for the power by the founding collaborators, and there can be neutral views that have no bias towards either the investors or the founders. We think that having neutral members on board will be more beneficial to the founders, who might be hell-bent to think in a certain way after being associated with the company for some duration.

8. We do not want to have a monopoly where one of the founding collaborators can call a meeting which is not possible for most to attend and take some important decisions in favor of his/her views. For example, in the worst case scenario, 3 of the 7 founding collaborators can scheme a meeting together and make decisions for the company, which would be unethical. **75% attendance** ensures that 5 of 7 members are present or, if the total count is lower, only one member can be absent. This makes sure that there are no biased or unfair decision swings in the company.