

Kleros Legal Structure

Summary



SCIC

Kleros will be incorporated as a French type of social enterprise, called a "**cooperative company of public interest**" or SCIC (sociétés coopératives d'intérêt collectif). This Cooperative and community-oriented company operates under French jurisdiction and makes it possible to :

- share the governance of the project,
- avoid commercial buyout by another company or a competitor,
- ensures the financial sustainability of the project.

Ownership

As a cooperative, the company is owned and managed by three categories of partners: **Founders, Users and Producers**.

Kleros Cooperative

Kleros Cooperative production activity has the particularity of **benefiting the entire community** composed of users - jurors or end-users, third-party projects using the service - founders, and developers or producers.

Purpose of the Cooperative

The purpose of the Cooperative is to create, develop and promote a computerized and decentralized dispute resolution protocol in France and worldwide.

The Company may take all interests in any business whose activities would facilitate the accomplishment of its business purpose.

The Three Categories of Partners (Members)

Founders: Founders Team

Users: Jurors, end-users, intermediary users such as other platforms.

Producers: Developers and other persons or entities working in the project.

Members Requirements

Each member shall deposit the sum of € 50 to become a partner in the Cooperative.

Members are entitled to a refund of the sum provided to become a member at the time they leave the cooperative.

Voting Rights

Each one of the members has an equal right to vote. Nevertheless, each category of partners can have between 10% and 50% of the voting rights, regardless of the partners' number on it. In Kleros is split as follows:

Founders: 50%

Users: 25%

Producers: 25%

Founders Pledge to Vote

1. Founders pledge to vote a reduction of their voting rights of at least 10% every 5 years in order to completely remove the founders over the long term.
2. Founders pledge to vote on splitting the category of Users into :
 - Jurors
 - End users (parties to a dispute)
 - Intermediary users (platforms allowing their users to use Kleros as a dispute resolution mechanism)

Additional Information

This legal entity can enter into joint ventures with other entities (Corps, LLCs, etc.)

A French cooperative is just as a regular company (such as a limited cie) with some specific rules: a) social and cooperative purpose, b) democratic governance, c) profit must be put into a reserve.

In doing so, SCIC could enter into a contract with other company (commercial or not) and acquires shares AS LONG AS it helps to reach its corporate purpose. Moreover, there is no limitation in regards to foreign entities (could be a partner/shareholder.)

Financial implications of a SCIC

In a SCIC, dividends are subject to corporate tax because it's profit which is not put into the reserve. Kleros SCIC puts **100% to the reserve fund** so there won't be any dividends nor corporate taxes.

This reserve could only be used to develop and reach the cooperative purpose, which in Kleros case is to create, develop and promote the platform. Therefore, profits cannot be spent on dividends, so **this reserve is exempted from corporate tax.**

Cooperative Report

Every 5 years, the SCIC has to undergo an audit and report ensuring that it follows the rules and principles of cooperative management. This ensures transparency and compliance of the activities with the SCIC.