

The Business Collective Contract

EQUITY in the Business Collective is based upon the sum of three separately computed categories, the total constituting the percentage (out of 90 or 100) of the net income (profit) to which each holder of equity (owner-operator and/or investor) is entitled per allotted time period (typically 1-3 months). Note that EQUITY is held separately from any wages or salaries which the Business Collective may assign to its owner-operators in order to provide basic income and/or to stay within the lines of relevant labor laws. The EQUITY calculation to be stipulated herein only pays the equity holders when the Business Collective was profitable (had positive net income) during the time period allotted to said calculation.

The three categories that are summed per equity owner are as follows:

(1) POSITION

The POSITION of the equity holder within the company as an owner-operator (if they are only an investor, this does not apply). The POSITION category is based upon the idea of merit out of 100, such that the workload and general value of the contribution that the owner-operator makes to the ongoing success of the Business Collective is given a point/percentage total relative to their merit in comparison to every other position within the Business Collective. Generally speaking, the POSITION category will hold more of the EQUITY total than the other two categories. If, for example, it is decided that half (50%) of the EQUITY in the Business Collective shall be awarded based upon POSITION, the INVESTMENT and ASSESSMENT categories shall split the remaining 50%. But this is only an example. Any particular Business Collective may choose a greater or lesser percentage to assign to any of the three categories at its official founding, and may choose to reassess this distribution based upon a majority equity holder vote at the initiating of any new time period. When new owner-operators are added to the company, or if owner-operators leave the company, the point total held by every owner-operator must be readjusted. For the purposes of ease of accounting, it's recommended that no official change in position be recorded to the Business Collective contract until the end of the current allotted time period. A simple example of the POSITION category for five founders of a company might be: CEO 30% COO 20% CFO 20% CTO 20% Accountant 10%. If POSITION is awarded 50% of the equity calculation, then each of these percentages will be cut in half to determine the point total, out of 100, awarded to each of the five equity holders in the Business Collective. If the Business Collective isn't profitable for time period for which the POSITION calculation is to be applied, no calculation is made. In this case it is likely that the INVESTMENT calculation may be expanded, and relied upon to keep the Business Collective solvent.

(2) INVESTMENT

The INVESTMENT of the equity holder within the company with or without being an owner-operator determines this second of three categories. This is the only of three categories in which equity in the Business Collective may be held without the equity holder being an active owner-operator (without possessing a POSITION within the Business Collective). Whether through one or more financial instrument(s), like a business start-up loan or a mortgage, or through out of pocket direct investment at startup, the investor(s) in the Business Collective receive points out of 100 for this category. A majority of the equity holders (based upon their total equity holding in the Business Collective) may vote to place

a ceiling on how much of the total equity in the Business Collective may be accrued through this category, else face the possibility of takeover by outside financial interests, or just owner-operators continually accruing more equity in the Business Collective. By vote the equity holders may extend the offer to investors, either other owner-operators only and/or to outside investors, as to how much of an investment may be made for the coming allotted time period. If, for example, the Business Collective is financially stable and predicts a period of growth in the upcoming time period (typically one month to one quarter), investments may be closed altogether, or may only be extended up to a certain threshold for owner-operators (those with POSITION) only. If, on the other hand, the Business Collective faces financial instability and foresees needing more capital for the upcoming time period, such limits may be raised, and investment may be taken from both owner-operators and outside investors. Total investments made by anyone in the Business Collective is given a relative score out of 100 based upon total investments, whether made at founding, as initial start-up capital, or received at any time. In addition, by majority equity vote, the percentage out of 100 awarded to this and the other two categories whose sums generate the total equity held by the individual may be changed for the upcoming time period. If the Business Collective isn't profitable for time period for which the INVESTMENT calculation is to be applied, no calculation is made. In this case it is likely that the INVESTMENT calculation may be expanded, and relied upon to keep the Business Collective solvent.

(3) ASSESSMENT

The ASSESSMENT is the democratic portion of the total equity calculation, and is typically given less weight than the other two categories. The idea of ASSESSMENT is to encourage the adding or subtracting of total equity based upon the perception of all owner-operators and investors in the company as to the extent which the owner-operators are impacting the success of the Business Collective. If, for example, an owner-operator receives a relatively low amount of equity in the Business Collective owing to manifold factors, such as, for example, the inability to invest, and the other equity holders believe that he/she deserves a greater share based upon their contributions, and their attitude, and their general ability to promote the success of the Business Collective, those other equity holders may vote to increase his/her share of equity holding through this third category. Unlike the other two categories, this category isn't based upon total equity held, but is purely democratic; that is, anyone with any equity in the Business Collective whatsoever is given an equal share in the vote, with one vote per allotted time period. Or the Business Collective may choose for this ASSESSMENT category to be offered to those with a POSITION only (not to outside investors or previous owner-operators still retaining their INVESTMENT). If, for example, there are a total of ten POSITIONS in the Business Collective, each of them contributes 10% of the total influence to this category. The way in which this vote may be organized is near limitless. Every equity holder may be limited to making a single vote for a single individual that they believe deserves more benefit from the company's success such that, in this example, that beneficiary receives that 10% of this third category, or every equity holder may feel free to assign their influence any way they want, given a 100 points to spread around amongst the equity holders they believe deserving. This third category is thus a means to 'keep everyone honest,' and to allow for owner-operators (and potentially INVESTORS as well) to express their ideas of merit with regards to the company in a way that makes a tangible difference. If the Business Collective isn't profitable for time period for which the ASSESSMENT is to be applied, no calculation is made.

It is recommended that 10% of all profit go into an OPERATIONAL FUND for covering unseen expenses; a 'rainy day fund.' Over a certain threshold (over a certain level at which the OPERATIONAL FUND accrues capital) the funds may be tapped based upon a majority of equity ownership choosing one option as proposed an equity holder, with those propositions made by anyone with any equity ownership in the Business Collective. There is no limit to what may be proposed, including everything from awarding the over-the-threshold capital as a bonus to all equity holders based upon the percentage of equity they hold, to reinvesting it in the Business Collective, to throwing a company party, to most anything else of benefit to the equity holders. If the founding members of the Business Collective choose to implement this recommended OPERATIONAL FUND, the previous three categories sum to 90, not to 100.

If the owner of equity is actively involved in the ongoing business concern (if they play a role in the company demanding ongoing work) and wants out of the Business Collective (if they wish to divest), they may either have their share of equity purchased or they may convert it into INVESTMENT, or some combination of the two. If a majority of the equity ownership votes for their removal from the company, that voted-out equity owner is compelled towards this same action. Note that only the INVESTMENT category may apply to an equity holder if they hold no POSITION within the Business Collective. The POSITION and ASSESSMENT equity awards are predicated upon active participation in the Collective.