



Coffee Proposal #5 | Let there be DAO

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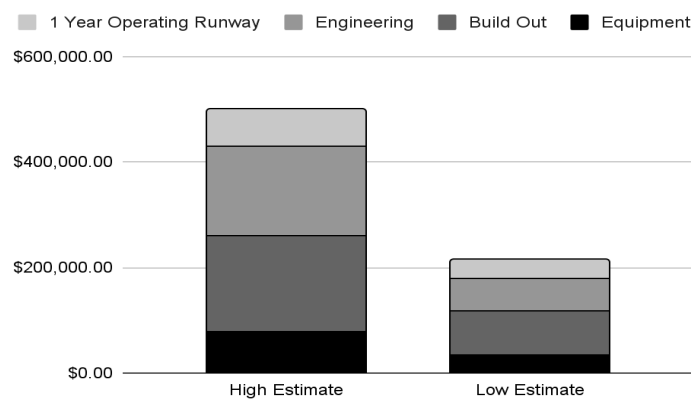
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## 1.0 Abstract

CP5 (Coffee Proposal #5—Let There Be DAO) proposes to fund, build, and open the first theCaféDAO storefront. This is also a manifesto and white paper outlining the Café DAO's mission and strategy for achieving it. This proposal builds upon previous proposals that have brought the DAO to where it is now. The DAO will continue to evolve and change over time to reflect the will of the community driving it. The main body of the proposal contains a high-level roadmap, a launch plan, and funding details. The appendix will expand on more details and be added over time as we research and learn more.

At a high level, the estimated funding needed to open the storefront and launch the DAO on-chain will be between \$242k and \$500k. Those who contribute in the form of their expertise or through a loan to the DAO will gain legal ownership in the coffee shop and be repaid after an estimated three years.

Funding Use Breakdown



A successful launch of theCaféDAO will mark the beginning of a whole new avenue of user adoption for DAOs and the blockchain industry as a whole. The existence of this DAO-run coffee shop will onboard everyday coffee lovers to Web3—not because they are looking for higher yields or JPEG gambling, but because they realize Web3 enables equitable business practices, ownership in a coffee shop they love, transparent supply chains, and that blockchain has practical uses in everyday life. Your funding and contributions unlock this future.

The authors would like to acknowledge that not all details are perfectly stated, nor is the language logically foolproof. While this document is the soul of the DAO, it does not reflect the final framework.

## 2.0 theCaféDAO's Mission

### 2.1 Mission & Purpose

TheCaféDAO is a physical manifestation of its mission and purpose. By supporting this proposal, you are also aligned with the DAO's mission and purpose. The DAO members may disagree on how we will achieve our mission, but we will always advocate for the path that will most likely achieve fulfillment of the DAO's purpose in the long term above all else.

### 2.2 Why

Currently, large corporations have a disproportionate impact on society while being controlled by a small group of executives. The purpose of these corporations is to enrich its shareholders in whatever legal way possible. The outcome often results in corporations exploiting its employees and/or customers to achieve its goal.

This can be solved by a different business structure that is inherently transparent, immutable, and decentralized. A Higher degree of transparency will result in the "right" decision being made even if it is the "hard" decision. In conjunction, transparent immutable decisions & actions motivates accountability and long-term thinking. Lastly, a decentralized governed business ensures that no one or few individuals can make decisions in direct contrast to the desire of the many. With the advent of blockchain technologies, we are now able to create such a business as a DAO.

**TheCaféDAO**

**employee  
first**

**customer  
centric**

**serves the  
whole rather  
than the  
execs**





## 3.0 How to Participate



### 3.1 Call to Action

1. Join the discussion of this proposal. The version you view now is a work in progress and will require multiple iterations and reviews
2. Vote on this proposal. See Appendix A on how you can vote.
3. Contribute by joining the execution team and help us with operations, legal, software development
4. Fund the proposal by loaning money to this project and receive Coffee Tokens

### 3.2 Who can be involved

1. Anybody can join the discussion of the proposal
2. DAO members who currently hold any amount of iCTs can vote on this proposal
3. Execution Team (minimum requirement to join)
  - a. Any DAO members who has participated in at least 1hr of at least 2 distribution events
  - b. Any lender of this proposal with at least a 1% stake
4. Anybody can be a lender of this proposal as long as you attend one of the distribution events discussing this proposal to outline the risks

### 3.3 Acceptance Criteria & Next Steps

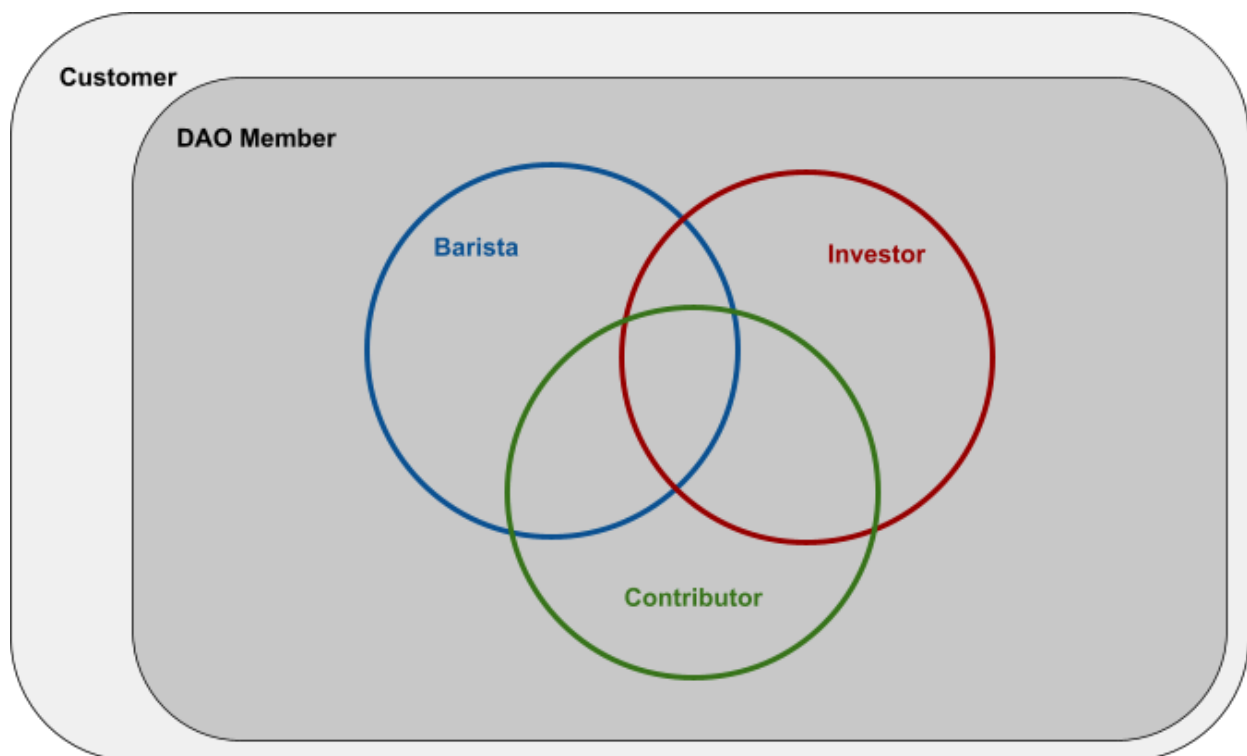
This proposal will go into effect if 50% or greater of the votable share of iCT of the DAO passes this proposal by  . Once passed, DAO Members need to deliberate on funding needs, funding criteria, execution team, and distribution returns. See [Appendix-I](#) on details.



## 4.0 theCaféDAO Experience

### 4.1 Participants

There are 5 categories of participants of theCaféDAO. **DAO Members** are customers of the coffee shop who have received at least 0.1 coffee tokens as well as a POAP through any form of participation (see Appendix B on token distribution). DAO Members are considered part owners of theCaféDAO and have a higher level of responsibility to participate in governance. **Customers** are patrons of the coffee shop but are not obligated to become a DAO Member along with its additional responsibilities. DAO Members can participate further as a Barista, Investor, and/or Contributor. **Baristas** are employees of the coffee shop whether as a barista, accountant, engineer, etc. **Contributors** are DAO Members who have directly participated in a proposal which has been passed by the DAO as the author and/or somebody who helped execute the proposal. **Investors** have funded at least 1 proposal.



### 4.2 The Cafe

TheCaféDAO customers will be first and foremost coffee shop lovers. The cafe will be an exceptional third wave coffee shop with baristas who know coffee. The setting and ambience will make a great gathering place for the customers and DAO members to meet their friends, talk business, and get work done. Although blockchain is important to the founders, we are aware anything 'blockchain' related can

be polarizing. TheCaféDAO will be our customer's favorite coffee shop not only because they have an interest in blockchain, but because this simply is a great coffee shop in itself.



Of course, we are theCaféDAO and blockchain philosophies and technology will be interwoven throughout the cafe. Our most enthusiastic customers can participate further and become DAO members, unlocking perks such as NFT physical coffee mugs, DAO member exclusive events, and even the option to make your own drink. Information and education on theCaféDAO and blockchain will be blended into the decor of the cafe rewarding curious customers. Customers can see how blockchain technology is applied to the real world at the storefront. For example, a voting booth with the latest proposal, historic proposals, and results will be available for DAO members to use in the storefront demonstrating that governance is an essential component of DAOs. Baristas will remind members who have yet to vote to submit a vote and thank those who have already voted. Voluntary transparency about cafe wages, usage of funding, DAO treasury, and token distribution will be shown on display screens sharing the success and struggle the cafe is going through. Upon every purchase, minting & distribution will be visually represented showing customers how revenue/profit is transparently split between the customer, DAO, and baristas. Blockchain enthusiasts will feel right at home and the blockchain curious can learn through demonstrations throughout the coffee shop or conversations with the baristas.

Converting all of our customers into DAO members would be a great success but we will not push the subject onto any non-DAO member customer. DAO members can receive Coffee Tokens (CTs) by allowing the barista to scan their ETH address upon their purchase similar to a rewards card. The only action needed to become a member is to share an ETH address upon purchase. If the customer does not know how to create an ETH address, the barista can direct the customer to supplementary information in the cafe or explain in-person if there is no line.

The experience we want all of our customers to walk away with after grabbing a coffee from theCaféDAO is an open-mind that DAOs and the application of blockchain technology can be a better way to operate when compared to the traditional system.

#### 4.3 User Stories and Specs

The table below describes key experiences sorted by participant category

You can find the full list of features here [☰ Cafe Features](#)

You can submit a new request using the [Feature Request Form](#)

Participant	Story	Acceptance Criteria	Milestone	Notes/Comments
Customer	I want my overall experience at the coffee shop to be indistinguishable any other coffee shop I love; specifically, I do not want to interact with anything blockchain related if I do not care to	Coffee shop has a normal variety of drink and food options and accepts all traditional forms of payments without any pressure to participate in the DAO	M0	The cafe should be welcoming not only to crypto enthusiasts but also anybody off the street looking for a cup of Joe
	If I am curious to learn more or participate in the DAO, I want unbiased objective learning material about the purpose of this DAO and blockchains technology as a whole	Baristas are educated on how the DAO operates end-to-end and can offer directly explanation or direct customers to relevant learning material displayed around the cafe	M0	
Barista	I want other Baristas and myself to represent the majority share of the business as we are the ones who are running this business day to day	Token allocation is adjustable by vote of token holders and baristas can determine what is fair to themselves	M0	
Contributor	I want to feel that my contributions through my proposal or execution of a proposal to be fairly rewarded	Create standardized proposals requiring clear definitions on funding & distribution so a smart contract can be created for funding with mechanisms clearly defining the terms of how the fund will be used and how the return will be distributed among those who participated	M1	
Investor	Have equal opportunity to fund the coffee shop on any proposal in return for a fair reward	Create a smart contract allowing anybody to fund with mechanisms clearly defining the terms of how the fund will be used and how the return will be distributed among those who participated	M0	
DAO Member	I want to be able to propose and/or implement changes to the coffee shop	Set up a standardized proposal process for token holders	M0	
	I want members to primarily comprise of actual participants who are interested in the long-term success of theCaféDAO rather than somebody looking to speculate on another token	Track how token holders actually accumulate their tokens and weigh how votes are counted depending on how they are accumulated	M0	Give POAPs or NFTs to DAO Members who have purchased directly from the shop or participated in a proposal
	Have my opinion heard in coffee shop decisions, especially if they directly impact me	Set up a standardized voting mechanism for token holders to vote on proposals	M0	Governance
	I want all operations and transactions to align "on-chain" and "off-chain" and be able to	Have all operational SOPs clearly tied to on-chain mechanisms, apply oracles to any	M2	



	independently interpret business health	off-chain transaction, and create metric dashboards for anybody to monitor		
	I want the DAO to legally align "on-chain" and remove any need of a workaround	Merge the DAO and the coffee shop so all DAO decisions are legally binding	M3	The coffee shop and DAO will launch off as separate entities as there is no legal way to legally operate a physical business decentrally

## 5.0 Tokenomics

### 5.1 Guiding Principles

The (CT) Coffee Token serves as the governance token to manage the DAO. Individuals and groups will have more voting power over the DAO with more CTs. The tokenomics set for theCaféDAO were built to follow the guiding principles. If we determine a better way to represent these principles, the tokenomics can be adjusted. We believe the following tokenomics principles will enable us to achieve the goals listed in section 1.

Principle 1: Incentivize individuals who add value

Principle 2: Give preferential incentives to those who are actively adding value at the very the moment

Principle 3: Retire incentives to those who are no longer adding value

Principle 4: Simplicity

### 5.2 Coffee Token Purpose

**1 CT = 1 Vote or 1 Wallet with at least 1CT = 1 Vote**

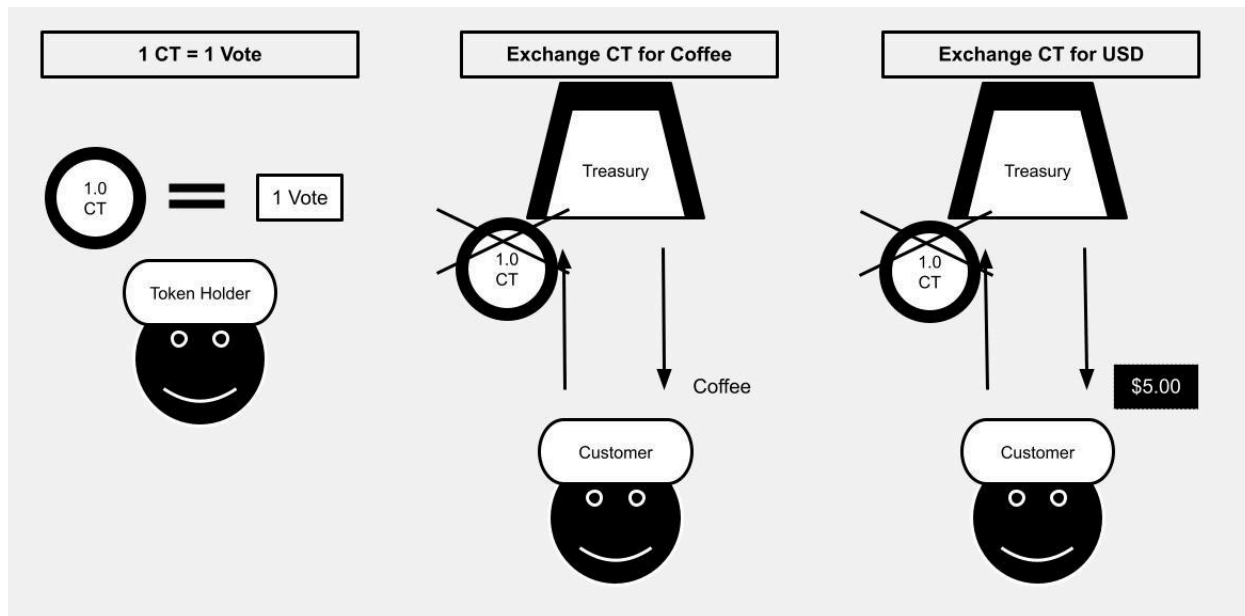
Token holders have voting rights to govern the DAO. The token holders can vote on what is done with the CTs held in the DAO treasury. For example, the DAO can vote to profit sharing treasury held CTs to staked CT holders or fund coffee proposals. Votes are counted either by weighted vote or unique votes with voters holding at least 1 CT. depending on what is being voted on.

#### **Exchange CT for USD**

The DAO treasury will always honor exchanging each CT for the USD price of coffee and burning the exchanged CT. Even if all token holders want to exchange their tokens for USD, it will be possible because the DAO Treasury will always hold an equivalent amount of USD per each CT in circulation.

#### **Exchange CT for Coffee**

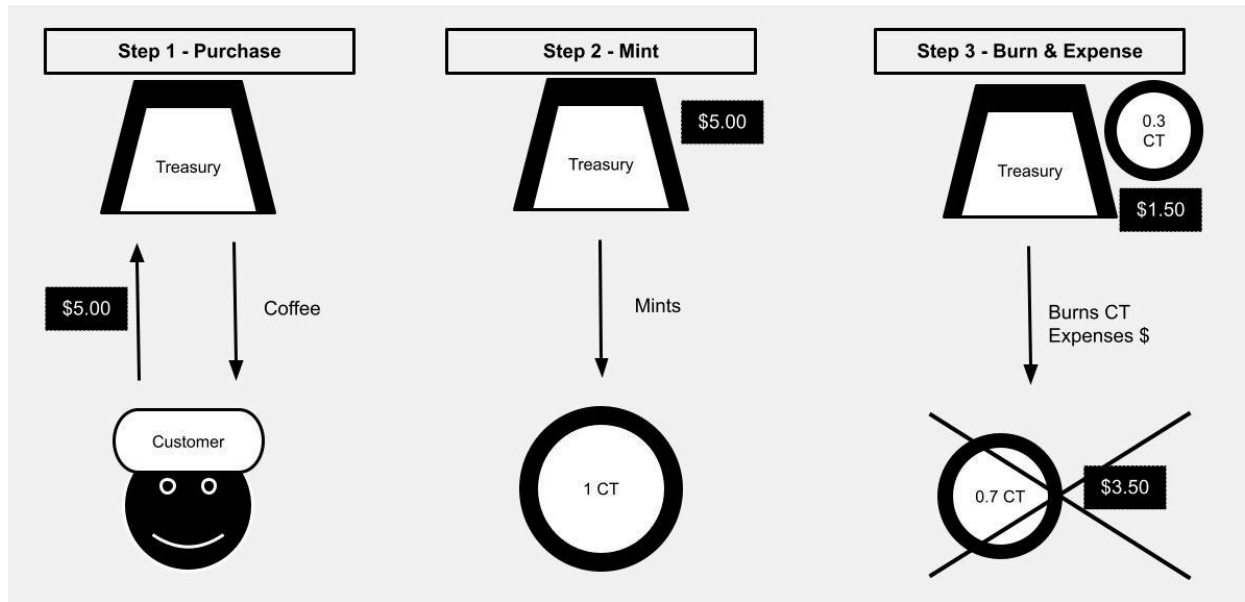
Since a CT is worth the price of a 12oz coffee, CTs can also be redeemed for a cup of coffee. However, it is not possible to buy CTs directly from theCaféDAO. All CTs are minted from sales and distributed through the process shown in "Section 5.4: Distribution".



### 5.3 Minting

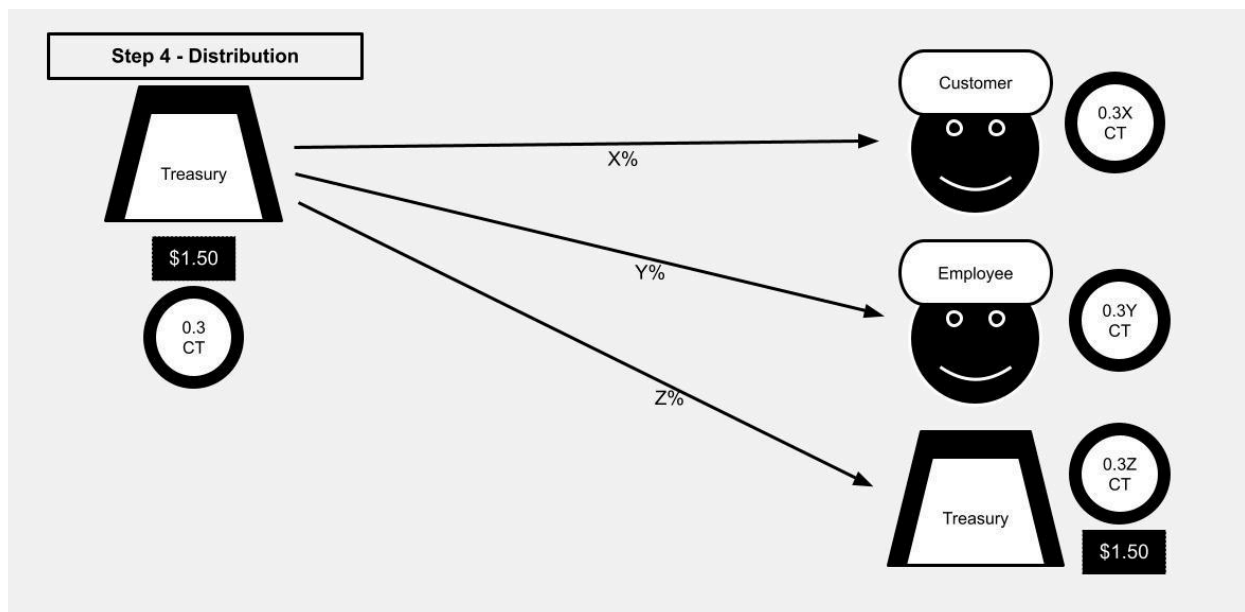
Coffee Tokens are minted when theCaféDAO generates revenue and burned upon paying expenses.

The diagram below describes the minting process. (Step 1) A customer purchasing a 12oz cup of coffee for \$5.00 will (Step 2) mint 1 CT (coffee token). The treasury will hold onto the CT and \$5.00 until operating expenses have been accounted for. Assuming operating expenses total up to \$3.50 for every \$5.00 coffee, (Step 3) the Treasury will burn 0.7 CTs and expense the \$3.50 to pay for operating expenses. The DAO treasury will always hold \$5.00 for every CT in circulation.



## 5.4 Distribution

(Step 4) Coffee tokens are distributed among the following 3 parties: Customer, Employee, and DAO. The DAO treasury will hold onto its own CTs while ensuring all CTs in circulation are backed by the appropriate amount of USD. Distribution of CTs to each party will be voted on by the DAO. You can see the historic and live CT distribution by reviewing the past and active proposals. Coffee Tokens are earned from theCaféDAO; you cannot buy CTs directly from theCaféDAO. Here, value is neither created or destroyed.

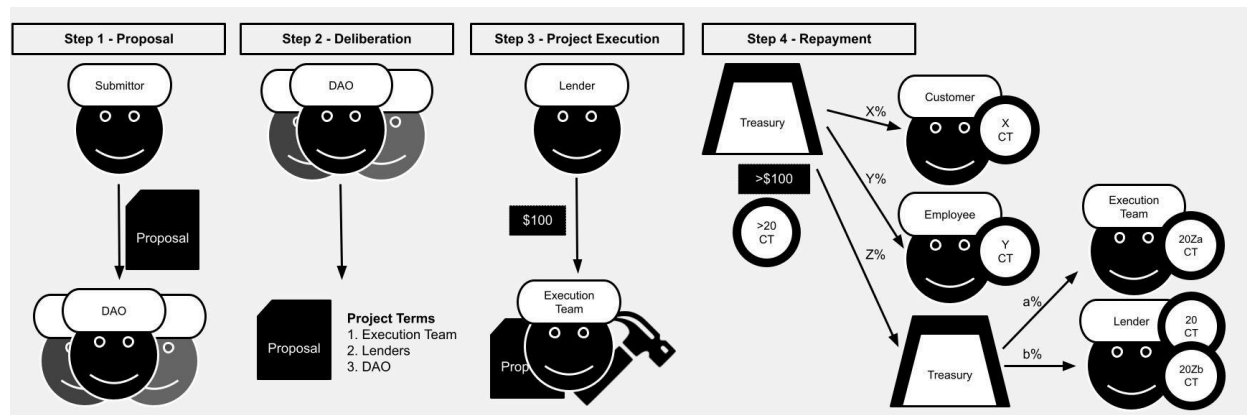




## 5.5 Proposal

Coffee Tokens cannot be given to those funding a loan directly in exchange for their money. Instead, theCaféDAO funding mechanism allocates future DAO CT distributions. To be eligible for future CT distributions, an individual will need to improve the DAO in one of the following ways: create a coffee proposal, execute a coffee proposal, or fund a coffee proposal with a loan.

Here is how theCaféDAO fundraises to execute a project it cannot self-fund. (Step 1) A token holder submits a CP (Coffee Proposal) to improve theCaféDAO. The DAO will review and elect to pass, reject, or request the submitter to include more information. If the proposal passes, it will go to (Step 2) the "DAO Deliberation Queue" where the DAO needs to determine (1) how much ROI the proposal is worth, (2) terms of the DAO loan, and (3) how to incentivize a team to execute on the proposal. When the DAO has finalized all details, (Step 3) the DAO will open the proposal up to be funded by Lenders and identify an Execution Team to work on the project. Upon project completion, (Step 4) the repayment period begins. In the example below, the amount needed to fund the proposal is \$100. TheCaféDAO will still distribute CTs to the Customer and Employees but will re-distribute the DAO's CT share to pay off the loan to the Execution Team and Lender. The coffee shop will need to generate well over \$100 in profit to pay off the principle + interest to the Lender and interest to the Execution Team.



## 6.0 Roadmap (currently as it stands)

The full roadmap is broken up into 5 milestones. The milestones take the DAO from nothing to a decentralized DAO-run coffee shop with the tools to self-operate and determine its own direction. The founders are unable to set a roadmap beyond the 5th milestone as it is no longer controlled by its founding members. We are currently working on Milestone 2 where all plans are formalized.

The roadmap is set up so the 3 major hurdles (operation, engineering, and legal) are addressed separately and eventually merged. Due to legal uncertainty in the current day environment, the DAO and coffee shop will be legally separate entities. The coffee shop will legally operate separately from

the DAO and the operating team will legally have full control over the direction of the cafe. However, we will have a gentleman's agreement that the cafe will follow the direction of the DAO. Separately, as we bring the tokenomics on-chain, we will continue to use off-chain solutions in the meantime. Milestone 3 will be when the tokenomics will be operating on-chain but the DAO will not own the coffee shop until Milestone 4 as the legal requirements to make this happen is outside the control of the DAO.

#### M1: Initiation (Completed)

The completion of this milestone signals that we have a basic model for the DAO to function off of. This milestone has been passed as the DAO has successfully drafted and trialed the tokenomics model at a coffee stand pop-up at the Seattle NFT Museum.

- MVP
- Coffee Pop Up
- Tokenomics Trial

#### M2: Formalization (In-Progress)

The completion of this milestone signals a formal plan to launch and rollout the operational aspect of the cafe, technological aspect of the tokenomics, and legal strategy.

- White Paper
- Operating Plan Finalized
- Storefront Launch Finalized
- Legal Plan Finalized
- Tokenomics Finalized
- Funding Secured

#### M3: Legitimization

Once this milestone has been hit, the first cafe will be running, the tokenomics will be live on-chain, and the DAO will be set up with a scalable legal structure.

- Launch First Cafe
- Launch DAO On-Chain
- DAO becomes a legal entity
- Legally represent DAO

#### M4: Acquisition

- DAO legally owns the physical storefront through an acquisition

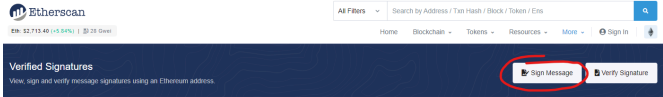
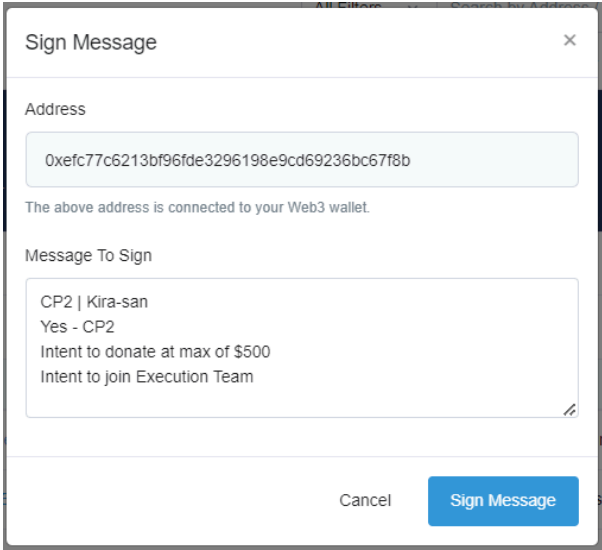
#### M5: Decentralization

- Initial founder no longer largest token holder

# Appendix

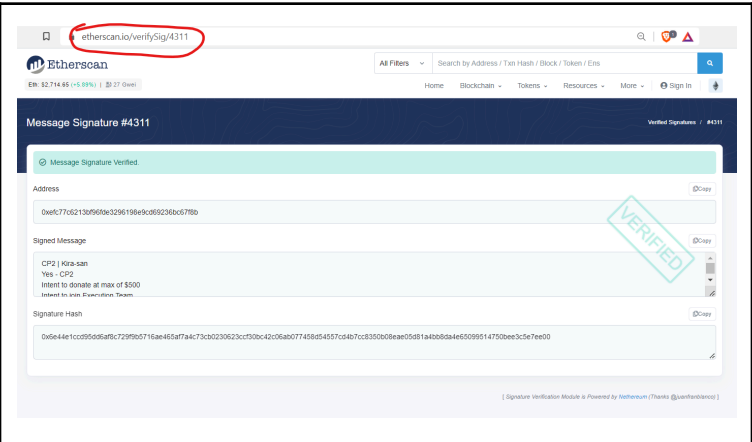
## Appendix A - Sign ETH Message

Here's the process to create a public viewable signed signature to vote to approve CP5, become a CP5 Lender, and/or join the CP5 Execution Team! Last day for new lenders is **EOD xx/xx/2022**.

<div>1. <a href="#">View, Sign &amp; Verify Message Signatures   Etherscan</a> a. Select Sign Message b. Select Metamask c. Unlock Metamask</div>	<div></div>
<div>2. Fill in the message box with the following: a. CP5   &lt;<a href="#">yourDiscordHandle</a>&gt; b. Yes - CP2, No - CP5 c. <b>Optional:</b> Intent to donate at max of &lt;<a href="#">\$yourMaxLoan</a>&gt; d. <b>Optional:</b> Intent to join Execution Team e. Click Sign Message and finish transaction on metamask or your hardware wallet</div> <p>Please use the SAME ETH address you have used in the past</p> <p><i>This ETH address will be made public with your discord handle. Please use a different ETH address if you do not want this to be made public.</i></p>	<div></div>



3. Click "Publish" on the new pop-up
  - a. Upon publishing, the screen to the right will appear with a unique URL with the message you just signed
4. Copy the URL (circled in the screenshot)
5. Share the the URL in [CaféDAO Discord](#)
  - a. Share in [#cast-vote](#) channel for current token holders
  - b. Share in [#proposal-discussion](#) channel for non-token holders
- i. Non-token holders can donate and join the execution team but their vote to pass or deny CP2 will not be counted

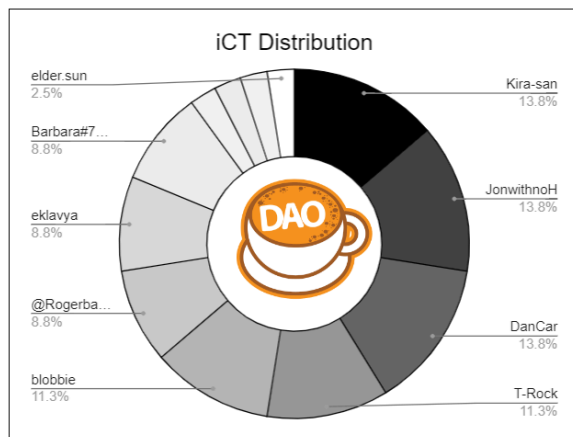


## Appendix B - Initial Distribution

CTs are not yet live but we have already launched imitation Coffee Tokens (iCTs) through previous proposals to get the DAO off the ground. These iCTs were launched fairly without a pre-mine, pre-sale, white-list, and founder supply. For the true launch of the real CTs, we will airdrop those who have previously participated and received iCTs. Future distribution will be conducted per Section 5.0 and all fundraising opportunities will continue to be conducted publicly. Below is a snapshot of the initial distribution of iCTs and their respective proposals.

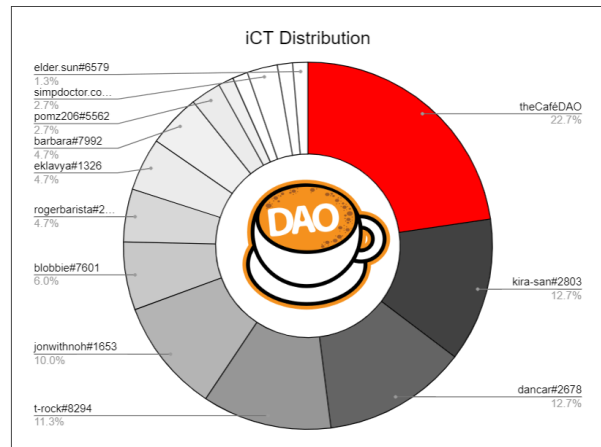
### Coffee Proposal 1

📅 2/26/22 - 3/20/22 | CP1 Distribution Tracker



### Coffee Proposal 1 (continued)

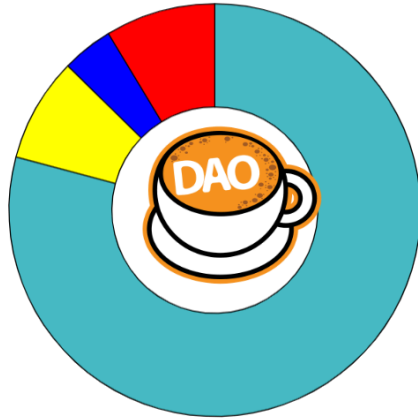
📅 3/21/22 - 4/22/22



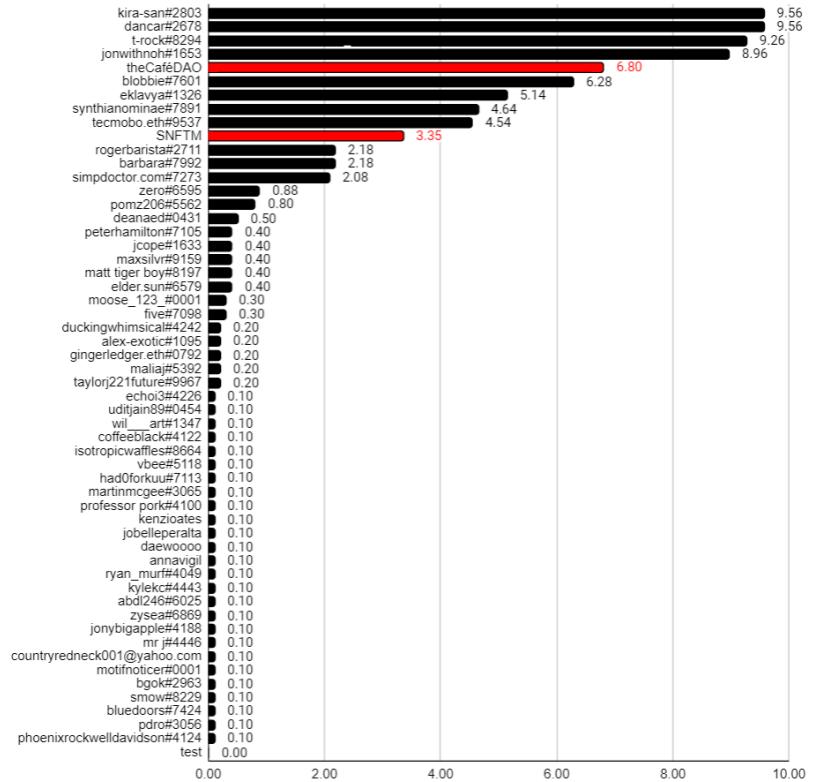
### Coffee Proposal 2:

📅 LIVE Tracker (4/23-Current)

iCT Distribution



Participant theCaféDAO SNFTM Customer



## Appendix C - Financing and Launch Plan | [Financial Statements](#)

### Overview

This section details the strategy we will take to launch the first storefront and the funding necessary to successfully launch. This includes how we will select a storefront location, how the vibe & layout of the cafe will appear, vendor selection, licensing/permitting, training/hiring, cost to build, and breakeven plan.

TheCaféDAO needs to raise a total of **\$500K** to open the coffee shop. **\$275K** will need to be raised to open the shop and **\$225K** is the runway needed while we bring the shop to profitability as well as use to pay engineers to build out the technology component of theCaféDAO. These costs do not include costs needed for development of the blockchain technology we plan to integrate.

### Launch Strategy and Cost Estimate

In true DAO fashion, we will source any help we can receive from our DAO members. Opening up a coffee shop is a huge undertaking and help from the community will be necessary. The launchplan is

categorized into 4 projects each with a project owner. This includes: real-estate/build out, procurement, licensing/permitting, and operations. The community members are not expected to work for free. They will be paid with future Coffee Token rewards or directly upfront with the loans issued. We will ask those who provide their services to carefully consider their rate in order for this venture to have a higher chance of success. Since this is a DAO, all payments will be transparent and all DAO members involved will know how much each individual is receiving for their respective services.

The DAO will be requesting a high range estimate as an initial loan to get this off the ground. Based on initial estimates & assumptions, the storefront will reach breakeven after 1 year of operation when ramping from serving an initial average 100 customers/day to an average of 150 customers/day. The assumptions are pessimistic on monthly fixed costs, build out costs, and launching new services such as food, coffee products, and DAO member exclusive products. However, the assumptions are optimistic on the efficiency of the DAO employees and continued customer demand. We will gain more confidence as unknowns are solidified. The full \$500K loan can be repaid after 2 years of operating after break-even. Road to profitability and/or full loan repayment can be expedited with added avenues for revenue such as a greater push for food options, non-food purchases, and event hosting. See the [Finance Statements](#) used for assumptions.

Ensuring the success of the coffee shop will be the:

Breakeven Monthly Sales: 41.1K (5.2K monthly transactions | 166 avg daily transactions)

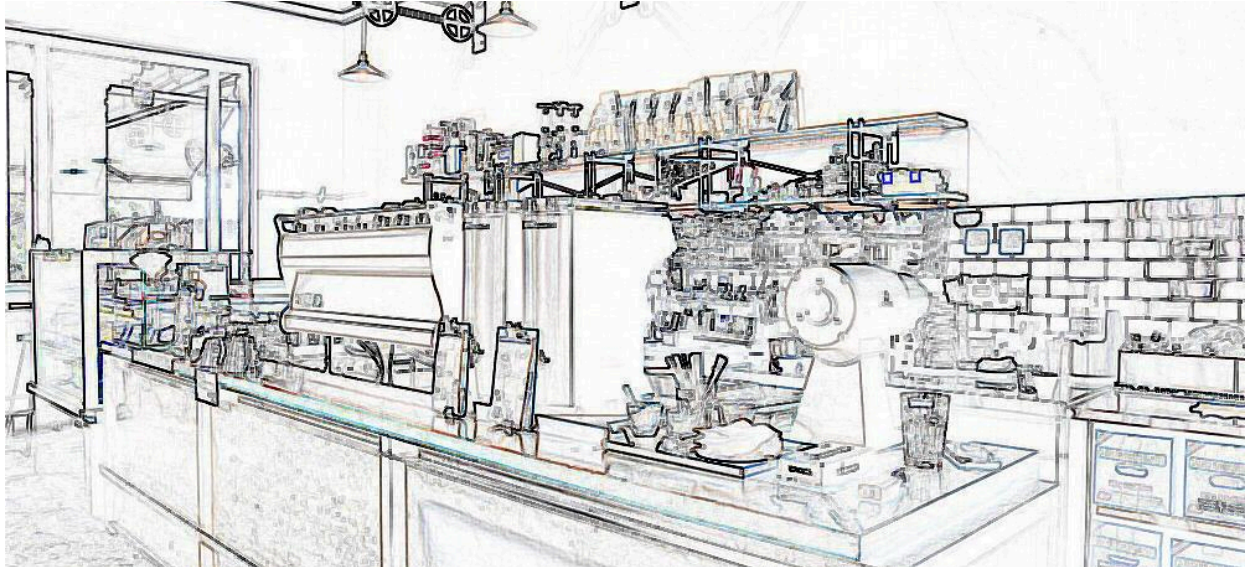
Target Profit Margin on COGS: 35%

Breakeven Estimated Sales per Customer: \$8.00

### Build Out

Retail space is estimated to range between \$24 - \$40/sqft/yr in desirable areas where we can reach technology savvy customers. We want to maximize the square footage we can acquire while staying within a \$5K/month lease in order for the cafe to control our costs (note assumptions for breakeven uses \$6.6K/month lease). The build out will be approximately \$90/sqft depending on the work that needs to be done. Under ideal opportunity, we can provide specifications to a location currently under construction to build the coffee shop to our requirements, reducing build out costs. The equipment necessary will total approximately \$80K and the cost can be reduced by purchasing 2nd hand equipment wherever possible. (Please see: [Finance Statements](#) - Build out Costs tab for more information.)





**Ideal locations to consider: <\$36/sqft | >1,500sqft | <\$45,000/yr (<\$3,750/mo)**

Seattle, WA

Redmond, WA

Bellevue, WA

Kirkland, WA

**Possible Seattle Based Third Party Vendors:**

Coffee Roaster (Cafe Vitta, Stumptown, Lighthouse Roasters, OxCoffee)

Milk (Liberty Distributing Inc, Sysco)

Baked Goods (Marsee Bakery, Seattle Bagel)

General Food & Paper Items (Sysco, P&R Paper, WCP Solutions)

## Appendix D - Daily Operation

### The Coffee Shop

Operations of the coffee shop will have the same experience as any other 3rd wave coffee shop. The first iteration will have a standard drip coffee brewer, 2 group espresso machine, a pour over coffee station, coffee grinder, and 2 espresso grinders. Brands of coffee machine equipment are to be discussed between DAO members but brands such as Fetco, La Marzocco, Bunn, and Simonelli are well known to the coffee community.

Basic hot prepared food options will be planned in the future but ready to bake pastries such as croissants and cookies may be available at launch.

# theCaféDAO

## drink menu

### Espresso

double shot  
4 oz

### Drip Coffee

regular or decaf  
8 oz 12 oz 16 oz

### Americano

espresso, hot water  
8 oz 12 oz 16 oz

### Cold Brew

12 oz 16 oz

### Latte

espresso, steamed milk  
8 oz 12 oz 16 oz

### Handcrafted Pour Over

ask our baristas about our single origin coffees  
12oz

### Cappuccino

espresso, creamy microfoamed milk  
8 oz 12 oz 16 oz

### Macchiato

espresso, dollop of microfoamed milk  
4 oz

### Cortado

1:1 espresso, steamed milk  
4 oz

non dairy milk options

Soy  
Almond  
Oat

flavor sauces & syrups

Chocolate  
Vanilla  
Caramel



**Staffing**

At the launch of the storefront, staffing will be minimal with 3 baristas hired for theCafeDAO’s first shop. Although theCafeDAO is not a hierarchical organization the coffee shop will have leadership in the form of an elected general manager and an appointed lead barista to help as needed. The GM will be responsible for scheduling staff, placing orders with vendors, assigning tasks to baristas, training staff, resolving customer issues, questions, and helping as a barista as needed. The lead barista will also help train staff along with helping the GM as needed. All storefront staff members will have keys to open and close the store.

Opening shift barista(s) will begin work one hour before the start of operations. Closing shift barista(s) will finish work one hour after the end of operations. Two paid 15 minute breaks and one 30 minute unpaid lunch per day for baristas.

TheCafeDAO wants to offer competitive wages to its staff, \$25 hourly for baristas along with Coffee Tokens from sales, see section 5 tokenomics for details on token distribution. At the launch of the storefront, staffing will be minimal with a total of 4 staff members handling operations, 3 full time baristas and 1 manager. The manager will earn 30% more than a barista at \$32.5 hourly along with Coffee Tokens from sales.

More staff will be hired as sales increase over time but staffing will be optimized for weekends since weekends are generally busier for coffee shops.

Assumptions:

Wages: \$25 for Barista | Manager makes 30% more than Barista \$32.5 | Hrs/Day 7.5  
Target% of Revenue: Wages 40% | Rent & Utilities 15% | COGS 40% | Profit Margin 5%  
Minimum Staff/Day for Pastries+Drink: 3  
Max Throughput 1 barista for Pastries+Drink: 25/hr  
50% of customers will order more than 1 drink  
Average Customer Purchase: \$8.00  
Average Customer Non-Food Purchase (merchandise): \$20  
Highest Peak Hour is 12% of total day volume (e.g. 100 transactions per day will have a peak hour of 12 transactions)

Below is a schedule:

Role	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Hours of Operation	0800 - 1600	0700 - 1700	0700 - 1700	0700 - 1700	0700 - 1700	0700 - 1700	0800 - 1600
Barista Lead	CLOSE	OPEN			CLOSE	CLOSE	OPEN
Barista A	OPEN	CLOSE	OPEN	OPEN			OPEN

Barista B	OPEN	MID	CLOSE			CLOSE	CLOSE
General Manager	Onsite		Onsite	OPEN/CLOSE	OPEN/CLOSE	OPEN	Onsite

### Blockchain Experience

The baristas are the face and ambassadors of the DAO. In addition to being knowledgeable in coffee, they will also be knowledgeable on the CaféDAO governance structure, tokenomics, active/ongoing proposals, and other general blockchain material. This level of knowledge will allow the DAO baristas to be the public facing communicator on behalf of the DAO.

If a customer is interested in becoming a member but is unfamiliar with how to create a new wallet or how wallets work, the barista can walk the customer through this process and what perks are unlocked by becoming a DAO member. If there are any ongoing proposals, the barista will remind members who have not yet voted to vote and thank them for voting if they had already voted. The barista can also update DAO members on any news or upcoming events. Lastly, it will be encouraged for baristas to engage in DAO related discussion with members.

## Appendix E - Legal Strategy

### Current State

The DAO's legal entity is currently an LLC for the purpose of legal compliance in order to host pop-up cafes. The current legal environment in 2022 does not offer clarity over how a DAO can run a physical business. Thus, we are working with our lawyer, [Brian Fink](#), to determine the best long-term legal structure for the CaféDAO and best way to get there. Although it goes against this project's ethos of decentralization, initial trust in the founders will be required in our proposed strategy.

### Legal Strategy

Working legal frameworks have been established for coffee shops. The legal challenges are all on the DAO specific activity. Therefore, the DAO and coffee shop will start off as two separate legal entities. The coffee shop will be funded by the DAO and operated by the founding team. The DAO will use service agreements with the coffee shop to implement suggested changes to the shop, which the coffee shop has no obligation to accept unless explicitly stated. In return for funding, the DAO will receive periodic reporting from the coffee shop that outlines the overall health of the store and results of any service agreements with the DAO. The roadmap plans to merge the two separate entities together in M4: Legalization so the coffee shop will legally be operated by the DAO.

Despite this centralized approach, this strategy enables progress to be made while the DAO works through difficult legal challenges. Attempting to open the cafe under the DAO will require full legal certainty, halting any work that can be done on other aspects of the DAO. Although rework may be required we believe this is still the best way forward. Synergies will be found while we work simultaneously on the engineering, governance, operation, and legal aspects of theCaféDAO.

### Legal Challenges and Uncertainty

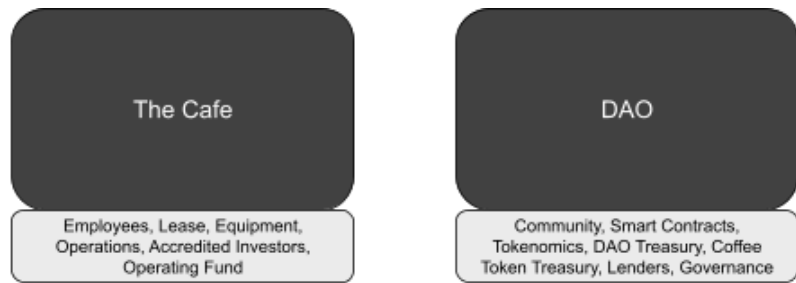
The primary challenge the whole blockchain industry is facing is how to issue permissionless ownership in a way that does not represent a form of a security. Usually, DAOs issue tokens or NFTs that represent ownership in the protocol/project, but many of these tokens and NFTs can arguably be construed as a security under the Howey Test. TheCaféDAO approach to governance will also be through a token but we have taken the token design into consideration

The secondary challenge more specific to theCaféDAO are the mechanisms for a DAO to actually run a coffee shop. Unlike many fully on-chain protocols which are largely automated, a physical operation cannot have such a high degree of automation. The lives of real people working in the storefront will be affected by the decisions of the DAO (e.g. wages, benefits, work hours, breaks, etc).

## Approach

### **Milestone 2**

The cafe storefront and the DAO start off as separate legal entities.



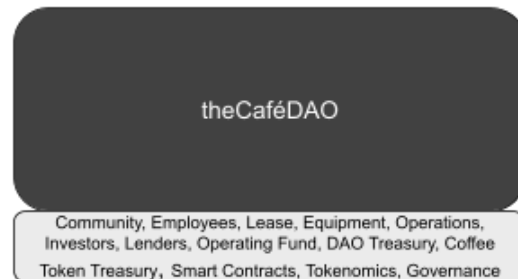
### **Milestone 3**

The cafe storefront and DAO remain as separate entities while the DAO begins to give direction to the cafe. At this point, the cafe operators have final decision



### **Milestone 4**

The cafe storefront and the DAO merge into one legal entity and the DAO legally manages the storefront



## Appendix F - Engineering

### Overview

This section serves as the business requirements documentation to design the technical products needed to operate the DAO. Engineering work is required to bring the tokenomics and governance structure onto smart contracts. There is a large human element involved in operating theCaféDAO but governance will steer the operational direction and financial decisions the overall business makes.

The development will occur in two stages allowing quick trial and error with minimal risk. The first stage will include smart contract design with multisig backdoors in key areas with high risk of malicious attack or unexpected problems may arrive. After adequate testing and fixes have occurred, we will begin the second stage where individual backdoors will be closed one by one until the full protocol is immutable and decentralized.

## Product Strategy

Development efforts will be split into 3 separate products: Proposal, Minting, and Distribution. Each corresponds to actions detailed in the tokenomics.

### **Proposal**

The Proposal product serves as the official form of governance and funding and has the following 3 main functions. (1) It enables DAO decision making by allowing DAO Members to submit, vote, and fund proposals to steer the DAO all on-chain. (2) Allows fundraising by allowing investors to fund passed proposals wherever funding is required. (3) Executes changes to Minting and Distribution products whenever the proposal conditions are met. Proposal will be the first product developed to allow the DAO to fundraise for the first storefront.

Key areas which will require backdoors include a multisig backdoor to ensure investor funds are safe and another multisig releasing funds to the execution team once the initial conditions have been met to allow the team to begin working on the project.

### **Minting**

The Minting product performs 3 mechanisms. (1) Enables the creation of CTs based on the CaféDAO revenue. Thus, CT exchange rate of CT to USD to Cup of Coffee will be defined in this product. (2) Convert the signal from the point of sale to an on-chain transaction in order to enable minting to occur. Investigation will need to be made to determine the most secure and efficient way to bring non-blockchain transactions on-chain at the point of sale. (3) Lastly, host the CT treasury storing the USD backing every minted CT and determine how much CT is needed to burn to cover operating costs. Minting cannot function without Distribution so these two will be worked on simultaneously. If needed, the DAO can utilize the Proposal to update this peg to keep the peg to the market rate of the cost of coffee.

Multisig backdoors will initially protect the point of sale to on-chain conversion to ensure CTs are minted only when revenue is generated and any changes made to the exchange rate.

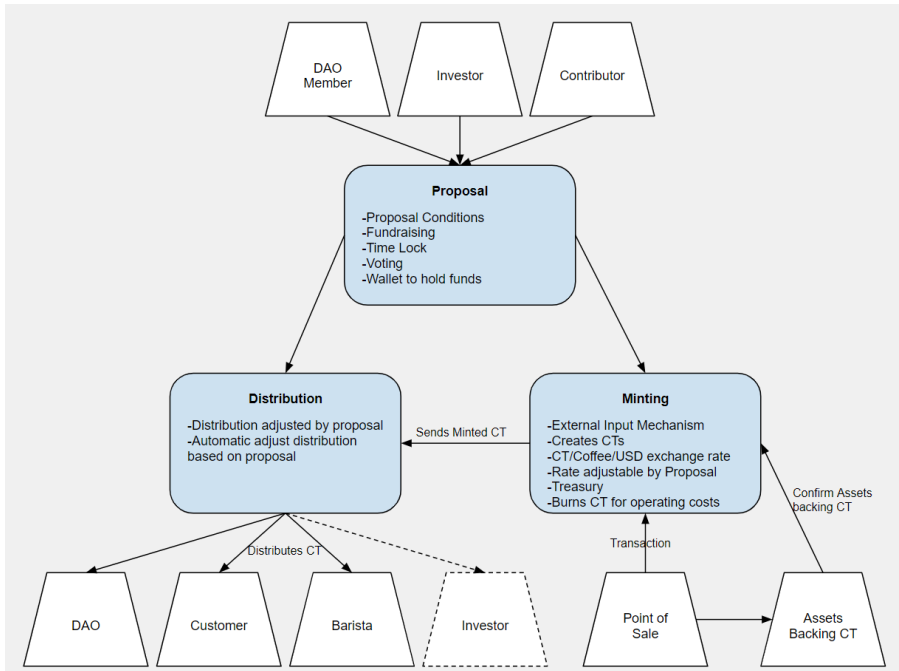
### **Distribution**

The Distribution product's only function is to define how minted CTs are shared among different stakeholders. This share of distribution can be updated using the Proposal. If a funded proposal is actively being repaid, the distribution will automatically update the distribution according to the proposal's agreed-upon parameters and revert back to its default distribution after repayment has been completed.

Multisig backdoors will initially confirm changes to the distribution to ensure the share of minted CTs is being accounted for.



High level Design



Participant	Product	Story	Acceptance Criteria	Milestone	Notes/Comments
Investor	Proposal	I want to be able to select proposals to fund and be fully refunded if the proposal is not passed after a specified period of time	Passed proposals create a time-locked proposal wallet where investors can choose to fund; refunds are issued if funding threshold is not met	M0	
Investor	Proposal	I want to have equal opportunity to fund a proposal even if a proposal has been fully funded to increase diverse participation as long as funding occurs within the set funding parameters period.	Proposal wallet will evenly rebalance funding provided by unique verified addresses if the total fund amount exceeds the proposal ceiling and issue a refund to investors that have exceeded the limit	M0	

Investor	Proposal	I want the proposal I am considering to fund to have all the information about the proposal on-chain so I know exactly what I am funding.	Proposal wallet has the proposal criteria set up as a smart contract so investors can independently verify the parameters on-chain	M1	
Barista	Distribution	I want to choose how much of my wage is paid out in CT	Distribution can be configured by Barista to burn less or more CT for operating expense per the Barista's discretion	M2	
Barista	Distribution	I want to have the opportunity to have a significant stake in the DAO as I am the one putting in the work	Baristas will have the highest default configured distribution% of all parties involved at the expense of their wage	M0	
DAO Member	Reporting & Metrics	I want full visibility on all aspects of the business to be able to independently confirm that what is said is being done is actually being done	Records on and off chain will be shared openly; over time, more transactions will migrate and be recorded on-chain	M0	
DAO Member	Redemption	I want to be able to exchange CTs for coffee or \$\$\$	DAO Member can use smart contracts to redeem USDC for CTs or redeem coffee for CTs	M0	Cannot redeem CTs for paper cash Can only redeem coffee in-person

## Appendix G - Marketing/Recruiting

### Marketing Coffee Shop

Easier targets for marketing will be announcing to Discord and Twitter as we reach milestones leading up to the grand opening, utilizing our own networks within the web3 community (i.e. reaching out for potential interviews/articles), and focusing on the coffee shop aspect while marketing to local audiences.

Additionally, we can host discussions with 3rd parties, such as our suppliers or purpose-adjacent DAOs. These events allow us to spread our name to new communities that have overlapping interests. We can host these on Twitter, which will be another tool to use. Round-ups can be posted to Twitter for those that can't make it. Continuing to grow our following on social media before the storefront will help us have a stronger launch and give our announcements more reach.

At a local level, we will use a combination of street marketing with fliers around the city, word of mouth using local DAO members, and local ads. However, our biggest marketing tool will be pop-ups, which

can also be used for national marketing. These pop-ups have already been successful for us in the past, can be set up with a small amount of equipment and manpower, and provide us an opportunity to physically introduce the DAO over a cup of coffee. Because of the small footprint, we can host pop-ups within the same space as blockchain events, at farmer's markets, or inside an existing business.

### **Recruiting Coffee Shop**

For the first storefront, we need 4 staff members to begin with. DanCar ☕ #2678 has 10 years of experience running a coffee shop and will be used as our general manager, subject to a vote by the DAO. The other staff members needed are an elected assistant general manager, an appointed supervisor, and four baristas. We will begin with recruiting from his network, as many have already been introduced to the idea and may already be DAO members. We will also informally advertise the roles through the DAO's networks and social media accounts. If we cannot find enough qualified and willing candidates from those methods, we will pursue traditional recruiting methods, such as Indeed or ad placement.

The DAO's token holders will make these first hiring decisions, but eventually in future hirings the DAO will retain only the power to veto managerial hiring decisions. Elections for general manager and assistant general manager will be held by the employees under them annually, with the DAO providing advisory input as needed. By doing this, we aim to give more power to employees to control their leadership and replace an incumbent who may not be suited to the task. It also requires leadership to step down from their role if they wish to pursue other avenues in a predictable way to create a smoother transition.

There will be two levels of baristas to start. The first level will essentially be in a probationary period while they learn their job duties and decide if they want to be a part of the cafe and DAO. They will be limited to converting up to 5% of their earnings to CTs, allowing them to start having a small voice. Additionally, medical and financial benefits will be limited during the initial 90 days from start date, matching common hiring practices in Washington state.

A full-fledged barista can elect to convert up to 100% of their earnings to CTs and earn full benefits.

### **Recruiting DAO Members**



While it does directly concern employees of the coffee shop, before they can formally become a barista, a probation period of six months will be implemented. At that time DAO members will vote to accept the employee as a member.

Because of the weight contributors need to carry in the beginning, the selection for more core contributors will be tedious and thorough to ensure alignment between the member and the DAO. This will entail interviews with founders and pairing them up with other core contributors to strengthen their connections to the DAO and help reduce churn. We need to build up our pool of committed core contributors, focusing on those that can help with the physical storefront before pivoting to connecting the DAO and storefront.

Engineers

Legal

## Appendix H - DAO Decision Making

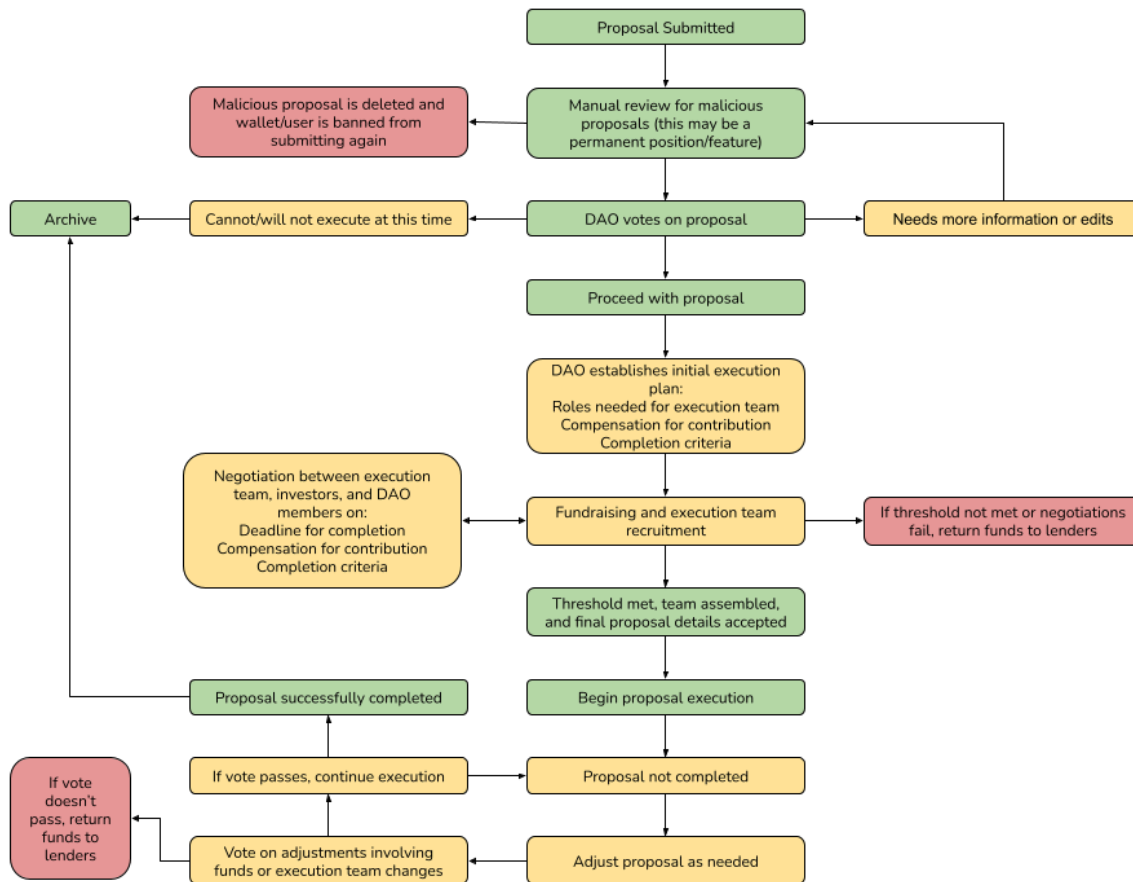
We do not know the right decision making mechanism. This is a very hard problem to solve. However, we are aligned in the following tenets to guide the DAO as it develops the governance rules and process. Based on these tenets, we have outlined the hurdles we face and the proposed solutions for an initial foundation.

### Tenets

1. It should be just as difficult to add new rules as to remove rules for the DAO to stay relevant
2. DAO will trust rather than regulate the employees

### 3. Simplicity

#### Process



1. Submit the proposal (e.g. CP5) to the DAO to vote on whether we want to open a storefront using the approach outlined in the proposal. Key details the proposal must have are the following:
  - a. Purpose of the proposal
  - b. Specify what the DAO is voting on
  - c. How this proposal benefits the DAO
  - d. Estimated total cost
  - e. Estimated time to repay the principle of the loan
2. The DAO votes yes, not now, or requires further review
3. If the DAO votes not now, the proposal will remain in archive.
  - a. Members may use proposal as basis for new proposal or re-submit at a later date
4. If passed, the DAO needs to collectively deliberate on the following details
  - a. Terms of the loan
  - b. Terms of the execution team
  - c. How to join the execution team

- d. Who will be on the execution team
- 5. Once passed, fundraising and recruiting for the execution team can begin
  - a. The proposal can begin upon meeting a minimum fundraising threshold
  - b. The proposal can begin upon meeting a minimum of X on the execution team
  - c. It is understood that planning is an ongoing process; the initial plan will likely change over time and may require a different budget and/or team to execute
  - d. Once thresholds are met, the execution team can take the funds acquired from the loan to begin working on the plan laid out in the proposal
- 6. If a proposal passes, but is not executed for any reason, any funds raised will be reimbursed to lenders first before reimbursing the DAO.

### Initial Decision Making Guidelines

- 1. 30% of voters need to vote to validate a vote
- 2. Proposals can only be passed with >50% voters passing
  - a. Some votes will require larger majorities by law (e.g. selling the DAO)
  - b. ??
- 3. DAO needs to vote on anything budget related
- 4. Proposals need to be active for voting for at least 1 week
- 5. Votes will initially occur on ETH Signatures
- 6. Need at least 1 CT to submit a formal proposal

### Hurdles to overcome

- 1. Anything employee related
- 2. Situations requiring quick decision making
- 3. Ambiguous situations
- 4. Budget related issues
- 5. Rules that are set that can be exploited in the future
- 6. How to prevent whales calling all shots
- 7. Malicious proposals
- 8. Inactive voters

## Appendix I - Proposal Conditions

- 1. DAO passes vote with >50%
- 2. Execution Team & Lender Locked
  - a. Loan locked >\$100,000.00

- b. Primary Execution Team Fully Filled
    - i. Launch:
    - ii. Operations:
    - iii. Engineering:
    - iv. Legal:
    - v. Marketing:
- 3. Loan Return &
- 4. Proposal Start
- 5. Voting Rights
  - a. Distribution Repayment Plan: Vote to occur on how distribution will occur on opening of the cafe; although no CTs will be distributed, investor votes will count on the future owed CTs
  - b.
  - c.

Fund Amount: \$500,000.00

Proposal Passing Criteria: >50% pass

Proposal Completion Criteria: Storefront open and first sale is made

Execution Team Roles (requires to be fully filled)

- Launch:
- Operations:
- Engineering:
- Legal:
- Marketing:

Total Loan Repayment: \$500,000.00 + X%

Recurring Interest Rate: 0%

Timeframe of Repayment Plan: All Profit Generated from coffee shop will go towards repaying loan in CTs–Estimated 3yrs