

**STRATEGIC PARTNERSHIP AGREEMENT**

**by and between**

**RCHAIN COOPERATIVE,**

**a Washington cooperative,**

**and**

**PITHIA, INC.,**

**a Washington corporation**

## STRATEGIC PARTNERSHIP AGREEMENT

THIS STRATEGIC PARTNERSHIP AGREEMENT (the “**Agreement**”) is made and entered into effective as of March 13, 2018 (the “**Effective Date**”) by and between RChain Cooperative, a Washington cooperative (“**RChain**”) and Pithia, Inc., a Washington corporation (“**Company**”). RChain and Company may be referred to herein collectively as the “**Parties**” or individually as a “**Party**.”

### RECITALS

WHEREAS, RChain is building a public blockchain platform written in the Rholang programming language and desires to have Rholang-based DApps (“**DApps**”) and decentralized services used atop its blockchain;

WHEREAS, Company is an incubator of DApps and decentralized services and desires to facilitate the utilization of the RChain blockchain and Rholang by DApps and decentralized services; and

WHEREAS, the Parties believe it is mutually beneficial to enter into a strategic partnership relationship with the other Party.

NOW, THEREFORE, the Parties agree as follows:

### ARTICLE 1 LIMITED PARTNER INVESTMENT

1.1. Company shall form a limited partnership (the “**Partnership**”) that, in turn, shall create a development fund (“**Fund I**”) for the purposes of facilitating the Business (defined below). RChain shall provide to Company [ ] RHOC upon the execution of this Agreement (the “**Initial Contribution**”) and, in return, Company, as general partner of the Partnership, shall admit RChain as a limited partner in Fund I subject to the following terms and conditions:

- a. Calculation of Net Asset Value. The initial net asset value of Fund I is \$[ ] USD per RHOC multiplied by [ ] RHOC for an initial total net asset value of \$[ ] USD (the “**Net Asset Value**”).
  - i. The Net Asset Value shall be re-calculated yearly as of the last calendar day of the year (“**Year End**”). For the avoidance of doubt, the total dollar value of all assets held and/or otherwise owned by Fund I, including, but not limited to, all cryptocurrency held by Fund I, shall be calculated using the market value of non-cryptocurrency assets and the average value of cryptocurrency assets as listed by the top three cryptocurrency exchanges over a period of (10) days prior to Year End.
- b. Distributions.
  - i. At the time of any Liquidity Event (defined below) Company and RChain shall allocate to Company and RChain (each, a “**Distribution**”) any proceeds and other dollar amounts or dollar equivalents derived from the Liquidity Event in excess of the Net Asset Value, or any portion of Net Asset Value, to the extent either (i) the assets deployed by Company are less than the Net Asset Value, or (ii) the Liquidity Event only involves a portion of the allocation of the Net Asset Value of Fund I (the “**Net Profits**”), as follows: (i) 80% of the Net Profits to RChain; and (ii) 20% of the Net Profits to Company.

- ii. Each Distribution shall be calculated and paid to Company and RChain, respectively, no later than thirty (30) days after the Liquidity Event. Company may pay Distribution amounts in cryptocurrency, fiat currency, or a mixture of the two, at Company's sole discretion.
- c. Liquidity Event. The term "**Liquidity Event**" means a liquidation or the sale of an investment, or portion thereof, held by Fund I (regardless of the form in which such sale shall occur, including through a merger or sale of stock or other interests in an entity, and regardless of whether such transaction is taxable or tax-free). For the avoidance of doubt, a Liquidity Event includes an asset sale (including, but not limited to, a cryptocurrency token sale or initial coin offering) or merger (including, but not limited to, a merger in which Company is the surviving entity).
- d. Calculation of the Management Fee.
  - i. RChain agrees that Company shall be paid an annual management fee ("**Management Fee**") equal to 2% of the Net Asset Value of Fund I. The Management Fee shall be calculated on an annual basis and paid to Company once a year no later than thirty (30) days after the prior Year End. The Management Fee shall be paid and distributed out of Fund I.
  - ii. [SUBJECT TO NEGOTIATION: In the event the Management Fee, properly calculated, is less than \$[ ] USD (the "**Minimum Management Fee**"), then RChain shall pay to Company the difference, if any, between the Management Fee (as calculated by multiplying the Net Asset Value for any one year by 2%) and the Minimum Management Fee. If the Net Asset Value of Fund I exceeds \$[ ] USD on the date of any Year End, then the Management Fee due and owed for the following year shall be capped at \$[ ] USD.]
- 1.2. Limited Partnership Agreement. Company and RChain shall expeditiously and in good faith negotiate, execute, and deliver a limited partnership agreement evidencing the terms and conditions contained in this Article 1 and such other commercially reasonable terms as are customary in the industry.
- 1.3. Milestones. The Parties acknowledge and agree that Company has already received the Initial Contribution. Upon execution of this Agreement, Company shall deliver [ ] RHOC to a multi-signature digital wallet (the "**Wallet**") specified by RChain to which only RChain and Company hold the private keys required to access and release the Additional Contribution.
  - a. RChain and Company shall release the RHOC held in the Wallet to Fund I in the amounts and upon achievement of certain milestones as follows:
    - i. [ ] RHOC upon the achievement of Milestone 1 (defined below); and
    - ii. [ ] RHOC upon the achievement of Milestone 2 (defined below).

## ARTICLE 2 STRATEGIC PARTNERSHIP

- 2.1. **Purpose of the Strategic Partnership Agreement**. RChain and Company agree that Company currently possesses certain interests in and ownership of various RChain blockchain business opportunities (the "**Business**") and other intellectual property relevant and dedicated to the type

of business conducted by RChain. The Parties agree to enter into the Strategic Partnership in order to attempt to advance the business intentions of all Parties, including the coordinated and synchronized release of certain products and/or services developed by Company with the release of the operational RChain blockchain (the “**Partnership Objectives**”). All efforts of the Parties, or either Party, on behalf of the Strategic Partnership, must be consistent with the Partnership Objectives.

**2.2. Services Provided by RChain.** In order to achieve the Partnership Objectives, RChain shall provide to Company the following services (the “**RChain Services**”):

- a. Launch a viable, usable, and working version of the RChain blockchain by the end of 2018 on which the Company-incubated projects can deploy their DApps and decentralized services;
- b. Provide technical support and education to the Company-incubated projects that are creating DApps and services;
- c. Provide Rholang education to the Company-incubated projects creating DApps and services;
- d. Cross-market and jointly promote the Company-incubated projects creating DApps and services atop the RChain blockchain;
- e. Secure member support and testing for the Company-incubated projects creating DApps and services atop the RChain blockchain; and
- f. License to Company the non-exclusive, non-sublicensable, royalty-free right use of the “RChain” name and “Double R” logo for the limited purpose of the Partnership Objectives during the Term.

**2.3. Services Provided by Company.** In order to achieve the Partnership Objectives, Company shall provide to RChain the following services (the “**Company Services**”) during the first year of this Agreement beginning on the Effective Date (“**Year One**”):

- a. Perform the following business development services (“**Milestone 1**”):
  - i. Identify and deploy a minimum of [\_\_\_] percent of the Initial Contribution to at least six qualified companies for the purposes of creating DApps (“**Project Companies**”); and
  - ii. Identify a minimum of six companies in addition to the Project Companies that are creating DApps and are candidates to receive Fund I assets as part of Company’s incubator “pipeline”.
- b. Perform the following partnership services (“**Milestone 2**”):
  - i. Identify one major [insert business sector] client interested in establishing a proof of concept on the RChain blockchain;
  - ii. Secure three major strategic partners (e.g. a side-chain offering);

- iii. Secure one of the larger post-ICO companies (e.g., Kik, FileCoin, or similarly sized post-ICO company) to use the RChain platform; and
  - iv. Secure one partnership with a cryptocurrency exchange (“**Exchange**”) to have RHOC listed on such Exchange.
- c. Perform the following marketing services:
- i. Advocate for the use of the RChain blockchain to blockchain entrepreneurs and developer communities;
  - ii. Identify and facilitate local and national strategic partnerships for RChain;
  - iii. Gain market awareness and facilitate RChain’s growth;
  - iv. Attend or present a minimum of one major blockchain, technology, or FinTech conference or event each quarter in Year One; and
  - v. Host at least one RChain-focused development event (e.g., hackathon, meet-up, or retreat) each quarter in Year One, which may be combined or in conjunction with an event held by Pyroflex, Inc., a Delaware corporation.

### ARTICLE 3 COMPENSATION

- 3.1. **RChain’s Compensation.** In connection with the RChain Services, and in order for the Parties to realize and maximize any monetary value associated with the technical and logistical support of onboarding Company-incubated DApps and services onto the RChain blockchain, RChain shall be compensated as follows:
- a. RChain shall be granted two seats on the Investment Decision Committee of Fund I and shall retain the seats until the termination of this Agreement. The RChain Representatives shall be Lucius (“**Greg**”) Meredith, and one other member to be mutually agreed upon between Company and RChain and determined within thirty (30) days of the execution of this Agreement.
  - b. Company shall submit to RChain a quarterly operational and financial report detailing the progress of Company performance of Company Services, status of Company-incubated DApps and decentralized services, and deployment of assets from Fund I; and

### ARTICLE 4 CONFIDENTIALITY

- 4.1. **Confidentiality; Exceptions.** Except to the extent expressly authorized by this Agreement or otherwise agreed in writing, the Parties agree that, for the term of this Agreement and for five (5) years thereafter, the receiving Party shall keep confidential and shall not publish or otherwise disclose or use for any purpose other than as provided for in this Agreement any Information and other information and materials furnished to it by the other Party pursuant to this Agreement (collectively, “**Confidential Information**”). However, the foregoing obligations of non-use and non-disclosure shall not apply to any information or materials to the extent that the receiving Party can establish by competent proof that such information or materials:

- a. was already known to the receiving Party, other than under an obligation of confidentiality, at the time of disclosure by the other Party;
  - b. was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;
  - c. became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement; or
  - d. was disclosed to receiving Party, other than under an obligation of confidentiality, by a Third Party who had no obligation to the disclosing Party not to disclose such information to others.
- 4.2. **Authorized Disclosure.** Each Party may disclose the other's Confidential Information to the extent such disclosure is required by law in complying with applicable governmental regulations or the order of a court of competent jurisdiction, provided, however, that if a Party is required by law or regulation to make any such disclosure of the other Party's Confidential Information, it shall give advance notice to the other Party of such disclosure requirement, prior to any such disclosure, and shall use commercially reasonable efforts to secure confidential treatment of such Confidential Information required to be disclosed.
- 4.3. **Survival.** This Article 4 shall survive the termination or expiration of this Agreement for a period of five (5) years.

## **ARTICLE 5 REPRESENTATIONS AND WARRANTIES**

Each of the Parties hereby represents and warrants to the other Party as follows:

- 5.1. This Agreement is a legal and valid obligation binding upon such Party and enforceable in accordance with its terms;
- 5.2. The execution, delivery, and performance of the Agreement by such Party does not conflict with any agreement, instrument or understanding, oral or written, to which it is a Party or by which it is bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it;
- 5.3. Such Party has not granted any right to any third party relating to such Party's respective intellectual property rights licensed hereunder which would conflict with the rights granted to the other Party hereunder;
- 5.4. At all stages of Company development, RChain shall facilitate dialogue amongst other application developers who may be in a contract with RChain, to ensure that interoperability between applications; and
- 5.5. All Company-incubated Dapps and decentralized services created pursuant to this Agreement shall commit to launch on the RChain platform.

## **ARTICLE 6 INTELLECTUAL PROPERTY**

- 6.1. All intellectual property ("IP") arising out of or related to Company Services, including, but not limited to, any Company-incubated DApp or decentralized service, shall be the property of

RChain unless otherwise negotiated and agreed to by Company and RChain; provided, however, that RChain shall grant to Company, to the extent RChain is authorized to do so, a non-exclusive, perpetual, irrevocable, royalty-free, fully paid, worldwide license to exercise rights in the Company-incubated DApp or decentralize service as follows:

- a. to reproduce the Company-incubated DApp or decentralized service, to incorporate the Company-incubated DApp or decentralized service into one or more collective products, and to reproduce the Company-incubated DApp or decentralized service as incorporated in the collective product; and
  - b. to create and reproduce products derived from the Company-incubated DApp or decentralized service.
- 6.2. Company shall not use the RHOC to transact in any manner that (i) jeopardizes RHOC's status as a payment, utility, and/or software access token or other relevant and applicable description of the RHOC as an "asset"—not a security— or (2) violates, in any manner, applicable U.S. Securities laws.
- 6.3. The above rights may be exercised in all media and formats whether now known or hereafter devised. The above rights include the right to make such modifications as are technically necessary to exercise the rights in other media and formats. All rights not expressly granted by RChain are reserved.

## ARTICLE 7 TERM AND TERMINATION

- 7.1. **Term.** This Agreement shall commence as of the Effective Date and, unless sooner terminated as provided herein, shall continue in effect for five (5) years (the "**Term**").
- 7.2. **Surviving Rights.** The obligations and rights of the Parties under Articles 3, 4, 5, 6, 7, 8, and 9 of this Agreement shall survive the termination of this Agreement.
- 7.3. **Termination.** The failure of a Party to provide Company Services or RChain Services, as applicable, shall constitute an "**Event of Default**" and accordingly shall entitle the other Party to terminate the Agreement only after Year One of this Agreement.
- a. If RChain fails to deploy a viable, usable, and working version of the RChain blockchain on which the Company-incubated projects can deploy their decentralized their DApps and decentralized services by the end of Year One, then Company shall provide those Company Services to be provided in Year One for additional three (3) month increments until such time as RChain launches a viable, usable, and working version of the RChain blockchain.

## ARTICLE 8 INDEMNIFICATION

- 8.1. **Indemnification by RChain.** RChain shall indemnify, hold harmless, and, at Company's option, RChain shall defend Company, against all claims, damages, losses and expenses, including court costs and reasonable attorneys' fees, arising out of or resulting from, any action by a third party against Company that is based on any negligent act or omission or willful conduct of RChain in performing the RChain Services and that results in: (a) bodily injury, sickness, disease or death; (b) injury or destruction to tangible or intangible property (including computer programs and data) or any loss of use resulting therefrom; (c) infringement of any third party intellectual property; or (c) the violation of any statute, ordinance, or regulation.

- 8.2. **Indemnification by Company.** Company shall indemnify, hold harmless, and, at RChain's option, Company shall defend RChain, against all claims, damages, losses and expenses, including court costs and reasonable attorneys' fees, arising out of or resulting from, any action by a third party against RChain that is based on any negligent act or omission or willful conduct of Company and that results in: (a) bodily injury, sickness, disease or death; (b) injury or destruction to tangible or intangible property (including computer programs and data) or any loss of use resulting therefrom; (c) infringement of any third party intellectual property; or (c) the violation of any statute, ordinance, or regulation.

## ARTICLE 9 MISCELLANEOUS

- 9.1. **Independent Contractor.** Each Party is an independent contractor and is not an agent or employee of, and has no authority to bind, by contract or otherwise, the other Party. Each Party shall perform the Company Services or RChain Services, as applicable, under the general direction of the other Party, but each Party shall determine, in that Party's sole discretion, the manner and means by which the foregoing services are accomplished, subject to the requirement that each Party shall at all times comply with applicable law. Each Party has no right or authority to control the manner or means by which the other Party performs the services contemplated herein.
- 9.2. **Assignment.** Neither Party shall assign any of its rights and obligations hereunder except (i) as incident to the merger, consolidation, reorganization, or acquisition of stock affecting actual voting control or of substantially all of the assets of the assigning Party; or (ii) to an affiliate; provided, however, that in no event shall either Party's rights and obligations hereunder be assigned without prior written notice to the other Party. In any case, neither Party may make an assignment of its assets which renders it unable to perform its material obligations hereunder. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their permitted successors and assigns.
- 9.3. **Retained Rights.** Nothing in this Agreement shall limit in any respect the right of any of the Parties to develop and market products using such Party's intellectual property, but no license to use the other Party's intellectual property that is existence prior to this Agreement has been granted herein, whether expressly or by implication.
- 9.4. **Further Actions.** Each of the Parties agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.
- 9.5. **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or email transmission, mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by express courier service, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof):

If to Company, addressed to:

Attn: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



If to RChain, addressed to:

Attn: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

With a copy to:

Martin Davis, PLLC

Attn: David M. Otto

1200 Westlake Ave N, Suite 802

Seattle, WA 98109

dotto@martindavislaw.com

- 9.6. **Waiver.** Except as specifically provided for herein, the waiver from time to time by either of the Parties of any of their rights or their failure to exercise any remedy shall not operate or be construed as a continuing waiver of same or of any other of such Party's rights or remedies provided in this Agreement.
- 9.7. **Severability.** If any term, covenant, or condition of this Agreement or the application thereof to any Party or circumstance shall, to any extent, be held to be invalid or unenforceable, then the remainder of this Agreement, or the application of such term, covenant or condition to Parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law.
- 9.8. **Ambiguities.** Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision.
- 9.9. **Entire Agreement.** This Agreement and any agreements referenced herein set forth all the covenants, promises, agreements, warranties, representations, conditions, and understandings between the Parties hereto with regard to the subject matter discussed herein supersedes and terminates all prior agreements and understanding between the Parties with regard to the subject matter discussed herein. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties with regard to the subject matter discussed herein other than as set forth in this Agreement or any agreements referenced herein.
- 9.10. **Headings.** The Section and Paragraph headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of the Section or Paragraphs to which they apply.
- 9.11. **Governing Law and Venue.** This Agreement shall be governed by the interpreted in accordance with the laws of the State of Washington without reference to its conflicts of laws rules or principles. Each of the Parties consent to the exclusive jurisdiction of either (i) the Washington State Superior Court in and for King County or (ii) the federal court for the Western District of the State of Washington in connection with any dispute arising under this Agreement and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions.

- 9.12. **Exhibits.** Any Exhibits attached to this Agreement are a part of this Agreement as if set forth in full herein. When a reference is made in this Agreement to a Section or Exhibit, such reference is to the respective Section or Exhibit to this Agreement unless otherwise indicated.

*[Remainder of page left blank intentionally; Signature page to follow]*

DRAFT

IN WITNESS WHEREOF, the Parties have executed this Agreement in duplicate originals by their proper officers as of the Effective Date.

**RCHAIN COOPERATIVE.**

\_\_\_\_\_

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

Title: \_\_\_\_\_

**PITHIA, INC.**

\_\_\_\_\_

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

Title: \_\_\_\_\_