OPERATING AGREEMENT

OF THE

COSMIC COMMONS COOPERATIVE ALLIANCE

A Colorado Limited Cooperative Association

DRAFT v1.0 — December 24, 2025

PREAMBLE AND RECITALS

WHEREAS, the Cosmic Commons Cooperative Alliance (hereinafter "Association" or "C3 Alliance" or "K3 Alianco") was formed as a Colorado Limited Cooperative Association pursuant to Articles of Organization filed with the Colorado Secretary of State on December 22, 2026, under the Colorado Uniform Limited Cooperative Association Act, C.R.S. § 7-58-101 et seq.; and

WHEREAS, this Operating Agreement is adopted pursuant to Section 7-58-108 of the Colorado Uniform Limited Cooperative Association Act and in furtherance of the purposes, principles, and governance framework established in the Articles of Organization; and

WHEREAS, the Articles of Organization constitute the constitutional authority of the Association, establishing foundational principles including Member sovereignty, patronage-based allocation, self-sovereign identity, and the supremacy of the Bill of Rights, which this Operating Agreement implements but does not supersede; and

WHEREAS, the Cyber-Mutualist principle of reciprocal sovereignty—wherein each Member's sovereignty is protected through the mutual commitment of all Members—serves as the primary interpretive lens for this Agreement, with anarcho-libertarian principles of voluntary association, non-aggression, and decentralized coordination serving as secondary design principles; and

WHEREAS, this Operating Agreement establishes operational procedures, governance mechanisms, entity authorization, and coordination protocols for the day-to-day functioning of

the Association while preserving the constitutional protections guaranteed in the Articles of Organization and Bill of Rights;

NOW, THEREFORE, the Members of the Cosmic Commons Cooperative Alliance do hereby adopt and ratify this Operating Agreement, to be effective as of the date of filing with the Association's records.

ARTICLE I — DEFINITIONS AND INTERPRETIVE FRAMEWORK

Section 1.01 — Interpretive Hierarchy

(a) In the event of any conflict between this Operating Agreement and the Articles of Organization, the Articles of Organization shall prevail.

(b) In the event of any conflict between this Operating Agreement and the Bill of Rights, the Bill of Rights shall prevail.

(c) All provisions of this Operating Agreement shall be interpreted in accordance with the foundational principles established in Article IX of the Articles of Organization, the Cyber-Mutualist principle of reciprocal sovereignty, and the anarcho-libertarian principles of voluntary association and non-aggression.

Section 1.02 — Entity Identifier Definitions

(a) SEID (Suverena Enta Identigilo) — Sovereign Entity Identifier. The unique, immutable cryptographic identifier assigned to an individual upon registration with the K3 Alianco ecosystem. Represents a natural person's sovereign identity, implemented through Decentralized Identifier ("DID") systems as required by Section 4.02 of the Articles of Organization.

(b) KEID (Klana Enta Identigilo) — Clan Entity Identifier. The unique, immutable identifier assigned to a Klano Kooperativo upon formation. Represents a family or kinship group's collective identity operating as a Decentralized Autonomous Cooperative Organization ("DACO").

(c) FEID (Fakcio Enta Identigilo) — Faction Entity Identifier. The unique, immutable identifier assigned to a Faction upon establishment. Represents a functional group's collective identity (Union, Guild, or Syndicate) as constitutionally authorized by Section 5.06 of the Articles of Organization.

(d) NEID (Noda Enta Identigilo) — Node Entity Identifier. The unique, immutable identifier assigned to an N³ Commons Node upon formation. Represents a local commons community's collective identity.

Section 1.03 — Organizational Definitions

(a) Klano Kooperativo (Klano Koop) — A Decentralized Autonomous Cooperative Organization formed by voluntary association of individuals and/or families, functioning as a multi-signature controlled sovereign vault under a shared KEID.

(b) Fakcio (Faction) — A functional grouping representing a primary economic role:

- **Union (Unio)** — Representing Producers, Members primarily contributing labor, services, skills, and direct value creation
- **Guild (Gildo)** — Representing Procurers, Members primarily contributing capital, resources, infrastructure investment, and economic sustainability planning
- **Syndicate (Sindikato)** — Representing Promoters, Members primarily contributing coordination, communication, community development, and external relations

(c) N³ (Neksusa Noda Nodaro) / N3K (Neksusa Noda Nodaro Komunaĵo) — A local commons community operating as a cooperative under a NEID, serving as the primary unit of geographic or community-based organization within the N3 Commons network.

Section 1.04 — Relationship Definitions

(a) Sponsor — A SEID, KEID, FEID, or NEID holder who introduces and onboards a new member into the ecosystem.

(b) Sponsored Member — An individual or entity who joins the ecosystem through the support and introduction of a Sponsor.

(c) Lineage Marker — A transparent, on-chain record linking Sponsored Members to their Sponsor, establishing relational history without conferring authority.

(d) Sub-Entity — Any organizational unit existing below the primary entity level (KEID, FEID, or NEID). Sub-entities operate internally and do not possess independent governance rights.

Section 1.05 — Token and Asset Definitions

(a) COMM (Commons Coin) — Membership tokens representing proportional economic stake in the local commons community, governance weight on operational matters proportional to demonstrated contribution, eligibility for surplus distributions, and staking eligibility, as established in Section 7.04(a) of the Articles of Organization.

(b) PPT (Patronage Performance Token) — Non-transferable (soulbound) tokens documenting verified contributions, with dual utility for governance influence enhancement through burning and conversion to COMM through burn-to-mint mechanisms, as established in Section 7.04(b) of the Articles of Organization.

(c) XPT (Experience Proof Token) — Non-transferable (soulbound) portable credentials and reputation records earned through milestone achievements, verifiable across the N3 Commons network, as established in Section 7.04(c) of the Articles of Organization.

(d) JLZ (Joules) — The Association's stablecoin utilized for internal transactions, compensation, and economic coordination. Named in honor of James Prescott Joule, born December 24, 1818, in England, Joule ran a family brewery where he conducted early tests on electricity and heat. The SI unit of energy, the joule (J), honors his legacy—a fitting namesake for a token measuring the energy of cooperative labor.

Section 1.06 — Authorization Hierarchy

(a) Entity types are authorized at different levels of the governance stack as follows:

Entity Type	Authorized By	Status
FEID (Union, Guild, Syndicate)	Articles of Organization	Constitutional — filed
KEID (Klano Kooperativo)	This Operating Agreement	Authorized by Article II
NEID (Commons Nodes)	This Operating Agreement + Node Adoption	Framework in Article IX; adoption local
SEID (Individual)	Registration Protocol	Ongoing enrollment

(b) The three Factions (Union, Guild, Syndicate) are constitutionally authorized as default entities for each Commons Node per Section 5.06 of the Articles of Organization.

(c) This Operating Agreement extends the entity framework to authorize Klano Kooperativo (KEID) as a recognized collective entity type within the K3 Alianco ecosystem.

(d) Authorization via Operating Agreement allows for amendment through standard governance processes without modifying the foundational Articles.

ARTICLE II — UNIVERSAL GOVERNANCE PRINCIPLES

Section 2.01 — Core Principle: External Unity, Internal Sovereignty

(a) All collective entities (KEID, FEID, NEID) operate under a unified governance model:

Interface	Principle
External	One entity, one voice, unified representation
Internal	100% private, self-determined, optimized for context

(b) The K3 Alianco does not dictate, audit, or intervene in internal organizational structures.

(c) Maximum flourishing requires maximum sovereignty over internal affairs.

Section 2.02 — Entity Governance Standing

(a) Entity types possess governance rights at their respective levels when properly authorized:

Level	Identifier	Governance Rights	Authorization
Individual	SEID	Full optionality	Registration
Kinship Group	KEID	Full optionality	This Operating Agreement
Functional Group	FEID	Full optionality	Articles of Organization (Constitutional)
Local Commons	NEID	Full optionality	This Operating Agreement + Local Adoption

(b) All four entity types possess equivalent governance standing at their respective level when properly authorized.

Section 2.03 — Universal Governance Path Restrictions

(a) Only primary entity identifiers (SEID, KEID, FEID, NEID) may exercise governance rights through the PPT burn mechanism.

(b) Sub-entities within any collective (KEID, FEID, or NEID) are restricted to the wealth accumulation path:

Entity Level	Governance Burn	Wealth Accumulation
SEID	Available	Available
KEID	Available	Available
FEID	Available	Available
NEID	Available	Available
Sub-KEID entities	Not available	Available
Sub-FEID entities	Not available	Available
Sub-NEID entities	Not available	Available

(c) This restriction is universal and non-negotiable across all entity types.

(d) Rationale: This restriction ensures that spawning subdivisions does not multiply governance power, preventing Sybil attacks through sub-entity proliferation while permitting unlimited wealth accumulation through productive activity.

Section 2.04 — Internal Organization Freedom

(a) Each collective entity determines its own internal structure:

Entity	May Organize Into	Naming Authority
KEID (Klano)	Sekto, Ĉeffamilio, Brancĵfamilio, or custom	Self-determined
FEID (Faction)	Councils, Guilds, Chapters, Working Groups, or custom	Self-determined

Entity	May Organize Into	Naming Authority
NEID (Node)	Committees, Boards, Assemblies, or custom	Self-determined

(b) Internal naming taxonomy is entirely at the entity's discretion.

(c) Hierarchical, flat, rotating, or hybrid structures are all permitted.

(d) No external approval is required for internal reorganization.

Section 2.05 — What the Alliance Does Not Regulate

Internal Decision	K3 Alianco Position
Hierarchical vs. flat structure	Entity's choice
Council vs. assembly governance	Entity's choice
Geographic vs. functional subdivision	Entity's choice
Named roles vs. rotating positions	Entity's choice
Formal vs. informal process	Entity's choice
Internal voting thresholds	Entity's choice
Sub-entity formation/dissolution	Entity's choice
Internal resource allocation	Entity's choice

Section 2.06 — What the Alliance Does Require

External Interface	Requirement
Unified governance voice	Entity speaks as one externally
Influence cap compliance	10% maximum per entity per faction
Wealth path for sub-entities	Governance restriction enforced structurally
Transparent external actions	On-chain, publicly visible
Exit rights preservation	Members can leave freely

External Interface	Requirement
Anti-coercion compliance	Per Article IV

Section 2.07 — The Virtuous Cycle

The governance path restriction creates positive dynamics across all entity types:

Sub-entity can only accumulate wealth (PPT → COMM)
→ Must generate PPT through productive activity
→ Productive activity benefits the Commons
→ Commons thrives → more opportunities
→ More opportunities → more PPT generation
→ Wealth accumulates → entity prospers
→ Governance voice exercised through parent entity
→ Internal deliberation → external unity
→ Cycle continues

This cycle applies equally to Brancfamilios within Klanos (KEID), Guilds within Factions (FEID), and Committees within Commons Nodes (NEID).

Section 2.08 — Design Philosophy: Optimizing for Flourishing

(a) Why internal freedom:

- Different entities have different needs
- One-size-fits-all governance destroys diversity
- Local knowledge exceeds central knowledge
- Innovation requires experimentation

(b) Why external consistency:

- Interoperability requires common interface
- Governance integrity requires clear accountability
- Capture prevention requires structural limits
- Trust requires transparency at boundaries

(c) The balance:

- Sovereignty within → creativity, adaptation, optimization
- Standards without → coordination, trust, integrity

ARTICLE III — KLANO KOOPERATIVO AUTHORIZATION AND FORMATION

Section 3.01 — Authorization

(a) This Operating Agreement hereby authorizes the creation and recognition of Klano Kooperativo (KEID) entities within the K3 Alianco ecosystem.

(b) This authorization extends to all N³ Commons Nodes operating under this Operating Agreement.

(c) KEIDs created pursuant to this authorization shall have full standing as recognized entities with governance optionality as specified in Article II.

(d) This authorization supplements but does not modify the Articles of Organization. Klano Kooperativo entities are operational entities authorized at the Operating Agreement level, distinct from the constitutional Faction entities (Union, Guild, Syndicate) established in the Articles of Organization.

Section 3.02 — Formation Requirements

A Klano Koop may be formed by:

(a) Minimum of two (2) SEID holders;

(b) Execution of a Klano Charter specifying governance thresholds;

(c) Registration of KEID with the local N³ Commons Node; and

(d) Establishment of multi-signature vault with defined key distribution.

Section 3.03 — Multi-Signature Vault Structure

Each Klano Koop shall maintain a sovereign vault with the following characteristics:

(a) Key Distribution — Keys shall be held exclusively by Klano members via their SEIDs.

(b) Threshold Governance — The Klano Charter shall specify signature thresholds for:

- Routine operations (recommended: simple majority)
- Major asset movements (recommended: supermajority)
- Charter amendments (recommended: unanimous or near-unanimous)

(c) No External Control — No entity outside the Klano membership shall hold signing authority over the Klano vault, except as specified in Article VI (Minor Vault Protections).

Section 3.04 — KEID Namespace

(a) KEIDs shall follow the format: `KEID:[node-identifier]:[unique-klano-id]`

(b) Lineage relationships shall be recorded as metadata, not embedded in the KEID itself, preserving the independence of each Klano while maintaining transparent relational history.

Section 3.05 — Klano Internal Structure

(a) Hierarchical Tiers — A Klano Koop may organize internally using up to four hierarchical tiers:

Tier	English	ModoLang	Function
1	Klano	Klano	Full clan confederation; holds KEID
2	Sect	Sekto	Major subdivision (regional, philosophical, or lineage-based)
3	Main Family	Ĉeffamilio	Primary household unit
4	Branch Family	Branĉfamilio	Derivative household

(b) Optional Depth — Klanos are not required to use all four tiers. A Klano may consist of:

- KEID only (flat structure, all members equal)
- KEID + Ĉeffamilios (no Sekto layer)
- KEID + Sektos + Ĉeffamilios (no Branch layer)
- Full four-tier structure

(c) Internal Administration — The internal hierarchy exists solely for the Klano's administrative convenience. How a Klano manages its internal family politics, representation, and decision-making is exclusively internal business. The Alliance, N³ Commons Nodes, and external parties have no standing to intervene in internal Klano structure.

(d) Internal Dispute Resolution — Internal disputes that cannot be resolved internally may be escalated to N³ Commons Node adjudication only by mutual consent of disputing parties.

Section 3.06 — Sub-KEID Entity Registration

(a) Sektos, Ĉeffamilios, and Branĉfamilios may register identifiers within the KEID namespace:

KEID:[klano-id]   (Klano level)

KEID:[klano-id]:S:[sekto-id]   (Sekto level)

KEID:[klano-id]:S:[sekto-id]:Ĉ:[ĉef-id]   (Ĉeffamilio level)

KEID:[klano-id]:S:[sekto-id]:Ĉ:[ĉef-id]:B:[branĉ-id] (Branĉfamilio level)

(b) These identifiers are internal organizational markers, not independent sovereign entities.

(c) Sub-KEID entities may hold their own vaults for internal treasury management.

Section 3.07 — Design Philosophy: Unbounded Prosperity, Bounded Power

(a) Governance Path Restriction Rationale:

- Ensures one Klano equals one governance voice regardless of internal complexity
- The 10% faction influence cap applies to the KEID as a whole, not to each internal subdivision
- Reframes governance participation as a collective family decision rather than individual action

(b) Subsidiarity Principle:

Decision Type	Appropriate Level
Individual economic activity	SEID / Sub-KEID
Wealth accumulation	SEID / Sub-KEID
Internal family governance	Klano Charter
External Alliance governance	KEID only

(c) Dimension Constraints:

Dimension	Constraint
Wealth (COMM)	Unlimited accumulation permitted
Economic activity	Unrestricted participation
Governance influence	Capped at KEID level (10% max)

(d) Attack Vector Elimination — The Sybil attack via sub-entity spawning becomes structurally impossible because sub-entities cannot access the governance burn path. The attack surface is closed by design, not by enforcement.

Section 3.08 — External Interface

(a) From the perspective of the Alliance and N³ Commons Nodes, the KEID is the sole actor.

(b) The Klano speaks with one voice externally.

(c) Internal deliberation, voting, consensus-building, or elder councils that inform the KEID's position are invisible to external governance systems.

(d) This preserves both Klano sovereignty and Alliance governance integrity.

ARTICLE IV — SOVEREIGN SPONSORSHIP MODEL

Section 4.01 — Purpose and Intent

Sponsorship is the primary organic growth mechanism for the K3 Alianco ecosystem. Sponsorship is defined as *invitation into community*, not acquisition of control. The Sovereign Sponsorship Model ensures that growth occurs through relationship and mutual benefit while preserving the absolute sovereignty of each Sponsored Member.

Section 4.02 — Sponsor Contributions

A Sponsor may provide any or all of the following to a Sponsored Member:

(a) Introduction to the K3 Alianco ecosystem and its principles;

(b) Education and orientation on governance, tools, and practices;

(c) Social connection to existing Klano and Commons networks;

(d) Mentorship and ongoing guidance; and

(e) Material support, including but not limited to:

- Seed capital (gifted or loaned)
- Equipment or resources
- Temporary housing or workspace
- Access to Klano facilities or assets

Section 4.03 — Sponsor Limitations — Absolute Prohibitions

Regardless of any contribution made, a Sponsor shall NOT:

(a) Hold any key to a Sponsored Member's personal vault;

(b) Possess any signing authority over a Sponsored Member's assets;

(c) Claim any portion of a Sponsored Member's earnings, yields, or rewards;

(d) Exercise veto power over a Sponsored Member's decisions;

(e) Impose conditions that restrict a Sponsored Member's right to exit;

(f) Create explicit or implicit loyalty obligations; or

(g) Require repayment terms that would functionally indenture the Sponsored Member.

Section 4.04 — Transparency Requirements

All material support provided by a Sponsor to a Sponsored Member shall be:

(a) Documented in a Sponsorship Agreement registered on-chain;

(b) Disclosed to the local N³ Commons Node;

(c) Specified with clear terms (gift, loan with terms, or service exchange); and

(d) Visible to any party conducting due diligence.

Hidden or undisclosed material obligations shall be unenforceable within the K3 Alianco dispute resolution system.

Section 4.05 — Anti-Coercion Provisions

4.05.1 Sovereignty Affirmation

The sovereignty of each SEID holder is absolute and inviolable from the moment of their registration in the K3 Alianco ecosystem. Sponsorship does not create hierarchy. Mentorship does not create authority. Generosity does not create debt.

4.05.2 Unconditional Exit Rights

(a) Any Sponsored Member may exit their Klano Koop at any time, for any reason, without:

- Prior notice requirement
- Exit penalties or fees
- Debt acceleration
- Reputation consequence
- Forfeiture of earned assets, XPT, or standing

(b) Upon exit, the departing member shall receive their proportional stake as calculated by the Klano Charter's distribution formula.

(c) No Klano Charter provision purporting to limit, delay, or penalize exit shall be enforceable.

4.05.3 No Loyalty Debt

(a) Sponsorship creates no obligation, explicit or implicit.

(b) Any agreement purporting to require loyalty, aligned voting, or coordinated action as consideration for sponsorship is void and unenforceable.

(c) Gratitude is natural and welcome; obligation is systemically prohibited.

4.05.4 Independence Demonstration Period

(a) For the first twelve (12) months following sponsorship, Sponsored Members shall be flagged in governance systems when voting in alignment with their Sponsor on faction-level PPT burns.

(b) This flag is informational, not restrictive. Aligned voting is permitted but visible.

(c) After the Independence Demonstration Period, the flag is removed and all voting patterns are treated equivalently.

(d) Purpose: To ensure that apparent consensus is distinguishable from coordinated action.

4.05.5 Coercion Reporting Mechanism

(a) Any member may anonymously report experienced or observed coercion through the C3DEX dispute system.

(b) Reports shall be logged and pattern-analyzed at the N³ Commons Node level.

(c) A pattern of reports against a single Sponsor shall trigger:

- Informal inquiry by N³ Commons Node governance
- If substantiated, formal review and potential XPT sanctions
- Flagging of future sponsorships by that Sponsor

(d) False or malicious reports, if proven, shall result in XPT sanctions against the reporter.

4.05.6 Structural Enforcement

The prohibitions in Section 4.03 are enforced structurally, not merely procedurally:

(a) Vault creation systems shall not permit Sponsor SEIDs as keyholders on Sponsored Member vaults.

(b) Sponsorship Agreements containing prohibited terms shall be rejected by registration systems.

(c) Technical infrastructure shall default to sovereignty protection.

ARTICLE V — SPONSORSHIP ECONOMICS AND REPUTATION

Section 5.01 — Sponsorship as Promoter Function

(a) Sponsoring new members into the K3 Alianco ecosystem is a Promoter faction activity.

(b) Sponsors perform essential growth work that benefits the entire network.

(c) This work is compensated through the standard faction reward mechanism: PPT-PMT (Promoter-designated Participation Tokens).

Section 5.02 — PPT-PMT Earning for Sponsorship

(a) Upon successful onboarding of a new SEID, the Sponsor earns PPT-PMT according to the following milestones:

Milestone	PPT-PMT Award
SEID registration completed	Base award
Sponsored member completes orientation	Bonus award
Sponsored member's first IO transaction	Bonus award
Sponsored member reaches 6-month active status	Milestone award
Sponsored member reaches 12-month active status	Milestone award

(b) Specific award amounts shall be set by N³ Commons Node governance and may vary by node based on local growth priorities.

(c) PPT-PMT earned through sponsorship is fully burnable for governance influence, equivalent to PPT-PMT earned through any other Promoter activity.

Section 5.03 — Metadata Provenance Tracking

(a) Every SEID shall carry immutable metadata recording:

- Sponsoring SEID or KEID
- Date of sponsorship
- N³ Commons Node of origin
- Lineage chain (Sponsor's Sponsor, if applicable)

(b) This provenance is:

- Permanently recorded on-chain
- Publicly visible
- Not modifiable by any party
- Used for micro-transaction pass-through calculation

(c) Provenance creates no authority—it is purely informational and economic.

Section 5.04 — Micro-Transaction Pass-Through

(a) A percentage of transaction fees generated by a Sponsored member shall flow to their Sponsor as provenance pass-through.

(b) Pass-through structure:

Transaction Type	Pass-Through to Sponsor
C3DEX IO transactions	Percentage of platform fee
VELOC collateralization	Percentage of origination fee
Vault-to-vault transfers	Percentage of network fee
Staking reward distributions	Percentage of distribution fee

(c) Specific percentages shall be set by Alliance-level governance and shall be:

- Uniform across all sponsorship relationships
- Modest (not extractive)
- Sustainable long-term

(d) Pass-through is automatic, requiring no action by either party.

Section 5.05 — Multi-Generational Pass-Through

(a) Provenance pass-through may extend beyond the immediate Sponsor:

Generation	Recipient	Pass-Through Share
Gen 1	Direct Sponsor	Largest share
Gen 2	Sponsor's Sponsor	Reduced share
Gen 3	Sponsor's Sponsor's Sponsor	Minimal share
Gen 4+	None	Pass-through terminates

(b) Total pass-through percentage remains constant—it is divided among lineage generations, not multiplied.

(c) This incentivizes building deep, healthy networks rather than just direct sponsorship.

Section 5.06 — Pass-Through Termination

(a) Pass-through continues indefinitely while the Sponsored member remains active in the ecosystem.

(b) Pass-through terminates upon:

- Sponsored member's permanent exit from ecosystem
- Sponsor's permanent exit from ecosystem
- Sponsor's expulsion for cause (pass-through redirects to N³ Commons Node commons)

(c) Pass-through does NOT terminate upon:

- Sponsored member leaving Sponsor's Klano
- Relationship changes between parties
- Dispute between Sponsor and Sponsored member

(d) The economic relationship persists independent of the social relationship by design.

Section 5.07 — Incentive Alignment

The Sponsorship Economics model creates the following incentive structure:

Sponsor Action	Economic Consequence
Help Sponsored member succeed	Increased transaction volume = increased pass-through
Abandon Sponsored member	Reduced activity = reduced pass-through
Exploit Sponsored member	Member exits or reduces activity = reduced pass-through
Coerce Sponsored member	Member exits = pass-through terminates

The Sponsor's economic interest is maximized by supporting, not controlling. The optimal Sponsor strategy is: onboard well, mentor generously, release fully, and benefit passively from the network you helped build.

Section 5.08 — Anti-Extraction Safeguards

(a) Pass-through percentages shall be capped at levels that:

- Provide meaningful Sponsor income
- Do not materially burden Sponsored member transactions
- Cannot create dependency or extraction dynamics

(b) Sponsored members shall always see full transparency on pass-through amounts in their transaction records.

(c) Pass-through is a thank-you, not a tax. If pass-through rates ever become burdensome, they shall be reduced by governance action.

Section 5.09 — Positive Reputation Accrual

Sponsor Behavior	XPT Impact
Sponsored member achieves independent standing	Sponsor gains XPT
Sponsored member remains active after Independence Period	Sponsor gains XPT
Sponsored member flourishes long-term (3+ years)	Sponsor gains significant XPT
Multiple successful sponsorships	Sponsor recognized as trusted mentor

Section 5.10 — Negative Reputation Consequences

Sponsor Behavior	XPT Impact
Sponsored member exits within 6 months	Neutral (their choice)
Sponsored member reports coercion (substantiated)	Sponsor loses XPT, investigation triggered
Pattern of early exits from sponsorships	Sponsor flagged, reduced trust score
Pattern of coercion reports	Sponsor's sponsorship capacity restricted
Proven violation of Section 4.03 prohibitions	Severe XPT sanctions, potential expulsion

Section 5.11 — Reputation as Natural Selection

(a) Good sponsors attract more prospective members.

(b) Bad sponsors become visible and avoided.

(c) No central authority decides who may sponsor—the network's collective judgment, expressed through reputation, performs this function.

Section 5.12 — Coordination Transparency

5.12.1 Lineage Visibility

(a) All sponsorship relationships are recorded on-chain and publicly visible.

(b) Lineage markers link Sponsored Members to Sponsors without conferring authority.

(c) Multi-generational sponsorship chains are fully traceable.

5.12.2 Voting Pattern Observation

(a) Governance systems shall surface voting pattern correlations across affiliated entities.

(b) High correlation among lineage-linked entities is not prohibited but is visible.

(c) Any member may query correlation data for any KEID or SEID.

5.12.3 Interpretation and Natural Consequences

(a) Correlated voting among affiliated entities may indicate genuine shared values (legitimate), coordinated capture attempt (illegitimate), or coincidence.

(b) The system does not adjudicate intent. It provides transparency.

(c) Perceived coordination attempts may result in counter-organization by other factions, reputation consequences through XPT, exit of members who disagree, refusal of other entities to transact, and social pressure and public criticism.

(d) No central enforcement is required. Network response is the check.

ARTICLE VI — MINOR VAULT PROTECTIONS

Section 6.01 — Applicability

This Article applies to vaults established for the benefit of individuals who have not yet reached the age of majority or demonstrated capacity for independent key security.

Section 6.02 — Custodial Vault Structure

Minor vaults shall operate as time-locked trust accounts with the following structure:

(a) Savings Bond Model — Deposits are one-way until the time lock matures. Principal cannot be withdrawn prior to maturity except through the multi-signature process defined herein.

(b) Beneficiary Designation — The minor is the sole, immutable beneficiary. This designation cannot be altered.

(c) Yield Accrual — Staking rewards, interest, and other yields accrue to the vault and are subject to the same protections as principal.

Section 6.03 — Multi-Signature Requirements

Minor vaults shall require a 3-of-5 signature threshold with the following key distribution:

Key Holder	Keys
Parent/Guardian A	1
Parent/Guardian B	1
N³ Commons Node Member X	1
N³ Commons Node Member Y	1
N³ Commons Node Member Z	1

(a) Parents/Guardians alone cannot meet threshold (2 keys insufficient).

(b) N³ Commons Node members alone can meet threshold only for emergency intervention (3 keys).

(c) Normal operations require at least one N³ Commons Node witness.

(d) Single-parent scenarios: 1 Parent + 2 N³ Commons Node members meets threshold.

Section 6.04 — Adjutant Requirement

(a) One of the three N³ Commons Node keyholders shall be designated as the Adjutant.

(b) The Adjutant's defined perspective is exclusively "what serves the minor's interest."

(c) In any deadlocked vote (2-2 among other keyholders), the Adjutant's vote resolves the matter.

(d) The Adjutant shall be a certified Covenant Guardian with Adjutant specialization (see Article VII).

(e) The Adjutant is compensated for service through the C3DEX IO mechanism.

Section 6.05 — Maturity and Release

(a) Upon reaching the age of majority, the minor shall receive:

- Full key control of their vault
- Complete accounting of all transactions during the custodial period
- Transfer of accumulated assets, yields, and any associated XPT

(b) If the accounting reveals irregularities, the now-adult beneficiary has standing to pursue remedy through K3 Alianco dispute resolution.

Section 6.06 — Alternative: Guest Status

(a) Alternatively, minors may be designated as Guests of their Sponsor until age of majority or demonstrated capacity for key security.

(b) Guest status means no vault exists in the minor's name. The Sponsor's vault is the Sponsor's responsibility.

(c) Transition to full SEID is creation, not transfer—a clean start with no inherited entanglements.

ARTICLE VII — COVENANT GUARDIAN AND ADJUTANT ROLES

Section 7.01 — Covenant Guardian Certification

(a) Covenant Guardian is an individual certification, not an organization or faction.

(b) Certification is earned through XPT accumulation demonstrating:

- Training on custodial responsibilities

- Demonstrated participation in N³ Commons Node governance
- Clean reputation history
- Ongoing education compliance
- Liability bonding through staked tokens

(c) Covenant Guardians do not coordinate as a body. There is no Guardian Council, assembly, or collective decision-making structure.

(d) Guardians offer services individually through the C3DEX IO marketplace.

Section 7.02 — Adjutant Specialization

(a) Adjutant is a specialization path within the Covenant Guardian certification.

(b) Additional requirements for Adjutant endorsement:

- Advanced training on fiduciary duties
- Demonstrated advocacy experience
- Higher XPT threshold
- Enhanced bonding requirements

(c) Adjutant certification tiers determine compensation bands.

Section 7.03 — Adjutant Responsibilities

(a) Primary: Advocate for beneficiary's interest in all vault decisions.

(b) Review all proposed transactions against beneficiary-benefit standard.

(c) Participate in key ceremonies (rotation, succession, maturity release).

(d) Maintain confidentiality of vault activity.

(e) Document dissents when outvoted.

(f) Report suspected abuse to N³ Commons Node governance.

Section 7.04 — Adjutant Service Terms

(a) Adjutants are engaged through C3DEX IO proposals specifying:

- Duration of service
- Compensation terms
- Availability requirements

- Response time SLAs
- Check-in intervals

(b) Service contracts are renewable at IO expiration.

(c) Either party may decline renewal without cause.

Section 7.05 — Adjutant Removal

(a) Removal Triggers:

- SLA violations exceeding defined threshold
- Conflict of interest discovered post-assignment
- XPT sanctions from unrelated conduct
- Substantiated complaint from beneficiary or guardian
- Voluntary resignation with transition period

(b) Removal Process:

1. Complaint filed through C3DEX dispute mechanism
2. Temporary co-Adjutant assigned during review
3. Three-faction adjudication at N³ Commons Node level
4. Key rotation executed upon determination
5. Replacement sourced through new IO proposal

Section 7.06 — Adjutant Role in Non-Minor Contexts

(a) Any multi-signature vault may elect to include an Adjutant.

(b) Where an Adjutant is present, their designated perspective shall be specified in the vault's governing document (e.g., minority member interests, future stakeholders, ecological considerations).

(c) Vaults with certified Adjutants receive elevated trust scores affecting VELOC collateralization terms (see Section 7.07).

Section 7.07 — Trust Scoring and VELOC Integration

(a) Trust Score Framework:

Vault Configuration	Trust Score	VELOC Impact
No Covenant Guardian	Baseline	Standard LTV ratios

Vault Configuration	Trust Score	VELOC Impact
Covenant Guardian present	Elevated	Improved LTV ratios
Covenant Guardian + Adjutant	High Trust	Premium LTV ratios
Adjutant with high XPT tier	Highest Trust	Best available terms

(b) Incentive Alignment:

- Trust scoring is incentive-based, not mandate-based
- Vaults choosing not to engage Guardians or Adjutants are not excluded—they are priced accordingly
- Higher accountability = better capital efficiency
- Lower accountability = higher collateralization requirements

(c) No Mandate: Nothing in this section requires any vault to engage a Covenant Guardian or Adjutant. Sovereignty includes the right to accept less favorable VELOC terms in exchange for maximum privacy and independence.

ARTICLE VIII — PERSONA NFT AND SOULBOUND IDENTITY

Section 8.01 — Definitions

(a) Persona NFT — A non-fungible token representing a distinct identity context, permanently linked to a master SEID or KEID via Soulbound Token (SBT) mechanics.

(b) @Persona$Handle — The human-readable identifier for a Persona NFT, formatted as @[Handle-Name].

(c) PersonaHashDID — The cryptographic decentralized identifier derived from the Persona NFT, providing immutable reference regardless of display name.

(d) Soulbound Token (SBT) — A non-transferable token permanently linked to its originating sovereign vault. Cannot be sold, traded, or transferred to another SEID/KEID.

(e) Persona Landing Page — An IPFS-hosted public profile displaying Persona reputation, credentials, and verification data.

Section 8.02 — Persona Taxonomy and Namespace

(a) Personas follow the identity namespace hierarchy:

@Persona:[SEID|KEID]:[sovereign-hash]:[persona-hash]

(b) Examples:

Namespace	Interpretation
@Persona:SEID:jw-001:purpura-alkemisto	Individual's private persona
@Persona:SEID:jw-001:plausible-potentials	Individual's public persona
@Persona:KEID:hardin-n3:klano-greeter	Clan's shared persona

(c) The namespace structure ensures:

- Every persona traces to its sovereign owner
- Provenance is permanently verifiable
- Multiplicity is supported (one SEID/KEID may own many personas)

Section 8.03 — Soulbound Properties

(a) Non-transferable:

- Cannot be sold on any marketplace
- Cannot be traded between SEIDs/KEIDs
- Cannot be gifted or assigned to another party

(b) Permanently linked:

- Always trace to master SEID/KEID
- Linkage is immutable and on-chain
- No mechanism exists to re-parent a persona

(c) Owner-revocable:

- Only the master SEID/KEID can retire a persona
- Retirement burns the active token
- History and accountability records persist

(d) Externally non-revocable:

- No external party can strip, suspend, or deactivate another's persona
- Alliance governance cannot revoke personas (only sanction via XPT)

Section 8.04 — Persona Types

(a) Private Persona — Used for personal, esoteric, or inner-circle contexts. Limited visibility, trusted interactions only.

(b) Public Persona — Used for business, professional, or market-facing contexts. Full visibility, client and external interactions.

(c) Agent Persona — Used for AI agents, automated systems, or delegated actors. Operates within defined parameters set by master SEID/KEID.

(d) Clan Persona — Owned by KEID, not individual SEID. Represents Klano in collective contexts. Minting/modification requires vault signature threshold.

Section 8.05 — Minting Process

(a) Prerequisites:

- Active SEID or KEID registration with K3 Alianco
- Sovereign vault established
- Handle availability confirmed (no duplicates in namespace)

(b) Minting Sequence:

Step	Action	Result
1	SEID/KEID initiates mint request	Handle reserved
2	Persona metadata defined	Profile structure created
3	SBT linkage executed	Permanent bond to master vault
4	PersonaHashDID generated	Immutable cryptographic identifier
5	NFT issued to sovereign vault	Persona active

(c) Minting Fees:

- Base fee set by Alliance governance
- Proceeds flow to N³ Commons Node commons
- No ongoing maintenance fees for holding personas

Section 8.06 — Persona Stewardship

(a) Personas are stewarded assets, not owned property:

- The SEID/KEID is custodian, not absolute owner
- Stewardship implies responsibility for persona's actions
- Reputation consequences flow to steward

(b) Stewardship Responsibilities:

- Maintain accurate profile information
- Honor commitments made under persona
- Accept accountability for persona's transactions
- Retire personas no longer in active use

(c) Multi-Persona Management:

- No limit on personas per SEID/KEID
- Each persona maintains separate reputation track
- Cross-persona accountability still traces to master vault

Section 8.07 — Context Flow and Delegation

(a) Personas can operate at multiple context levels:

Level	Context	Authorization
SEID-native	Acts as individual's agent	Default — no delegation needed
KEID-delegated	Acts on behalf of Klano	Requires SEID signature + KEID authorization
Autonomous	Operates within defined parameters	Requires explicit boundary-setting

(b) Delegation to KEID:

- SEID signs delegation authorization
- KEID vault approves acceptance (per threshold)
- Persona can now act in Klano context
- SEID can revoke delegation unilaterally

(c) Revocation on Exit:

- If SEID exits KEID, all delegations from that SEID automatically revoke
- Persona returns to SEID-only context
- No manual revocation required

Section 8.08 — Reputation Integration

(a) XPT Accumulation:

- Each persona accumulates its own XPT track
- Reputation is context-specific (business vs. personal)
- All XPT ultimately anchors to master SEID/KEID

(b) Credential Display:

- Certifications (Covenant Guardian, Adjutant, etc.) display on relevant persona
- Credentials can be shown on multiple personas if applicable
- Credential revocation reflects across all personas

(c) Unified Accountability:

- Despite segmentation, severe violations affect all personas
- Expulsion from Alliance impacts master SEID, therefore all personas
- Cannot escape accountability by switching personas

Section 8.09 — IPFS Landing Page Specification

(a) Purpose:

- Public-facing profile for reputation verification
- Decentralized, censorship-resistant hosting
- Bridge between physical and digital identity

(b) Required Elements:

Element	Description
@Persona$Handle	Verified identity display
XPT Score	Current reputation score
Credential Badges	Active certifications and endorsements
Faction Standing	Union/Guild/Syndicate participation levels
Activity Summary	Transaction volume, service history (non-sensitive)
KEID Affiliation	Klano linkage if public persona
Verification Hash	On-chain reference for independent verification
Last Updated	Timestamp of most recent data sync

(c) Optional Elements:

- Bio/description
- Services offered
- Contact methods
- Portfolio/work samples
- Testimonials (linked to verifiable transactions)

(d) Update Mechanism:

- Landing page content-addressed (hash = content)
- Updates create new IPFS hash
- Resolver service points to current version
- Historical versions remain accessible

Section 8.10 — QR Code Integration

(a) Generation:

- Each persona can generate unique QR code
- QR encodes resolver URL → IPFS landing page
- QR can be regenerated if resolver changes

(b) Use Cases:

Context	Application
Business cards	Professional persona verification
Event badges	Conference/gathering identity
Product labels	Producer provenance and reputation
Service credentials	Scan-to-verify certifications
Storefronts	Business reputation display

(c) Physical Artifacts:

- QR codes may be printed, engraved, or embedded
- Physical tokens (cards, badges, plaques) become reputation artifacts
- Loss of physical artifact does not affect digital identity

Section 8.11 — Verification Protocol

(a) Standard Verification Flow:

Step	Action	Outcome
1	Scan QR code	Open landing page
2	Review displayed reputation	Initial trust assessment
3	Click verification hash	Link to on-chain record
4	Compare hash values	Confirm page authenticity
5	Review on-chain history	Deep verification if needed

(b) Trust Levels:

Verification Depth	Trust Level	Use Case
QR scan only	Basic	Casual interaction
Landing page review	Standard	Business transaction
Hash verification	Enhanced	Significant commitment

Verification Depth	Trust Level	Use Case
Full on-chain audit	Maximum	High-stakes engagement

(c) Red Flag Indicators:

- Hash mismatch (page may be spoofed)
- XPT score anomalies
- Missing credentials claimed verbally
- Recent sanctions or disputes
- Inactive/dormant persona

Section 8.12 — Persona Retirement

(a) Voluntary Retirement:

- Master SEID/KEID initiates retirement
- Active token burned
- Handle released (available for future minting by anyone)
- Historical records preserved permanently

(b) Retirement Effects:

- Persona can no longer transact
- XPT frozen at retirement value
- Credentials deactivated
- Landing page marked "RETIRED" but remains accessible

(c) Handle Recycling:

- Retired handles enter cooling-off period
- After cooling-off, handle available for new registration
- New registration creates entirely new persona (no inherited history)

(d) Disputed Retirement:

- If persona has outstanding obligations, retirement may be contested
- Dispute resolution must complete before retirement finalizes
- Cannot use retirement to escape accountability

Section 8.13 — Clan Persona Governance

(a) Minting Authority:

- Clan personas minted by KEID require vault signature threshold
- Threshold defined in Klano Charter (recommended: supermajority)

(b) Operational Authority:

- Day-to-day persona use may be delegated to specific members
- Delegation requires vault authorization
- Delegated authority can be revoked by vault action

(c) Retirement Authority:

- Clan persona retirement requires vault signature threshold
- Higher threshold than minting recommended (protects established identity)

(d) Exit Scenarios:

- If Klano dissolves, clan personas retire automatically
- Final disposition handled through dissolution process
- Handles enter cooling-off, then recycle

ARTICLE IX — FACTION AND COMMONS NODE GOVERNANCE

Section 9.01 — Faction Governance (FEID) — Constitutional Authorization

(a) The three Factions (Union, Guild, Syndicate) are constitutionally authorized by Section 5.06 of the Articles of Organization.

(b) Each Faction operates under a unique FEID as default entities for each Commons Node.

(c) This Operating Agreement does not modify Faction authorization; it establishes operational procedures for Faction governance consistent with constitutional authorization.

(d) Internal Organization:

Faction	Role	May Organize As	Example Structures
Union	Producer	Chapters, Crews, Cooperatives, Councils	Builder's Chapter, Regional Crew
Guild	Procurer	Trusts, Conservancies, Boards	Land Trust, Resource Board
Syndicate	Promoter	Pools, Committees, Networks	Investment Pool, Due Diligence Committee

(e) Factions determine their own internal naming taxonomy, leadership structure, decision-making processes, sub-entity formation and dissolution, and internal resource allocation.

Section 9.02 — Faction Sub-Entity Restrictions

(a) Sub-entities within a Faction (Guilds, Chapters, Pools, etc.) follow universal governance path restrictions:

Level	Governance Burn	Wealth Accumulation
FEID (Faction)	Available	Available
Guild/Chapter/Pool	Not available	Available
Working Group/Committee	Not available	Available

(b) The Faction speaks with one voice externally regardless of internal subdivision.

(c) Internal deliberation determines Faction position; external interface is unified.

Section 9.03 — Faction Prestige and Soft Influence

(a) Factions accumulate COMM through productive activity of their members and sub-entities.

(b) High-COMM Factions gain prestige through demonstrated contribution, not governance capture.

(c) Faction influence on Commons-level decisions flows through cross-faction consensus requirements, Adjutant advocacy for minority interests, and transparent voting patterns.

Section 9.04 — Faction Balance as Capture Resistance

(a) Major Commons decisions require cross-faction consensus.

(b) No single Faction can dominate Commons governance unilaterally.

(c) The three-faction structure provides inherent checks:

Faction	Primary Interest	Checks Against
Union	Labor, fair compensation	Capital extraction, resource hoarding
Guild	Resource preservation	Labor exploitation, capital strip-mining
Syndicate	Capital efficiency	Labor abuse, resource mismanagement

(d) Each Faction has standing to raise concerns about decisions that harm their members.

Section 9.05 — Commons Node Governance (NEID) — Adoption Framework

(a) This Operating Agreement establishes the NEID framework for Commons Node identification and governance.

(b) NEID is not constitutionally authorized by the Articles of Organization. Individual Commons Nodes may adopt NEID designation through local Operating Agreement ratification.

(c) Adoption Process:

Step	Action	Authority
1	Node reviews NEID framework	Local governance
2	Node drafts adoption resolution	Local drafting committee
3	Cross-faction consensus vote	Union, Guild, Syndicate

Step	Action	Authority
4	Ratification recorded	On-chain registration
5	NEID assigned	Namespace allocation

(d) Commons Nodes choosing not to adopt NEID designation continue to operate; NEID adoption is optional but recommended for inter-node coordination and Alliance-level participation.

(e) Post-Adoption Structure:

Node Type	May Organize As	Example Structures
Geographic	Districts, Precincts, Neighborhoods	Hardin County Districts
Thematic	Working Groups, Committees, Boards	Infrastructure Committee
Functional	Departments, Divisions, Teams	Operations Division

(f) Commons Nodes with NEID designation determine their own internal governance structure, committee and board composition, local policy implementation, and resource allocation priorities.

Section 9.06 — Commons Node Sub-Entity Restrictions (Post-NEID Adoption)

(a) Upon NEID adoption, sub-entities within a Commons Node follow universal governance path restrictions:

Level	Governance Burn	Wealth Accumulation
NEID (Node)	Available	Available
District/Committee	Not available	Available
Working Group/Team	Not available	Available

(b) The Node speaks with one voice in Alliance-level governance.

(c) Internal organization serves local needs without fragmenting external representation.

(d) Nodes without NEID adoption participate in Alliance governance through their constituent Factions (Union, Guild, Syndicate) which are constitutionally authorized.

Section 9.07 — Commons-Level Adjutant

(a) Each Commons Node may elect a Commons Adjutant.

(b) Defined Perspective: The Commons Adjutant's fiduciary duty is to minority factions, smaller Klanos, and members vulnerable to majority decisions.

(c) Selection:

- Elected by minority stakeholders, not majority vote
- Or selected via sortition from qualified Covenant Guardians
- Or rotating assignment among certified candidates

(d) Authority:

- Standing to raise concerns on any Commons governance action
- Advisory role on routine decisions
- Challenge authority on potentially exclusionary actions
- Tie-breaker in deadlocked faction votes on specified matters

(e) Compensation:

- Paid role via IO mechanism
- Not volunteer (prevents capture through economic pressure)
- Term-limited with renewal option

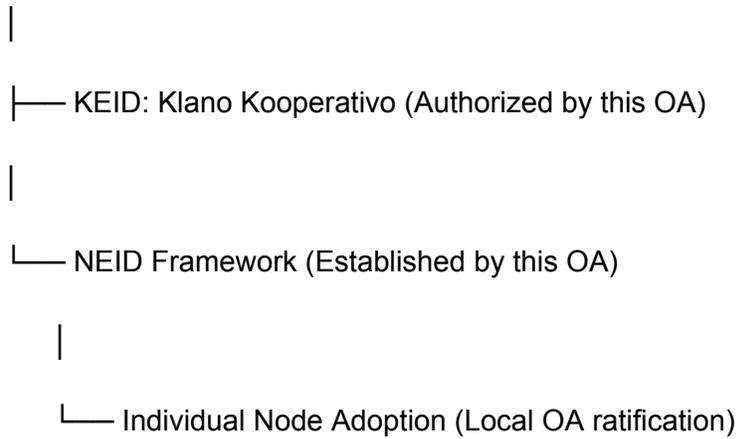## Section 9.08 — Inter-Entity Relationships and Authorization Hierarchy

(a) Authorization Hierarchy:

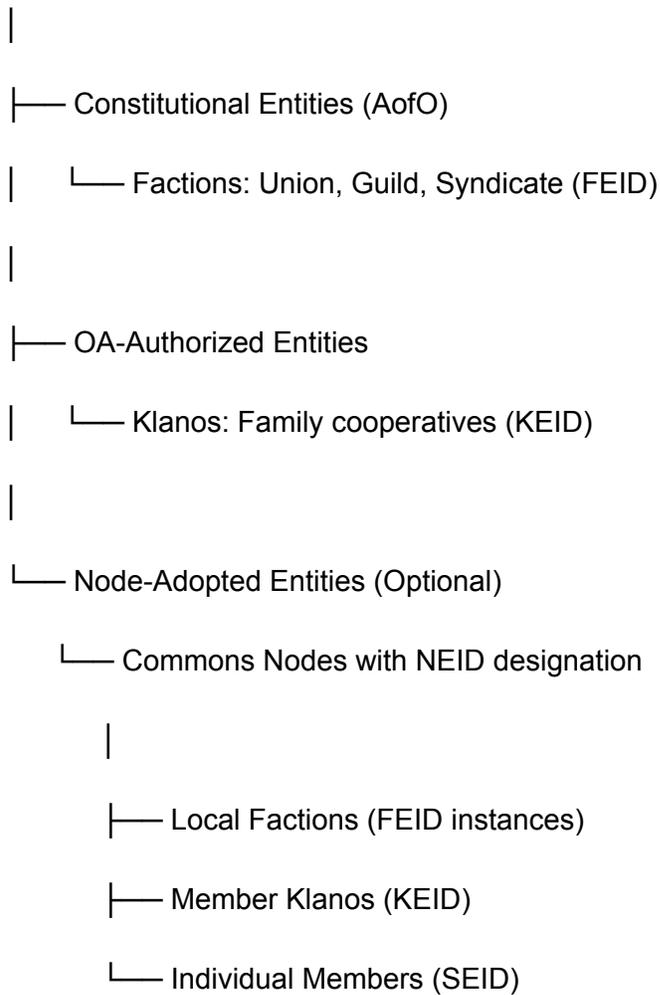Articles of Organization (Constitutional)

|

└── FEID: Union, Guild, Syndicate (Authorized)

Operating Agreement (Operational)

```
|
├── KEID: Klano Kooperativo (Authorized by this OA)

|
└── NEID Framework (Established by this OA)

    |
    └── Individual Node Adoption (Local OA ratification)
```

(b) Entity Relationship Map:

```
K3 Alianco (Alliance)

|
├── Constitutional Entities (AofO)
|      └── Factions: Union, Guild, Syndicate (FEID)

|
├── OA-Authorized Entities
|      └── Klanos: Family cooperatives (KEID)

|
└── Node-Adopted Entities (Optional)
       └── Commons Nodes with NEID designation
           |
           ├── Local Factions (FEID instances)
           ├── Member Klanos (KEID)
           └── Individual Members (SEID)
```

(c) Each level maintains sovereignty within its domain.

(d) Higher authorization levels do not dictate internal affairs of lower levels.

(e) Coordination occurs through voluntary association, not hierarchical command.

(f) Nodes without NEID adoption remain valid participants through their constitutional Faction memberships.

Section 9.09 — Capture Resistance Summary

The K3 Alianco implements multiple layers of capture resistance:

Layer	Mechanism	Prevents
Universal governance path	Only primary entities burn	Sybil attacks via subdivision
Three-faction balance	Cross-faction consensus	Single-faction dominance
Commons Adjutant	Minority advocacy	Majority tyranny
Exit + competition	Frictionless departure	Lock-in capture
Transparency	Visible patterns	Hidden coordination
Prestige without power	COMM ≠ governance weight	Wealth-based domination

ARTICLE X — EXIT-TO-COOPERATIVE CONVERSION PROTOCOL (Corp2Coop)

Section 10.01 — Purpose and Intent

(a) This Article establishes the protocol for converting traditional corporate entities into Klano Kooperativo (KEID) structures within the K3 Alianco ecosystem.

(b) The Exit-to-Cooperative pathway provides business owners an alternative to:

- Sale to private equity
- Liquidation
- Hostile acquisition
- Generational succession failure

(c) The conversion process transforms hierarchical employment relationships into sovereign participation in the commons economy.

(d) Guiding Principle: Liberation, not liquidation. Employees become sovereign participants, not displaced workers.

Section 10.02 — Conversion Eligibility

(a) Any legal business entity may initiate conversion, including:

- Sole proprietorships
- Partnerships
- Limited Liability Companies
- Corporations (C-Corp, S-Corp, B-Corp)
- Professional associations
- Cooperatives seeking K3 integration

(b) Prerequisites for conversion:

Requirement	Purpose
Owner(s) commitment to exit	Ensures genuine transition
Employee notification and consent	No forced conversions
Asset inventory and valuation	Vault establishment basis
Local N³ Commons Node identified	Commons membership target
Legal counsel engagement	Jurisdiction compliance

(c) Conversion is voluntary for all parties. Employees who decline sponsorship may exit with standard severance.

Section 10.03 — Conversion Phases

Phase 1: Initiation

Step	Action	Responsible Party
1.1	Owner declares conversion intent	Owner(s)

Step	Action	Responsible Party
1.2	Engage K3 Conversion Facilitator	Owner(s)
1.3	Employee notification and education	Facilitator
1.4	Consent collection period (min 30 days)	All employees
1.5	Asset inventory and valuation	Independent assessor

Phase 2: Formation

Step	Action	Responsible Party
2.1	KEID registration application	Owner(s)
2.2	Klano Charter drafting	Founding members
2.3	Multi-sig vault establishment	Technical facilitator
2.4	N³ Commons Node membership application	KEID representatives
2.5	Faction registration (Union/Guild/Syndicate)	KEID + members

Phase 3: Sponsorship

Step	Action	Responsible Party
3.1	Owner SEID registration (if not existing)	Owner(s)
3.2	Employee SEID sponsorship (batch process)	Owner as Sponsor
3.3	Sponsorship agreements executed	All parties
3.4	SEID-to-KEID membership linkage	Technical facilitator

Step	Action	Responsible Party
3.5	Provenance metadata recording	On-chain registry

Phase 4: Asset Transfer

Step	Action	Responsible Party
4.1	Legal entity asset transfer to Klano vault	Legal counsel
4.2	COMM token issuance against assets	KEID governance
4.3	Initial COMM distribution to members	Per Klano Charter
4.4	VELOC collateralization (if owner liquidity needed)	Owner(s)
4.5	Legacy entity dissolution (if applicable)	Legal counsel

Phase 5: Activation

Step	Action	Responsible Party
5.1	Faction participation activated	All members
5.2	IO proposals enabled	KEID
5.3	Pass-through economics initiated	Automatic
5.4	Conversion completion recorded	N³ Commons Node registry
5.5	Transition period begins	Klano governance

Section 10.04 — Owner Exit Economics

(a) Immediate Liquidity Options:

Option	Mechanism	Trade-off
VELOC loan	Collateralize COMM for JLZ	Retains ownership, incurs interest
COMM sale	Sell COMM to other members/market	Reduces ownership stake
Hybrid	Partial VELOC + partial sale	Balance of liquidity and retention

(b) Ongoing Income Streams:

Stream	Source	Duration
PPT-PMT	Sponsorship awards (milestones)	One-time events
Provenance pass-through	Employee transaction activity	Perpetual while active
COMM yield	Vault asset appreciation/returns	While holding COMM
Klano distributions	Profit sharing per Charter	Per Charter terms

(c) Owner Transition Options:

Role	Involvement	Compensation
Active founder	Continues working, leading	Full PPT generation + pass-through
Advisory	Mentorship, strategic guidance	IO-based compensation
Passive	No involvement	Pass-through only
Full exit	Sells all COMM, departs	One-time liquidity, no ongoing

Section 10.05 — Employee Transition Rights

(a) All sponsored employees receive:

- Sovereign SEID (irrevocable)

- Klano membership via KEID
- Initial COMM allocation (per Klano Charter)
- Faction participation rights
- Unconditional exit rights

(b) Employment relationship transformation:

Before Conversion	After Conversion
At-will employee	Sovereign participant
Wage earner	PPT generator + COMM holder
No ownership	Proportional stake
Single employer	Multi-faction participant
Employer-dependent	Portable reputation (XPT)

(c) Employee protections during transition:

- Minimum 90-day transition period
- No reduction in compensation during transition
- Training and education provided
- Consent required at each phase
- Exit with severance option preserved

Section 10.06 — Klano Charter Requirements for Conversions

(a) Converted entities must include the following in their Klano Charter:

Provision	Requirement
Founder stake cap	Maximum % owner can retain (recommended: ≤49%)
Employee minimum allocation	Minimum COMM to employees (recommended: ≥30%)
Vesting schedule	Timeframe for full employee ownership
Governance transition	Timeline for employee majority governance
Anti-reversion clause	Cannot convert back to traditional corporate

(b) Recommended governance transition timeline:

Period	Governance Structure
Year 1	Founder majority (transition stabilization)
Year 2	Founder + employee parity
Year 3+	Employee majority (founder as one voice among many)

(c) Specific timelines are at Klano discretion, but good faith transition is expected.

Section 10.07 — Conversion Facilitator Role

(a) K3 Conversion Facilitators are certified service providers who guide entities through conversion.

(b) Facilitator responsibilities:

- Education and orientation for all parties
- Process coordination and timeline management
- Document preparation assistance
- Technical setup facilitation
- Conflict mediation during transition
- Post-conversion support

(c) Facilitator certification:

- XPT threshold for certification
- Specialized training completion
- Successful conversion track record
- Ongoing education requirements

(d) Compensation:

- IO-based engagement
- Fee structure transparent and market-rate
- Success bonuses tied to conversion completion
- Long-term incentives tied to converted entity health

Section 10.08 — Asset Valuation and COMM Issuance

(a) Valuation requirements:

- Independent third-party valuation
- Multiple methodologies considered
- Minority discount prohibited (all shares equal)
- Goodwill treatment specified
- Intellectual property addressed

(b) COMM issuance formula:

Total COMM Issued = Validated Asset Value × Issuance Ratio

Distribution:

- Founder allocation: Per Charter (max 49% recommended)
- Employee allocation: Per Charter (min 30% recommended)
- Reserve allocation: Klano treasury (recommended 10-20%)
- Commons contribution: N³ Commons Node (recommended 1-5%)

(c) Asset categories:

Asset Type	Treatment
Cash/liquid assets	Direct transfer to vault
Real property	Title transfer or trust structure
Equipment	Transfer or lease-back arrangement
Intellectual property	Assignment to Klano
Accounts receivable	Collection and transfer
Inventory	Valuation and transfer
Goodwill	COMM allocation, no separate asset

Section 10.09 — Multi-Owner Conversions

(a) Businesses with multiple owners require additional coordination:

Scenario	Approach
All owners converting	Single KEID, all become founding members
Partial owner exit	Exiting owners sell to converting owners first
Owner disagreement	Mediation required; no forced conversion
Family business	May form Klano hierarchy (Sekto, Ĉeffamilio)

(b) Voting rights during conversion:

- Unanimity required for conversion initiation
- Supermajority for Charter approval
- Per-Charter thereafter

Section 10.10 — Integration with N³ Commons Node

(a) Converted KEIDs must register with a local N³ Commons Node within 90 days of formation.

(b) Integration steps:

Step	Action	Purpose
1	Node selection	Geographic or thematic fit
2	Application submission	KEID + member roster
3	Faction registration	Union/Guild/Syndicate allocation
4	Welcoming period	Orientation and integration
5	Full participation	Governance rights activated

(c) Converted entities participate in all three factions based on their activities:

- **Union:** All labor/service activities
- **Guild:** All resource stewardship
- **Syndicate:** All capital deployment

Section 10.11 — Post-Conversion Monitoring

(a) Transition period monitoring (Years 1-3):

Metric	Purpose	Red Flag Threshold
Employee retention	Conversion health	>30% departure
COMM concentration	Ownership distribution	>60% single holder
IO activity	Economic participation	<50% members active
Faction participation	Governance engagement	<30% voting
Dispute frequency	Cultural transition	>3 formal disputes/year

(b) Support interventions:

- Facilitator re-engagement
- N³ Commons Node mentorship assignment
- Governance coaching
- Mediation services

(c) Monitoring is supportive, not punitive. Goal is successful transition.

Section 10.12 — Conversion Incentives

(a) For converting owners:

Incentive	Mechanism
PPT-PMT multiplier	Enhanced sponsorship rewards for first 2 years
VELOC premium terms	Better LTV for conversion-related liquidity
XPT recognition	"Conversion Founder" credential
Pass-through enhancement	Elevated rates during transition period

(b) For converting employees:

Incentive	Mechanism
Accelerated XPT	Faster reputation building for new members

Incentive	Mechanism
Education stipend	Training support via IO
Mentorship matching	Paired with experienced members
First-IO bonus	Enhanced PPT for initial participation

(c) For N³ Commons Node:

Incentive	Mechanism
Growth bonus	PPT allocation for successful conversions
Capacity building	More members = more activity
Diversity credit	Industry/skill diversification recognized

Section 10.13 — Failed Conversion Protocol

(a) If conversion fails before completion:

Phase	Failure Protocol
Phase 1 (Initiation)	Standard business resumption
Phase 2 (Formation)	KEID dissolution, assets return
Phase 3 (Sponsorship)	SEIDs retained by individuals; KEID dissolution
Phase 4 (Asset Transfer)	Complex unwinding; legal counsel required
Phase 5 (Activation)	Rare; treated as Klano dissolution

(b) Employee protections in failed conversion:

- SEIDs once issued cannot be revoked
- Employees retain Commons membership as individuals
- No penalty for employer's failed conversion
- Severance obligations honored per original terms

(c) Owner obligations in failed conversion:

- Good faith effort documentation required
- No fraudulent conversion attempts
- Employee notification within 7 days of failure determination
- Transition support for 90 days post-failure

Section 10.14 — Prohibited Conversion Practices

(a) The following are prohibited and may result in sanctions:

Prohibited Practice	Consequence
Coerced employee participation	Conversion nullification + XPT sanctions
Fraudulent asset valuation	Conversion nullification + legal referral
Hidden owner retention schemes	Charter invalidation
Sham conversions for capture	KEID dissolution + Alliance expulsion
Employee bait-and-switch	Conversion nullification + restitution

(b) Sham conversion indicators:

- Immediate re-concentration of COMM post-conversion
- Employee exodus within 12 months
- No genuine governance transition
- Owner retains effective control despite minority stake
- Conversion used solely for tax/regulatory arbitrage

(c) Sham conversions undermine Alliance integrity and will be aggressively addressed.

ARTICLE XI — AMENDMENT PROCEDURES

Section 11.01 — Operating Agreement Amendments

(a) This Operating Agreement may be amended through the following process:

Requirement	Standard
Proposal submission	Any Member or KEID may propose

Requirement	Standard
Deliberation period	Minimum thirty (30) days
Approval threshold	Sixty percent (60%) of participating Members
Quorum requirement	Twenty-five percent (25%) of Members in good standing
Implementation delay	Fifteen (15) days from approval

(b) Amendments take effect upon recording in the Association's on-chain governance records.

Section 11.02 — Quasi-Constitutional Provisions

(a) The following provisions are considered quasi-constitutional and require elevated approval:

Provision	Elevated Threshold
Exit rights preservation	Seventy-five percent (75%)
Anti-coercion protections	Seventy-five percent (75%)
Governance path restrictions	Seventy-five percent (75%)
Lineage record integrity	Seventy-five percent (75%)

(b) Amendments to quasi-constitutional provisions require:

- Sixty (60) day minimum deliberation period
- Cross-faction consensus (majority in each faction)
- Enhanced notification to all Members

Section 11.03 — Unamendable Provisions

(a) The following provisions may not be amended by this Operating Agreement as they are protected by the Articles of Organization:

- Member sovereignty guarantees in the Bill of Rights
- One-member-one-vote on constitutional matters
- SEID vault inviolability
- Foundational principles of the Association

(b) Any purported amendment in violation of Section 11.03(a) shall be void ab initio.

Section 11.04 — Amendment Restrictions

Amendments shall not:

(a) Retroactively alter lineage records;

(b) Remove or condition unconditional exit rights;

(c) Enable Sponsor key-holding on Sponsored Member vaults;

(d) Restrict coercion reporting mechanisms;

(e) Expand governance burn rights to sub-entities;

(f) Override constitutional protections in the Articles of Organization; or

(g) Diminish Member sovereignty in any manner inconsistent with the Bill of Rights.

ARTICLE XII — GENERAL PROVISIONS

Section 12.01 — Severability

If any provision of this Operating Agreement is held to be invalid, illegal, or unenforceable, such invalidity shall not affect any other provision, and the remaining provisions shall be construed as if the invalid provision had never been contained herein, provided that such construction does not materially alter the rights and obligations of the parties.

Section 12.02 — Entire Agreement

This Operating Agreement, together with the Articles of Organization and Bill of Rights, constitutes the entire agreement among the Members concerning the governance and operation of the Association, superseding all prior agreements, understandings, and representations.

Section 12.03 — Governing Law

This Operating Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, including the Colorado Uniform Limited Cooperative Association Act, C.R.S. § 7-58-101 et seq., without regard to conflicts of law principles.

Section 12.04 — Dispute Resolution

(a) All disputes arising under this Operating Agreement shall be resolved through the dispute resolution mechanisms established in Article IX of the Articles of Organization and the Bill of Rights.

(b) Arbitration shall be binding and conducted in accordance with procedures specified in the dispute resolution protocols of the Association.

(c) No party shall seek judicial intervention except as necessary to enforce arbitration awards or where constitutional rights are implicated.

Section 12.05 — Waiver

No failure or delay by any party in exercising any right, power, or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof.

Section 12.06 — Notices

(a) Notices required under this Operating Agreement may be delivered:

- Electronically through the Association's governance systems
- To the Member's registered SEID
- Through on-chain messaging protocols
- By physical mail to the Member's registered address (if electronic delivery fails)

(b) Notices shall be deemed received upon confirmation of delivery through the relevant system.

Section 12.07 — Counterparts and Electronic Execution

This Operating Agreement may be executed in counterparts, each of which shall be deemed an original. Cryptographic signatures through SEID authorization shall constitute valid execution for all purposes.

Section 12.08 — Relationship to Articles of Organization

(a) This Operating Agreement is adopted pursuant to and in furtherance of the Articles of Organization.

(b) In the event of any conflict between this Operating Agreement and the Articles of Organization, the Articles of Organization shall control.

(c) Terms defined in the Articles of Organization shall have the same meaning in this Operating Agreement unless otherwise specified.

Section 12.09 — Relationship to Bill of Rights

(a) The Bill of Rights constitutes the supreme governing document of the Association.

(b) Nothing in this Operating Agreement shall be construed to diminish, condition, or override Member rights guaranteed in the Bill of Rights.

(c) In the event of any conflict between this Operating Agreement and the Bill of Rights, the Bill of Rights shall control.

ARTICLE XIII — EFFECTIVE DATE AND RATIFICATION

Section 13.01 — Effective Date

This Operating Agreement shall become effective upon ratification by the requisite majority of Founding Members as established in the Articles of Organization and recording in the Association's governance records.

Section 13.02 — Ratification Requirements

(a) Initial ratification requires approval by two-thirds (2/3) of Founding Members identified in Schedule A of the Articles of Organization.

(b) Ratification shall be evidenced by cryptographic signature through each Founding Member's SEID.

(c) Upon ratification, this Operating Agreement shall be binding on all current and future Members of the Association.

Section 13.03 — Transition Provisions

(a) Entities operating under prior governance arrangements shall have ninety (90) days from the Effective Date to conform to the requirements of this Operating Agreement.

(b) Existing Klano Kooperativos shall register under the KEID framework within the transition period.

(c) Existing Sponsorship relationships shall be documented in accordance with Article IV within the transition period.

SCHEDULES AND APPENDICES

Appendix A — Klano Charter Template

[To be developed — Template for Klano Kooperativo formation documents]

Appendix B — Sponsorship Agreement Template

[To be developed — Standard form for Sponsor-Sponsored Member relationships]

Appendix C — Minor Vault Custodial Agreement Template

[To be developed — Template for minor beneficiary vault establishment]

Appendix D — Adjutant Service Contract Template

[To be developed — Standard form for Adjutant engagement]

Appendix E — Persona NFT Metadata Schema

[To be developed — Technical specification for Persona data structure]

Appendix F — IPFS Landing Page Template

[To be developed — Standard format for Persona public profiles]

Appendix G — QR Code Generation Standards

[To be developed — Technical specification for verification QR codes]

Appendix H — Persona Delegation Authorization Template

[To be developed — Standard form for KEID delegation of Persona authority]

Appendix I — Exit-to-Cooperative Conversion Checklist

[To be developed — Phase-by-phase checklist for Corp2Coop conversions]

Appendix J — N³ Commons Node Adoption Resolution Template

[To be developed — Standard form for NEID framework adoption]

Appendix K — Alliance Observances and Traditions

K.1 — (J) Day: The Festival of Reciprocal Energy

(a) Establishment

The C3 Alliance hereby establishes December 24 as **(J) Day**—a day of celebration honoring the spirit of reciprocal prosperity that animates the commons economy.

(b) Namesake and Significance

(J) Day derives its name from James Prescott Joule (born December 24, 1818), the physicist whose work quantifying the relationship between heat and mechanical work gave us the joule—the SI unit of energy. Joule's insight that energy is never destroyed, only transformed, mirrors the cooperative principle that wealth circulated through community multiplies rather than diminishes.

The coincidence of Joule's birth with Christmas Eve weaves scientific legacy into the seasonal tradition of generosity, creating a uniquely C3 Alliance observance.

(c) The Red Envelope Tradition

In the spirit of the Chinese red envelope (紅包/hóngbāo) tradition—where prosperity is shared to strengthen bonds and bless recipients—Members are encouraged to exchange JLZ-denominated digital red envelopes on (J) Day.

Suggested practices:

- Sponsors sending envelopes to their Sponsored Members
- Established Members gifting to newer participants
- Klanos distributing to their membership
- Individuals contributing to N³ Commons Node funds
- Peer-to-peer gifts of appreciation

(d) Observance Elements

Element	Description
Red Envelope Exchange	JLZ transfers with optional personalized messages

Element	Description
Energy of the Commons Address	Annual reflection on Alliance growth and values
Sponsorship Celebrations	Recognition of new members welcomed during the year
XPT Honors	Acknowledgment of exceptional contributors
Founder's Toast	Remembrance of those who built the foundations

(e) The Reciprocity Principle

(J) Day embodies the Cyber-Mutualist understanding that sovereignty is sustained through mutual commitment. Just as Joule demonstrated that energy transforms but persists, the Alliance affirms that generosity circulated through community compounds into collective resilience.

No Member is obligated to give. No Member is shamed for receiving. The red envelope flows where relationship and gratitude direct it—a voluntary current of appreciation through the network.

(f) Technical Implementation

The C3DEX platform shall support (J) Day observances through:

- Red envelope UI theming during the December 24 period
- Optional "gift" transaction tagging for analytics (anonymized)
- Aggregate celebration of total envelopes exchanged (no individual disclosure)
- Memorial wall for Messages of appreciation (opt-in public display)

EXECUTION AND ATTESTATION

IN WITNESS WHEREOF, the undersigned Members, acting through their respective SEIDs and in recognition of the mutual sovereignty they constitute for one another through this cooperative enterprise, do hereby adopt and ratify this Operating Agreement, intending to be bound thereby.

Ratified this _____ day of _____, *20*, in accordance with the governance procedures of the Cosmic Commons Cooperative Alliance.

FOUNDING MEMBER ATTESTATIONS

[Cryptographic signatures via SEID to be recorded on-chain]

SEID Identifier	Persona Handle	Signature Hash	Timestamp

END OF OPERATING AGREEMENT

DRAFT v1.0 — December 24, 2025 K3 Alianco / C3 Alliance Harmonized from Articles of Organization and Klano Kooperativo Governance Draft