The Collaborative Operating Agreement

A plain-language overview

This document explains the key innovations and operating logic of the Collaborative Operating Agreement (COA) in accessible, non-legal language. It is designed to help collaborators, investors, contributors, and partners understand how a Company would function with this COA and why its structure differs from traditional companies.

Currently seeking a lawyer who wants to collaborate on - then eventually take over - the stewardship of these documents for others and for their ongoing evolution in service to the wider community.

HOW TO READ THIS DOCUMENT

This overview explains how the Company works and why it is built differently from a conventional company. It is written for collaborators, contributors, partners and investors — no legal background needed.

The COA is the authoritative legal document. This overview is a reading aid. Where the two differ, the COA governs. Section references (for example, §6.13) point to where each idea lives in the signed agreement.

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Intent of the COA

This part restates the founding intent behind the Collaborative Operating Agreement. The COA remains the authoritative legal source.

Intent

The Company is a mission-aligned, manager-managed company designed to support long-term stewardship, multi-stakeholder participation and coordinated action.

This structure advances the Company's mission: regenerative impact. It is also designed to align incentives so that a wide range of contributors can participate in clear, mission-consistent ways.

The Company is intentionally designed as non-extractive, community-rooted, intergenerational knowledge infrastructure. Its Collaborative Operating Agreement is a conscious departure from conventional corporate structures, prioritizing stewardship over ownership, collaboration over competition, and value creation over value extraction.

At its core, the system exists to reward contribution and collaboration first. Ownership exists to hold responsibility, not to extract value.

The agreement is built to evolve while preserving its core principles of transparency, reciprocity and long-term alignment.

Ownership, governance, compensation and profit participation are intentionally separated in order to:

- protect mission integrity, with net-positive impact as the binding objective;
- avoid extractive financial dynamics, preventing acquisition or investor takeover;
- enable contribution-based participation across many roles.

The Company exists in service of building durable shared infrastructure, not speculative liquidity events. It does not pursue venture capital, IPOs or acquisition exits.

Decision-making authority is grounded in stewardship and responsibility rather than capital weighting. Financial participation reflects contribution, patience and scale — without allowing capital to crowd out legacy or ongoing work.

Together, these design choices reimagine how authority, ownership, contribution and economics work in alignment to serve life over the long term.

> **THIS AGREEMENT TAKES INSPIRATION FROM**
>
> **Co-ops** — shared abundance, non-extractive economics, community governance
> **Perpetual Purpose Trusts** — mission protection, no sale, purpose-first
> **Steward-owned companies** — capped investor returns, internal exits, regenerative investment
> **Commons governance** — distributed stewardship, councils

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The Model's Purpose and Principles

Purpose

Traditional startup structures optimize for speed, extraction and control. This agreement optimizes for:

- decentralized power, like a commons;
- stewardship across generations;
- regenerative economies;
- shared infrastructure for collective action;
- preventing capital-based control;
- participation without precarity;
- collaborative infrastructure for communities and movements;
- distributed intelligence and collective sensemaking;
- aligned incentives between values, governance and economics;
- long-term infrastructure for life-centered work.

Foundational Principles

A. **Life-Centered Design** — governance in service of people, place and planet.

B. **Stewardship Over Ownership** — a system built to endure, not to be extracted from or exited.

C. **Regenerative Value Flows** — abundance circulated and shared fairly.

D. **Role-Based Authority** — responsibility follows contribution, not capital weighting.

E. **Cultural and Wisdom Leadership** — protecting relational coherence and trust.

F. **Community Benefit** — shared infrastructure, privately governed in service of collective benefit.

The result is a company structure that mirrors ecosystems: dynamic, interdependent, adaptive and centered on life.

Core Innovations

- Role-based governance rather than ownership-based governance.
- Ownership ≠ Control ≠ Profit.
- Per-capita shared abundance rather than pro-rata profit sharing.
- Capital Accounts that record fixed contributed value rather than a percentage claim on the enterprise.
- Equity Interests that determine tax allocations and residual fate at liquidation — nothing more.
- Investors who are not owners and are non-voting by default, participating through preferred returns and limited surplus participation.
- Contribution as the basis of recognition, recorded in the Legacy Contribution Ledger.
- Participants — not just owners — sharing in residual prosperity.

The Company's behavioural standards and organizational culture are codified in the **Relational Team Principles (Exhibit A)**, incorporated into the agreement in full (§1.9).

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Overview of the COA

Executive Summary

The Company ("the Company") is a mission-driven, steward-led company. Its Collaborative Operating Agreement takes the three things a traditional company bundles together — **who owns it, who decides, and who gets paid** — and deliberately pulls them apart, so value can flow to the ecosystem rather than be extracted by capital.

Most operating agreements are designed for ownership control and financial extraction. This one is designed for **stewardship, mission continuity, and regenerative value flow.**

The agreement contains two major innovations, which give this document its two halves:

- **A governance worldview** — authority comes from the role you hold, not from the size of your stake.
- **An economic architecture** — money moves only when there is real surplus, and it moves in a defined priority order that puts reciprocity and shared prosperity ahead of capital recovery.

> **IDEAS TO HOLD ONTO**
>
> **1. Ownership, governance and compensation are three separate things.** You can contribute without owning, own without governing, and govern without owning.
> **2. Nothing is distributed until the business is safe.** Every discretionary pool is funded only from Available Surplus — what remains after expenses, reserves and taxes.
> **3. Ownership circulates; it does not accumulate.** When a steward leaves, their equity returns to the pool and their capital stays in the system rather than passing to heirs or outside buyers.
> **4. Participation is what earns a share.** Eligibility for surplus rests on active stewardship, not on how much of the Company someone owns.

Governance Worldview

The Company is structured as a **regenerative, mission-locked, steward-governed organization.** Ownership, governance and compensation are deliberately separated so that value flows to the ecosystem rather than being extracted by capital.

The Company's purpose, mission and values are not left to interpretation. They are written down in the **Core Activation document (Exhibit E)**, which is a binding part of the agreement. When a decision requires a judgment about whether something is mission-aligned, Exhibit E supplies the standard; the COA itself controls legal and governance questions. Where financial optimization and mission conflict, **mission prevails** (§1.4).

> **WHERE THIS LIVES IN THE COA**
>
> **Article I** (purpose, mission lock, interpretive principles) · **Article III** (governance framework, purpose-aligned fiduciary duties) · **Exhibit E** (Core Activation — binding)

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Governance Flows From Role, Not Vote

The Company runs on a **role-based governance system.** Authority arises from designated stewardship roles, not from ownership percentages or majority voting. Holding equity does not give you a vote; no Member has voting rights simply by owning (§3.2).

Where the agreement does not assign a decision to a specific role, the default is straightforward: operational and tactical matters sit with the Managers responsible for that domain, while structural and governance matters — Major Decisions — remain with the Founder Managers.

> **WHERE THIS LIVES IN THE COA**
> **Article III** (manager-managed structure, role-based authority, limits on Member voting)

Core Structural Differences

1. Purpose Comes Before Profit

The Company is legally structured as a mission-driven, steward-led enterprise that prioritizes long-term purpose over short-term financial optimization. It is not built for sale, IPO or exit. This removes the pressure to compromise the platform, the community or the knowledge commons in order to manufacture a liquidity event.

This is not merely aspirational. The amendment rules make it structural: **no amendment may remove or materially dilute the primacy of mission over financial optimization**, weaken the interpretive authority of the Core Activation document, or be adopted in anticipation of a transaction that would otherwise require mission-alignment review (§12.2.3).

> **WHERE THIS LIVES IN THE COA**
> **Article I** (purpose, no-exit intent) · **Article III** (purpose-aligned duties) · **Article XII** (limits on amendment) · **Exhibit E** (Core Activation)

2. Ownership ≠ Control ≠ Compensation

The Company intentionally separates ownership, governance power and economic return. Each answers a different question.

Function	How the Company handles it
Ownership	Exists for tax allocation and liquidation accounting. It does not, by itself, create a right to cash.
Governance	Comes from roles — Founder Managers, Operating Managers, Contributor Tiers, and councils once established.
Compensation	Comes through participation pools, bonuses and surplus-sharing, none of which are tied to ownership percentage.

This allows people to:

- contribute meaningfully without needing equity;
- hold equity without controlling the Company;
- govern without owning the Company.

> **WHERE THIS LIVES IN THE COA**
> **Article I** (defined terms, interpretive principles) · **Article IV** (scope of equity, separation of ownership from surplus, how participation is earned)

3. Active Participation, Not Ownership, Drives Economic Flow

Eligibility for surplus-sharing is tied to **Active Participant status** — ongoing contribution and alignment — not to equity ownership. Active Participant status reflects sustained stewardship engagement, assessed over a reasonable continuity period against criteria set by the Founder Managers (§6.6).

If someone steps away, their economic participation may pause, but **their equity stays.** Losing Active Participant status ends eligibility for the Shared Abundance Pool and stops vesting of participation-based interests. It does not terminate ownership, eliminate a Capital Account, or force a redemption (§6.6.2).

Extended disengagement of roughly twelve consecutive months may result in a transition to inactive status. Founder Managers are presumed active during temporary periods of reduced involvement — sabbatical, strategic work, ecosystem leadership — provided they remain meaningfully engaged (§6.6.1).

The effect is that focus lands on the people currently engaged in building the Company rather than on capital, which keeps value flowing to those actively stewarding the system.

> **WHERE THIS LIVES IN THE COA**
> **Article I** (Active Participant) · **Article VI** (Active Participant status, change in status, effects of loss)

4. Stewardship Instead of Shareholder Primacy

Managers are required to give due regard to the integrity and continuity of the Company's knowledge, platform and community; the well-being of participants and partners; regenerative outcomes; and, where relevant, systemic, ecological and social integrity. **They are not required to maximize short-term financial return.**

The agreement protects them for acting this way: Managers are not liable for good-faith decisions that prioritize mission integrity, long-term sustainability or stakeholder well-being over short-term financial maximization. What the agreement does **not** relax is the duty of loyalty — self-dealing, bad faith, fraud and willful misconduct remain off-limits, and conflicts must be disclosed and properly authorized (§3.5.3).

> **WHERE THIS LIVES IN THE COA**
> **Article I** (purpose) · **Article III** (standard of conduct and purpose-aligned fiduciary duties)

5. No Exit Economy

The agreement states plainly that the Company has not been established, structured, or operated for sale, public offering, or value extraction through liquidation — except where dissolution is required by law or is the only reasonable way to preserve mission integrity (§1.5).

No equity interest, participation unit, preferred return or surplus-sharing right can be read as creating a right to force a sale, liquidity event, redemption or asset distribution (§4.2). Even an asset sale does not trigger ownership-based payouts; proceeds are treated as extraordinary surplus and run through the Company's own priority order (§9.9).

Investor participation is designed as **stewardship capital, not venture capital.**

> **WHERE THIS LIVES IN THE COA**
> **Article I** (no-exit intent) · **Article IV** (mission-aligned capital and participation) · **Article IX** (asset sale and liquidity event)

6. Regenerative Capital Flow: Ownership Circulates Instead of Accumulating

When a Founder or Manager leaves, their Founder or Stewardship Units return to the corresponding Unit Pool, available for future stewards. Units returned to the Stewardship Pool are reissued before any new units are created, so the pool functions as a **circulating participation layer rather than an expanding equity class** (§4.5.10). The same logic runs in the other direction: when someone moves into the Founder Manager role, their Steward Units return to the Steward Pool and Founder Units are issued from the Founder Pool. No one holds both at once, and total equity does not increase (§3.10.5).

The capital attached to those units follows the same principle. Founder and Stewardship equity does not become inherited, dynastic ownership. On withdrawal, removal or step-back, the Capital Account balance converts into **Recycled Stewardship Capital (RSC)**, which stays inside the Company as institutional capital rather than being paid out to heirs or outside parties.

RSC is deliberately narrow. It can arise **only** from converting a Capital Account that someone already held, and it can never be granted for services, labour or intellectual property (§9.4.1). It is not debt, not a loan, not deferred compensation and not a creditor claim; it bears no interest and has no fixed repayment schedule. Balances are tracked in Schedule G and are eligible for discretionary repayment from Available Surplus through the last tier of the Waterfall.

> **WHERE THIS LIVES IN THE COA**
> **Article I** (Founder Units, Stewardship Units) · **Article III** (unit roles, role-based conversion) · **Article IV** (pool management, conversion to RSC) · **Article VI** (RSC Capital Recovery Pool) · **Article IX** (founder withdrawal, RSC repayment) · **Schedule G** (RSC ledger)

7. Legacy Contributions Are Recognized Without Creating Debt

Early labour, ideas, relationship capital and unpaid work can be recorded and honoured — but they are not wages, loans, debt or automatic equity. Recognition happens through structured reciprocity, not legal obligation. An entry in the Legacy Contribution Ledger is a **recognition record only** (§5.1.1).

> **WHERE THIS LIVES IN THE COA**
> **Article V** (Legacy Contributions) · **Article VI** (Legacy Contribution Pool) · **Schedule C** (Legacy Contribution Ledger)

How the Company Actually Operates

1. Governance Structure

The Company is **manager-managed**, and its governance is designed to evolve as the organization grows.

Phase 1 — Founder-held stewardship (today)

Governance is held by the Founder Managers as co-equal stewards. There are no fewer than one and no more than three active Founder Managers at any time, and governance authority is shared equally among whoever is serving in the role — it does not attach to historical founder status or to units held (§3.4, §3.4.5).

Major Decisions require the unanimous consent of the Founder Managers and may never be delegated or implied (§3.4.2). They include, among others:

- amending or restating the agreement;
- admitting or removing Managers, and admitting new Members;
- issuing or converting Equity Interests, and setting vesting, pool and redemption terms;
- recognizing Legacy Contributions and Legacy Member Capital;
- creating, modifying or eliminating Membership Classes or Contributor Tiers;
- establishing governance councils or other participatory bodies;
- mergers, consolidations, or sale of substantially all assets; disposing of or exclusively licensing core intellectual property;
- debt above a defined threshold outside the ordinary course; dissolution or wind-down.

Day-to-day work is not bottlenecked at that level. Each Founder Manager may hold **primary stewardship authority in defined domains** under Exhibit D, acting on routine matters within approved budgets without separate co-approval. **Signing authority** is a second, independent gate: approving a Major Decision does not authorize execution — the signature requirements of §3.4.7 must also be met. Under the current Exhibit D, a single Founder signature covers operational commitments up to a defined threshold within an approved budget; both signatures are required above that, for anything outside an approved budget regardless of amount, and for all funder and philanthropic commitments.

A Founder Manager may never sign an agreement in which they, or an entity they control, are the counterparty or a direct beneficiary — that must be signed by the other Founder Manager (§3.4.7).

Two practical safety valves exist. Where a matter is time-sensitive and one Founder is temporarily unavailable, a single Founder may take interim action, with written notice within 48 hours and ratification within 7 days (§3.4.3). Where Founders materially disagree, they follow the **Founder Alignment and Resolution Process in Exhibit B** before any failsafe mechanism is invoked. Governance never defaults to unilateral control, forced dissolution, or indefinite inaction (§3.4.4).

Phase 2 — Distributed stewardship through councils

As the Company matures, the Founder Managers are authorized to establish governance or advisory councils — fiduciary, purpose-alignment, or contributor-advisory bodies — as size, resources and readiness warrant (§3.12).

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Two points matter here. First, **creating a council does not itself grant it authority.** Authority arises only from an express written resolution defining its scope. Second, a council is "established" and operative only when three things have happened: a written Governance Charter is adopted by unanimous Founder Manager agreement; at least the minimum number of members named in that Charter is seated; and written notice goes out to all Members. Until then, references to governance bodies elsewhere in the agreement have no operative effect and the stated fallbacks apply (§3.12.1).

Exhibit C sets out the current design thinking for a **Board of Stewards** (fiduciary oversight and institutional continuity) and a **Wisdom Council** (purpose, ethics and long-horizon stewardship). Exhibit C is explicitly a **non-binding working framework** — a design reference and cultural document that may be updated without amending the agreement. It suggests forming both bodies at the same stage, once the ecosystem reaches a defined number of active stewards and the Company is stewarding a defined level of resources, assets or platform value.

> **WHERE THIS LIVES IN THE COA**
>
> **Article III** (Founder authority and Major Decisions, consent without meeting, deadlocks, domain authority, signing authority, Contributor Tiers, evolution of governance and councils) · **Exhibits B, C, D** (alignment process, governance design, domain authority)

2. Roles in the System

Role	What they do
Founder Managers	Hold ultimate mission and structural authority; act jointly, with unanimous consent required for Major Decisions.
Operating Managers	Manager status with fiduciary responsibility inside assigned operational domains. Serve independently — not employees. Granted Stewardship Units in recognition of the role.
Contributors *(future)*	Structured, non-ownership participation through defined stewardship roles under a Contributor Agreement. May hold consultative, advisory or limited voting rights on specified matters — never over Major Decisions unless expressly stated (§3.11). Hold no equity by virtue of Contributor status alone; may be eligible for incentive and surplus-sharing pools.
Investors (IPU holders)	Provide mission-aligned capital through Investor Participation Units. Not Members, not owners, no governance control (Article VII).
Employees *(future)*	Engaged as needed. Employment alone confers no ownership, governance authority or pool participation; Stewardship Units may follow if a role becomes long-term institutional stewardship (§3.7).
Board of Stewards *(future)*	Proposed fiduciary oversight and institutional continuity body. Design only — see Exhibit C.
Wisdom Council *(future)*	Proposed ethical, cultural and purpose guidance body. Design only — see Exhibit C.

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WHERE THIS LIVES IN THE COA

Articles I–III (participant classes, manager roles and authority domains, Contributor Tiers, councils) · **Article VII** (investor participation) · **Exhibit C** (council roles)

3. Stewardship Units — Ownership as Earned Stewardship, Not Capital Power

Operating Managers and long-term Contributors may receive **Stewardship Units**: real Equity Interests tied to sustained institutional stewardship rather than financial investment. This lets leadership hold ownership as alignment, not as extractive capital power.

Stewardship Units:

- are Equity Interests with Capital Accounts;
- vest over time under the schedule recorded in Schedule B — **only vested units count** in profit and loss allocations, and unvested units are forfeited if the stewardship role ends;
- cannot be sold, assigned, pledged or transferred, and do not pass to heirs;
- do not, by themselves, confer governance authority;
- circulate back to the Stewardship Pool when roles end, with the associated Capital Account converting to RSC.

The Company may redeem units or an RSC balance from Available Surplus as a discretionary accommodation, capped at the Capital Account balance historically associated with those units. This is never a required buyout or a payment obligation (§4.5.8).

Units — Founder or Stewardship — may be held by an individual or by an approved entity such as a single-member LLC, trust or foundation. Where an entity holds units, the entity is the Member for tax purposes, but **governance authority always stays personal to the individual in their designated role** (§4.4.6, §4.5.4).

WHERE THIS LIVES IN THE COA

Article III (Stewardship Unit role) · **Article IV** (Stewardship Equity Pool — eligibility, vesting, redemption, transfer restrictions, conversion to RSC) · **Schedule B** (equity and units)

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Evolution of Authority

The Company is designed as a **living governance system, not a fixed power structure.** The founders do not treat authority as something to hold indefinitely. The structure builds in a pathway for authority to expand outward as the organization grows in stability, participation and stewardship capacity.

As the Company matures, governance responsibilities shift from founder-held authority toward distributed stewardship through councils and structured contributor roles. This transition is not ad hoc; it is part of the design. The operating principle is simple: **power should live where stewardship capacity exists.**

> **WHERE THIS LIVES IN THE COA**
> **Article III** (Contributor Tiers, evolution of governance and councils) · **Article XII** (evolutionary governance) · **Exhibit C** (governance design)

1. Creating Decentralized Power with Growth

Most startups centralize power as they grow. The Company does the opposite. The structure is built to prevent founder entrenchment, governance bottlenecks and concentration of control, and to support leadership continuity, institutional resilience and distributed stewardship. The Company is therefore not just a company — it is a governance system designed to mature beyond its founders.

Notably, establishing councils does **not** require amending the agreement (§12.3). The pathway is already open; what it needs is readiness.

2. What Evolves Over Time

As the organization reaches defined thresholds, operational and oversight roles extend beyond the founders in three ways:

- **Fiduciary governance** becomes shared with a Board of Stewards or equivalent body;
- **Purpose and ethical alignment** is held by a Wisdom Council or equivalent body;
- **Contributor Tiers** gain structured participation in defined domains.

Several provisions are written to switch on automatically once a fiduciary council exists. Founder Manager compensation becomes subject to that body's review and approval (§6.5). The Founder Manager Abundance Multiplier moves from annual Founder self-review to council review and approval (§6.13.4). Removal of a Founder Manager for cause requires that council's concurrence in addition to the remaining Founders' vote (§9.5.2). Council members receive information access scoped to their charter (§8.2.2).

> **WHERE THIS LIVES IN THE COA**
> **Article III** (establishment of councils) · **Article VI** (compensation and multiplier review) · **Article VIII** (information access for governance bodies) · **Article IX** (removal approval)

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3. What Remains Constant

Even as governance authority expands outward, the structural foundations stay stable:

- the mission-first commitment;
- the separation of ownership, governance and compensation;
- the non-extractive capital model;
- the regenerative, long-term stewardship orientation;
- defined, non-delegable Founder reserved authorities — to protect mission integrity, legal continuity and structural coherence; to make Major Decisions; and to hold final accountability for compliance and core purpose stewardship.

These are protected by the amendment rules. The agreement itself can be amended only by unanimous written consent of the Founder Managers, executed with the same formality as the original (§12.1). The Core Activation document takes a higher bar still: a proposal by two-thirds of active Members or a mission-aligned council, then adoption requiring all Founder Managers, three-quarters approval, and a documented finding that the change is consistent with — or a good-faith evolution of — the founding purpose (§12.2).

> **WHERE THIS LIVES IN THE COA**
> **Article I** (purpose, interpretive principles) · **Article III** (Founder reserved authority, Major Decisions) · **Article IV** (ownership separated from surplus) · **Article XII** (amendments, Core Activation, limits) · **Schedule H** (amendment record)

4. Founder Transitions

Role transitions are treated as **stewardship acts** — conscious handovers that honour what has been built and the people who will carry it forward. Where a Manager anticipates a change in role or capacity, they commit to engaging early and openly, making room for unhurried conversation, knowledge transfer and care for the relationships and systems that depend on them (§3.3.1).

Voluntary withdrawal

A Founder Manager may withdraw by written notice. Governance authority ends immediately, and the Founder's Equity Interest converts automatically to Recycled Stewardship Capital. There is no forced payout, no valuation event, no acceleration of distributions (§9.4, §9.4.4). Units do not pass to heirs (§9.4.3).

The Founder moves to **Founder Emeritus** status: continued affiliation and legacy recognition without ownership or governance authority, and an honorary advisory role by invitation. A Founder Emeritus who maintains active stewardship engagement — through a council or a designated contributor role — may be designated an Active Participant and so remain eligible for the Shared Abundance Pool (§9.4.1).

A **Founder Capital Account Exit Payout Option** exists as a discretionary accommodation. A withdrawing Founder may request a structured payout of some or all of their Capital Account instead of conversion to RSC. It requires the remaining Founders' approval in their sole discretion; it is available only where reserves equal or exceed six months of operating expenses after the full payment; it is paid only from Available Surplus; and it cannot increase the amount otherwise recoverable. Absent approval, the balance converts to RSC in full (§9.4.5).

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Incapacity

At roughly sixty days of continuous inability to serve, the remaining Founder gives informal written notice. At one hundred and twenty days, they may issue a formal declaration of incapacity and assume interim authority. **Temporary incapacity is not withdrawal** and does not by itself trigger equity conversion (§9.3).

Removal for cause

Removal is possible only on specific, evidenced grounds — felony conviction; a crime against the Company; participation in a competing business without consent; an adjudicated fiduciary breach; intentional misconduct or fraud; or deliberate acts causing sustained, material and demonstrable harm. The agreement is explicit that **strategic disagreement, management style, personality conflict or performance dissatisfaction are not cause** (§9.5.1).

The process requires 30 days' notice, a written response and — where harm is curable — a cure plan, plus a good-faith meeting before any vote. Removal requires the unanimous vote of the remaining Founder Managers, with council concurrence once councils exist. Where only one Founder would remain and no council exists, the matter goes to binding arbitration in the governing jurisdiction rather than a unilateral vote (§9.5.2–§9.5.4).

On removal, authority ends immediately, equity converts to RSC, the Legacy Contribution Ledger balance is forfeited to zero, nothing passes to heirs, and IP veto rights are forfeited — though the removed Founder keeps a non-exclusive licence to use IP they created (§9.5.5).

Death

A positive Capital Account passes to the estate or designated beneficiary as a **transferee interest — economic rights only**, with no governance authority, voting rights or Active Participant status. The estate remains eligible for Legacy Member Capital Pool distributions during a continuation window: two years for Founder Managers, one year for other Members. Any remaining balance then converts to RSC, subject to a **hard five-year termination measured from the date of death**, after which remaining payments are automatically directed to the Commons Pool (§9.6).

Each Founder Manager also signs a separate **Restrictive Covenants Agreement (Exhibit F)** containing post-departure non-competition and non-solicitation obligations, which survive withdrawal, removal and the estate continuation period (§9.10).

> **WHERE THIS LIVES IN THE COA**
>
> **Article III** (transitions as stewardship) · **Article IV** (conversion to RSC) · **Article IX** (incapacity, withdrawal, exit payout option, removal for cause, death and estates, restrictive covenants) · **Exhibit F** (Restrictive Covenants Agreement)

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Economic Architecture

The Company's economic system is a **multi-stakeholder surplus governance model.** Capital, labour, leadership and community all participate, but none is allowed to dominate or to extract at the expense of mission continuity.

This part explains how money actually flows, how value is recognized, and how capital behaves inside a regenerative, stewardship-based enterprise. It is intentionally different from traditional shareholder economics.

1. The Big Shift: From Extraction to Regeneration

Most companies run a capital-first model: investors put in money → the company grows → the company exits → capital extracts the value.

The Company runs a **stewardship-first model**: the platform and community are stewarded → surplus emerges → value circulates to sustain the ecosystem.

Money is not the driver. Money is a participant in a living system — treated as fuel, acknowledgment, reciprocity and capacity building, rather than as ownership power or exit leverage. When stewardship ownership returns to the Company, the associated Capital Accounts convert to Recycled Stewardship Capital and remain inside the institutional capital base rather than leaving as payouts.

> **WHERE THIS LIVES IN THE COA**
> **Article I** (steward-led enterprise model) · **Article IV** (economic framework, conversion to RSC) · **Article IX** (founder transitions)

2. The Waterfall: A Priority System, Not Profit Sharing

The Company uses a **Waterfall Structure** — a priority order for allocating surplus. It is not a traditional profit-sharing scheme. It draws on steward-ownership companies, cooperative surplus allocation, nonprofit-style reserve and reinvestment logic, and impact investment structures where capital return is subordinated to mission continuity.

The whole system has one gate: **if there is no Available Surplus, nothing is distributed anywhere** (§6.9). This prevents premature payouts, starving the business, and financial fragility.

Step 1 — Is there Available Surplus?

Available Surplus is what remains at the end of a defined seven-step sequence for each fiscal period (§6.7):

G. Gross revenue and income are calculated.

H. Operating expenses.

I. Net Income is determined.

J. Profits and losses are allocated to Members for tax purposes (§6.1).

K. Reserves are set for operational continuity, contingencies, legal obligations and mission-aligned stability.

L. Tax Distributions are made (§6.3).

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M. Committed or approved expenditures needed to maintain operations and mission-aligned obligations are paid.

Whatever distributable liquidity remains **after all seven steps** is Available Surplus, and it is the only funding source for everything below.

On Tax Distributions: because the Company is taxed as a partnership, Members can owe tax on income allocated to them whether or not they received cash distribution. The Company therefore uses reasonable efforts to distribute cash equal to **40% of the taxable income allocated to each Member**, or more if the Managers determine it is needed to cover combined federal and state marginal rates. Tax Distributions reduce the Member's Capital Account and are treated as advances against future distributions (§6.3).

Step 2 — Keep the system alive (operational and stewardship incentives)

Before the Waterfall begins, a separate operational layer keeps the organism healthy. These payments are **operating expenses, determined before Net Income, and sit outside the Waterfall entirely** (§6.5). They are compensation for services or stewardship — not ownership distributions and not tax profit allocations.

Incentive	What it does	How it works
Manager Bonus Compensation	Supports leadership capacity.	Discretionary bonuses recognizing operational leadership and institutional stewardship, aligned to both performance and purpose (§6.5.1).
Contributor Participation Compensation *(future)*	Recognizes active stewardship rather than ownership.	Discretionary payments to Contributors and Participants who hold no Equity Interest; treated as ordinary compensation or fees for services (§6.5.2).

It is reviewed annually by the Founder Managers — and, once a fiduciary council exists, Founder Manager compensation is reviewed and approved by that body (§6.5).

Step 3 — Reciprocity and capital respect

When there is Available Surplus, it flows through six pools in a fixed priority order. Each pool is funded in turn, only to the extent surplus remains.

#	Pool	What it does	Where
1	**Legacy Member Capital Pool**	Returns documented capital contributions — cash, converted debt, or IP expressly elected as capital — pro rata to each Member's remaining unrecovered balance. Eligibility ends once a Member has recovered their original contributed capital.	§6.12, Sch. F
2	**Legacy Contribution Pool**	Recognizes non-capital stewardship value distributed pro rata to each contributor's ledger balance.	§6.11, Art. V, Sch. C
3	**Commons Pool**	Supports collective mission infrastructure, shared resources and public-good initiatives that benefit the wider network beyond the Company itself.	§6.17

#	Pool	What it does	Where
4	**Investor Preferred Return**	Satisfies contractual preferred return owed to holders of Investor Participation Units.	Art. VII, Sch. D
5	**Shared Abundance Pool**	Discretionary, per-person participation in collective surplus for eligible Active Participants. Activates only in higher-profit scenarios.	§6.13
6	**RSC Capital Recovery Pool**	Discretionary repayment of outstanding Recycled Stewardship Capital balances for Founder Emeritus and Stewardship Unit holders. Last by design.	§6.14, §9.4.2, Sch. G

Anything left after the sixth pool is retained by the Company for reinvestment, reserves or future distribution (§6.8).

Two structural safeguards. First, if Available Surplus is not enough to fund every pool at its floor, allocations are made in priority order and lower-priority pools may receive less or nothing that year — and an unmet floor never becomes debt, an accrued obligation or a right to deferred payment (§6.10). Second, the scale of every allocation is governed by Profit Bands, which determine the applicable Waterfall Scenario.

Scenario	When it applies
Conservative	Early-stage or lean operating conditions. Also applied automatically whenever reserves fall below roughly four months of operating expenses, until reserves are restored.
Balanced	Sustained profitability with operational stability.
Generous	Strong and sustained financial performance. The scenario indicated by Net Income may be applied once reserves exceed approximately six months of operating expenses.

Think of Scenarios as a **generosity dial**: they adjust pool floors, ranges and caps without creating entitlements. The current design of the bands, floors and illustrative allocations lives in **Schedule E**, which may be updated over time within the structural principles of Article VI (§6.9.1).

Step 4 — Shared Abundance: a radical shift

When the Company thrives, surplus may be distributed **equally per person** among eligible Active Participants — Members, Managers and Contributors alike — rather than by ownership percentage. Participation is independent of equity; eligibility rests on role, contribution and stewardship status, and may include non-Member Participants (§6.13).

The Pool activates only in higher-profit Waterfall Scenarios, may be zero in conservative conditions, and remains discretionary within the floors, ranges and caps of the applicable Scenario. Distributions are symbolic of shared success rather than a return on capital, and create no right to future distributions.

This reframes prosperity from "Who owns the most?" to "Who is part of the living system?"

THE 4.0× CEILING ON FOUNDER PARTICIPATION (§6.13.4)

Equal per person is the rule for the Abundance Pool distributions. §6.13.4 sets the **outer limit** on how far Founder Manager participation may ever depart from it, in recognition of their role as long-term institutional stewards and providers of foundational risk capital.

The provision is written as a constraint, not an award. Any Founder multiplier may be applied only once system stability conditions are met, and it is not a fixed entitlement. Nothing requires the multiplier to be used. It can sit at the default 1.0×, be set lower than the cap, or be paused. Whatever is in force is recorded in Schedule E, in the open. And the ceiling is not self-administered indefinitely. Until a fiduciary governance council exists, the Founder Managers review it annually in good faith; **once such a council is established, it passes to that body for review and approval on a rolling annual basis.**

The purpose is a **release valve, not a bonus**: a bounded, visible, reviewable way to acknowledge founder risk in exceptional years, so that pressure never has to be relieved by reintroducing ownership-weighted distributions.

Redirecting your share. Any Member, Founder Manager, or estate or designated beneficiary holding a contingent right to distributions under the Legacy Contribution Pool, the Legacy Member Capital Pool or Recycled Stewardship Capital may direct that future distributions be paid to the Commons Pool instead. The direction is prospective, must be in writing, becomes irrevocable 72 hours after delivery, and does **not** change or reduce the underlying ledger balance — it only changes who is paid (§6.17).

The Commons Pool is a future-activated tier. It becomes operative on written determination of the Founder Managers, at which point its allocation mechanics, eligibility criteria and governance are established. Until then, amounts directed there are held in a designated **mission reserve** and applied to the Company's purpose at the Founder Managers' discretion. No one holds a claim on that reserve by reason of a prior election (§6.17.1).

WHERE THIS LIVES IN THE COA

Article I (Waterfall Structure, Available Surplus, Profit Band, Per Capita Allocation, Waterfall Scenario) · **Article VI** (tax distributions, incentive compensation, determination of surplus, waterfall structure and priority logic, Shared Abundance and the Founder multiplier, Commons Pool election and activation) · **Schedule E** (Waterfall Scenario Framework)

3. Legacy Contributions: A New Economic Category

The Company introduces something most companies do not have: **recognition without debt.**

People who built the foundation — through labour, ideas, relationship capital, or unpaid work — or who contribute significant bodies of work as the Company grows, can be recorded in the **Legacy Contribution Ledger (Schedule C)**.

Legacy Contributions are **not** wages, loans, debt, automatic equity, or guaranteed repayment. They are recognition records only, honoured through discretionary reciprocity under the Waterfall when Available Surplus allows. They create no debt, no payment obligation and no ownership rights. This allows moral reciprocity without turning stewardship into ownership or liability (§5.1.1).

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Recognition is governed by a separate Legacy Contribution Recognition Agreement, which stands independently of any service, equity, contributor or governance agreement (§5.1.1). Ledger balances are fixed once recorded, except where the Founder Managers expressly recognize additional qualifying historical contributions (§5.2).

Two legacy tiers, two different things

The agreement draws a clear line between two forms of past contribution, which sit at different points in the Waterfall.

	Legacy Contribution – Sch C	Legacy Member Capital – Sch F
What it recognizes	Stewardship time, relationship capital, ideas and other value offered without contemporaneous compensation.	Documented capital contributions — cash, indebtedness converted to capital, and assigned IP expressly elected as capital.
Where it is recorded	Legacy Contribution Ledger — **Schedule C**	Member capital record — **Schedule F**
Effect on Capital Account	None. Not a capital contribution and not a Capital Account credit.	Credited to the Member's Capital Account at the time of contribution.
Waterfall position	Pool 2 (§6.11)	Pool 1 (§6.12)
Tax treatment	Ordinary income to the recipient in the year of receipt.	Treated as an IRC §731 distribution, reducing Capital Account and outside basis; non-taxable to the extent it does not exceed basis.

The default matters. Where a Legacy Contribution gives rise to intellectual property that is assigned to the Company, that IP is recorded as a Legacy Contribution in Schedule C by default. Treating it as capital instead requires an affirmative, asset-by-asset written election by both the Contributor and the Founder Managers — and no value may ever be recorded in both schedules for the same asset. IP licensed rather than assigned is governed by a standalone licence and appears in neither schedule (§5.3).

Deferred and reduced compensation

Two related mechanisms let the Company acknowledge stewardship offered below market without creating a liability. **Deferred stewardship compensation** — pay for services rendered but not paid at the time — may, with Founder Manager approval, be recognized as a Legacy Contribution (§5.4). Similarly, a Manager who voluntarily accepts a reduced fixed payment may have the difference between that payment and a mutually agreed reference value recognized in the Ledger (§5.4.1). Neither creates a deferred compensation arrangement, a debt, or an enforceable right to future payment.

How recognition ends

Legacy recognition is personal and continues after someone leaves an active role — a former contributor remains eligible for Legacy Contribution Pool distributions (§5.7). Distributions continue until the full recognized value in the ledger has been returned, at which point eligibility ends automatically (§6.11.2).

Eligibility terminates on death; on incapacity or permanent disengagement from the stewardship ecosystem, as determined in good faith by the Founder Managers; or on dissolution, when all ledger balances terminate without conversion or payout. A **Founder Estate Exception** allows distributions to continue to a deceased

Founder Manager's estate or designated beneficiary for up to two years as ordinary income, after which any remaining balance terminates. This exception does not extend to non-Founder Legacy Contributors and creates no inheritable right beyond that window (§5.7.2).

Ledger balances never transfer to heirs, estates or assigns, and are not property, equity or a financial asset of the individual (§5.7.1). In cases of material misconduct or misalignment with the Company's purpose, the ledger balance is recorded as **net zero** (§5.6.1, §6.11).

> **WHERE THIS LIVES IN THE COA**
>
> **Article V** (legal characterization, ledger, relationship to Legacy Member Capital, deferred compensation, continuity and termination) · **Article VI** (Legacy Contribution Pool, Legacy Member Capital Pool) · **Schedules C & F** (ledger, member capital record)

4. Investors: Capital as a Stewardship Partner

Investors participate through **Investor Participation Units (IPUs)** — contractual economic participation rights, defined in Article VII and recorded in Schedule D. They invest into a stewardship economy, not an extraction model. Their role is to support long-term resilience, not to trigger a liquidity event.

What an IPU is not. IPU holders are not Members and not owners. They hold no Equity Interests, maintain no Capital Accounts, do not participate in tax allocations of profits or losses, and have no voting rights, governance authority or management control unless separately agreed in writing (§7.1.1). IPUs are not debt instruments and create no creditor relationship (§7.6).

What an IPU holder receives, solely through their issuance agreement and the Waterfall:

- **Return of invested capital;**
- **Preferred Return** — a simple, non-compounding annual return on unreturned contributed capital, at the rate in the issuance agreement. It accrues whether or not Available Surplus exists in a given period, and within the Waterfall it ranks ahead of Shared Abundance (§7.2);
- **Limited Shared Abundance participation**, subject to strict conditions (§6.13.3).

The **IPU Capital Balance** tracked in Schedule D equals invested capital, plus accrued but unpaid Preferred Return, minus payments already made. It is not a Capital Account, creates no guaranteed payment obligation, and may not impair Company solvency or required reserves (§7.3). Issuing new IPUs cannot retroactively reduce or impair preferred return balances already accrued on earlier ones.

Limits and completion. Each IPU carries caps, phase-down provisions and sunset conditions, including a participation cap expressed as a multiple of original contributed capital — for example, 1×. An IPU is "Completed" only when the IPU Capital Balance has been fully repaid. Reaching a Preferred Return cap stops further accrual but does not complete the IPU: the holder remains eligible for continued principal paydown and any applicable Shared Abundance participation while a balance remains. On completion, all economic participation rights end (§7.5).

Shared Abundance participation for IPU holders occurs only where all accrued and current Preferred Return obligations have been satisfied for that period; only subject to the applicable caps, phase-downs and sunsets; and only within residual surplus, after operating expenses, tax distributions, reserves, mission-critical

allocations, the Commons tier, the legacy pools and Preferred Return sequencing have all been satisfied (§6.13.3).

Investors may be granted limited observation or reporting rights at the Managers' discretion, informational in nature only, conferring no governance authority or management participation (§7.7).

A NOTE ON INVESTORS AND EQUITY

IPUs are the route for investor capital, and they are not equity. **Investing earns no Stewardship Units — there is no automatic, proportional or implied entitlement to equity of any kind.**
Stewardship Units are granted at Founder Manager discretion in recognition of a sustained stewardship role, and are governed by Article IV. If someone who has invested also holds Stewardship Units, it is because of the role they hold — never because of the capital they provided.

WHERE THIS LIVES IN THE COA

Article VII (Investor Participation Units — status, preferred return, capital balance, participation limits, reporting rights) · **Article VI** (investor participation in Shared Abundance) · **Schedule D** (IPUs)

5. Ownership Primarily Matters at Liquidation

Outside liquidation or an expressly declared distribution, Equity Interests do not create a right to ongoing cash flow. Ownership determines **tax allocations and liquidation accounting** — not routine surplus participation (§4.3.11, §4.6).

Equity Interests are held only by Members. The Company's equity is organized into two institutional pools representing **maximum authorized capacity**, not immediate allocation:

Pool	Authorized capacity	What it represents
Founder Unit Pool	60%	Structural, mission-anchoring ownership. Not issued as compensation and not subject to service-based vesting. Each Founder Manager is issued the same number of Founder Units as every other active Founder Manager (§4.4).
Steward Unit Pool	40%	Earned, role-based ownership that vests over time and circulates back to the pool when roles end (§4.5).

Units are the tracking mechanism: ten Units represents one percent of the applicable Equity Pool (§4.3.4). Issued units are recorded in Schedule B, and the Members holding them in Schedule A.

THE DEVELOPMENTAL OWNERSHIP PRINCIPLE (§4.5.5)

Only **issued and outstanding Founder Units and vested Stewardship Units** participate in allocations. Units sitting unissued in a pool, and unvested Stewardship Units, do not count.
The practical effect: until any Stewardship Units vest, Founder Equity constitutes **100%** of the allocation base. As Stewardship Units vest, Founder allocation participation adjusts downward proportionally — automatically, as a mathematical function of the total outstanding units, with **no reissuance or reallocation of anyone's existing units** (§4.3.8). Stewardship allocation participation can never exceed the authorized 40%.

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Ownership's functional role is intentionally limited: it does not control governance authority, does not determine Waterfall priority, and does not guarantee distributions. In this way ownership is structurally minimized, so that financial control cannot override mission integrity and so collaboration, stewardship and participation are not gated by equity.

What happens on liquidation

If the Company is dissolved, assets are applied in this order (§9.8.1):

1. **Creditors** — debts, liabilities and obligations to third parties, including vendors, service providers, employees and tax authorities.
2. **Reserves** — reasonable provision for contingent or unforeseen liabilities.
3. **Investor contractual obligations** — unpaid investor obligations expressly payable on liquidation.
4. **Return of positive Capital Accounts** — in proportion to Capital Account balances.
5. **Recovery of Recycled Stewardship Capital** — pro rata among RSC holders per Schedule G. Where a holder cannot be located after reasonable good-faith effort, the balance may be treated as unclaimed and reallocated to the Commons Pool or another mission-aligned reserve.
6. **Residual distribution according to Equity Interests** — only what remains after all of the above.

Discretionary pools — bonus, contributor participation, legacy and shared abundance — do **not** become due or payable merely because the Company dissolves (§9.8.3). All Legacy Contribution Ledger balances terminate on dissolution without conversion or payout (§9.7.1). And to the extent law and creditor obligations allow, Managers may direct that intellectual property, knowledge assets and mission-related resources be transferred to aligned entities, purpose trusts or mission-consistent stewards rather than liquidated purely for financial maximization (§9.8.4).

An **asset sale is not a liquidation.** Net proceeds are treated as extraordinary Available Surplus and applied to transaction costs, stabilization of the Company, investor contractual rights, any required Capital Account adjustments, and then purpose-aligned allocation through the Waterfall or reinvestment in mission-aligned infrastructure. It triggers no ownership-percentage distributions (§9.9).

> **WHERE THIS LIVES IN THE COA**
>
> **Article I** (equity interest, capital account) · **Article IV** (unit structure, equity pools, proportional allocation, Founder and Stewardship pools, developmental ownership) · **Article IX** (dissolution, liquidation, asset sale) · **Schedules A & B** (members, equity and units)

Appendix — Plain-Language Glossary

Term	In plain language
Active Participant	Someone currently engaged in ongoing stewardship, which makes them eligible for Shared Abundance. Status, not ownership.
Available Surplus	The cash left over after expenses, allocations, reserves, tax distributions and committed spending. Nothing in the Waterfall happens without it.
Capital Account	A bookkeeping record of what a Member put in and what has been allocated to them, used for tax and liquidation — not a claim on ongoing cash.
Contributor	A participant who is not a Member, working under a Contributor Agreement. May be paid and may share in pools; holds no equity by virtue of the role.
Equity Interest	Legal ownership, expressed in Units. Determines tax allocations and what happens at liquidation — nothing more, by itself.
Founder Unit / Stewardship Unit	Two classes of ownership. Founder Units are structural and do not vest; Stewardship Units are earned, vest over time, and circulate back when a role ends.
IPU (Investor Participation Unit)	An investor's contractual right to capital return, a preferred return, and limited surplus participation. Not ownership, not debt, no vote.
Legacy Contribution	Past value given without pay — labour, ideas, relationships. Recorded and honourable, but never debt or automatic equity.
Legacy Member Capital	Documented money or capital-elected IP put into the Company by a Member, recoverable through the first Waterfall tier.
Major Decision	A foundational decision that requires unanimous Founder Manager consent and can never be delegated.
Per Capita Allocation	An equal share per eligible person, regardless of ownership percentage, capital, seniority or hours.
Preferred Return	A simple, non-compounding annual return that accrues on an investor's unreturned capital, ranking ahead of Shared Abundance in the Waterfall.
Profit Band / Waterfall Scenario	The "generosity dial." Net Income and reserve levels determine which scenario applies, which sets the floors and caps for each pool.
Recycled Stewardship Capital (RSC)	What a departing steward's Capital Account becomes: institutional capital that stays in the Company, repayable only from surplus, never inheritable and never debt.
Shared Abundance Pool	The celebration tier. In good years, surplus is shared equally per person among eligible Active Participants.
Waterfall Structure	The fixed priority order in which Available Surplus is allocated across six pools.

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