

Virtual shares

From the company's perspective

*No one cares more about a business than the people who own it.
Imagine if you could get your community of contributors to
care as much about your business as you do.*

KOOS¹⁰

Concept

A **virtual share** is a **financial instrument** to give your contributors skin in the game in your business to secure long term loyal relationships with them.

A virtual share is a **contract between your company and the contributor** under which the company determines the **rights** that the contributor will get as a virtual shareholder and the **conditions for making a payout** (e.g. meeting the business goals, exit or IPO, certain revenue threshold etc).

A virtual share is not

- a traditional share issued by the company and virtual shareholders do not enjoy all the rights your traditional shareholders have. Virtual share give only such benefits as set out in the terms of the respective virtual share.
- an option contract and is generally not intended as part of an employee benefit programme
- managed by the blockchain technology
- subject to financial regulations as it is issued to a contributor personally for their contribution for free and is genuinely non-transferable.

Virtual share rights that will help you engage your community

You have flexibility deciding how you exercise these rights and what are the conditions for payouts

- 1 Information right:** your right to inform and virtual shareholders right to be informed about your business and achievements. Let them know how they can help even more (and earn more).
- 2 Voting right:** ask your virtual shareholders for their opinion on matters you choose and give them a feeling that they are being heard and their opinion is taken into account.
NB! Doesn't include: election of Management Board, major corporate transactions, amendments to Articles of Association, issuance of additional shares, dividend payout etc.

- 3 Payment right:** depending on your goals, ambitions and how fast you want to grow you promise to make virtual shareholders a payment when:
 - a certain goal has been achieved (revenue, profit etc.)
 - company is sold
 - company is liquidated,
 - your shareholders decide so.

Virtual shareholders

Contributors are individuals (and in some cases companies) who do any activity that you deem valuable for your business growth.

Steps the contributor needs to complete to become a virtual shareholder in KOOS registry:

- Step 1** Identify themselves on KOOS platform
- Step 2** Sign the contract (=accept the Terms of Virtual Shares)

Examples of contributions:

- helping to create revenue by using the services or buying the products,
- helping to increase the customer base by making a sales intro or referral,
- participating in meetings and events,
- sharing content online,
- writing articles or blog posts,
- supporting other community members while using the product, referencing a customer and so on.

Accounting

From an accounting point of view, a virtual share is **your company's liability**.

Whilst the virtual share has no value, it can be reflected off the balance sheet. If the virtual share has a value, this must be described in the accounts, depending on who the virtual share was given to and for what purpose

[Read more](#)

Cap table

It is recommended to detail virtual shares in the Cap table, making it transparent for your shareholders and investors how are profits and returns allocated in your company. But that **doesn't mess up your Cap table** - instead of having thousands of shareholders, you'll have one extra line that represents your company's potential future obligation.

Virtual shares will not hinder the normal decision-making and document signing process in the company.

[Read more](#)

Taxation

When sending out virtual shares, take into account:

- **local tax laws;**
- **the type and residence of contributors**
- **the purpose** of a virtual share and the **behaviour or activity** that is rewarded.

If your contributors receive a cash payment or another benefit for virtual shares, you may need to withhold a tax and they may need to declare and pay income tax on such gain.

[Read more](#)