

Xanadu Coffee Shop: Employee Path to Ownership

Goal: To reward employees with partial ownership of Xanadu Coffee Shop over time.

Proposition:

- For the purposes of obtaining ownership, employees are determined to be 'full-time' if they worked more than 25 hours a week for the year being used to determine ownership. Employees are determined to be 'part-time' if they worked less than 25 hours a week for the year being used to determine ownership.
- After working a minimum of 1 year at Xanadu Coffee, for each following year of employment, full time employees are granted .5% of Xanadu Coffee and continue to do so for each year of employment, to a maximum of 10% and part time employees are granted ownership at half that rate, so are granted .25% of Xanadu Coffee for each year after the first and continue to do so for each year of employment, also to a maximum of 10%.
- At the point of termination, employees no longer gain ownership over time and are subject to the 'buy-out' period. The buy-out period lasts the same length as the employees' employment at the shop, during which, Xanadu Coffee is obligated to buy back the ownership from the employee.
- For the purposes of this agreement, The value of Xanadu Coffee is set at the last fiscal year's net sales. The amount of ownership to be paid back is then determined by their percentage of the last fiscal year net sales.
- The buy back is to be executed through payroll as if the employee were still employed at the shop.

Example: Chad has worked Xanadu Coffee for 6 years and currently has 2.5% of the company. Chad's fired. Xanadu Coffee did \$325,000 in net sales the previous year. Xanadu Coffee is now obligated to pay Chad \$81,250 ($\$325,000 * .25 = \$81,250$) over the course of the next 6 years, as an employee (thus being taxed normally, as an employee).

Stipulations:

- Regardless of ownership levels of employees, Xanadu Coffee Shop will continue to operate under the traditional owner/manager/employee structure where decisions will continue to be made and executed in a top-down fashion.
- After working a minimum of 3 years, employees who are fired are considered to have their ownership of Xanadu Coffee rounded up to the higher number after July 1st of that year, in regards to the current year in which they are working. This is to protect employees who are fired with the presumed intention of preventing further ownership before termination.

- Employee ownership of Xanadu Coffee Shop should not ever reach more than 51%, in the case that is to happen, Xanadu Coffee shop retains the right to buy-back percentage of ownership preemptively from the employees but must do so at the agreed upon market date and before the time at which ownership is to be granted and exceed 51%.

Ownership benefits:

- I actually don't know, aside from a sweet buyout at some point.