
PROJECT: GOLDEN RUNWAY (OPEN-SOURCE REVIEW)

Document Name: Governance, Risk & Control Framework **Document Number:** 504
Jurisdiction: Global Baseline (Adaptable to Local Law) **Target Audience:** Chief Financial Officers (CFOs), General Counsel / Chief Legal Officers, Fiduciary Committee Members, External Auditors, and Government Regulatory Bodies (e.g., EBSA/DOL) **Class:** Internal / Governance Strategy **Subject:** Risk Mitigation, Compliance Controls & Strategic Justification

Current Status: ACTIVE v1.1 | **Host:** The Aura Impact PBC

1. Executive Summary

This document outlines the governance architecture for the **Golden Runway** benefit plan. While the plan functions as an employee retention asset, its governance structure is designed to function as a **Corporate Liability Shield**, mitigating risks associated with wrongful termination litigation, covenant enforcement, and reputational damage.

2. Strategic Justification (The 24-Month Cap)

The Plan Design Committee has set the maximum benefit duration at **twenty-four (24) months**. This duration is not arbitrary; it is calibrated to specific legal and market risk factors.

A. Constructive "Garden Leave" (Covenant Enforcement)

- **The Risk:** In an increasing number of jurisdictions (including FTC rulings and State-level bans), Non-Compete Agreements are unenforceable unless the employee receives "Garden Leave" pay (full compensation) during the restricted period.
- **The Control:** By providing income replacement for up to 24 months, the Company creates valid consideration to enforce strict Non-Compete, Non-Solicit, and IP protection clauses.
- **Enforcement:** Plan benefits cease immediately if the participant violates these covenants, providing the Company with financial leverage it lacks under standard severance models.

B. Conflict Neutralization (The Economic Stability Shield)

- **The Risk:** Most employment litigation is rooted in the financial trauma and loss of future wages ("Front Pay") caused by immediate termination. This economic distress is the primary driver for "wrongful termination" claims.
- **The Control:** The framework addresses the root cause of legal friction by providing a guaranteed soft landing. Providing 24 months of wages via a tax-advantaged Trust is a proactive investment in organizational health. It replaces the "adversarial" severance

model with a "supportive" transition model, which significantly lowers the probability of economic-based legal claims.

C. Executive Market Velocity

- **The Risk:** For roles with compensation exceeding \$200k, market data indicates re-employment timelines ("Time-to-Fill") frequently range from 9 to 15 months.
- **The Control:** A 24-month cap covers the "Long Tail" of executive recruiting, preventing the financial desperation that drives senior leaders to join direct competitors or file claims against the Company.

3. Fraud & Abuse Controls

To prevent "Moral Hazard" (employees collecting benefits without seeking work), the Plan incorporates three layers of automated compliance controls.

A. The "State Peg" (External Audit)

- **Mechanism:** Plan eligibility aligns with the **requirements** of State Unemployment Insurance (UI).
- **Control:** Participants must verify they meet the state's "Active Search for Work" criteria. If a participant is disqualified by the State (or fails to meet the standard) for failing to seek work, they are automatically disqualified from the Golden Runway.
- **Benefit:** The Company outsources the "policing" of job search activity to established state protocols, reducing administrative burden and liability.

B. The "Suitable Work" Clause

- **Mechanism:** Benefits are contingent on the participant not refusing "Suitable Employment."
- **Control:** If a participant rejects a bona fide job offer for a role of comparable status and pay, all Plan benefits are forfeited immediately.

C. The "Top-Up" Incentive (Anti-Cliff)

- **Mechanism:** If a participant accepts a lower-paying contract role, the Plan pays the difference ("Top-Up") rather than cutting off funds entirely.
- **Control:** This removes the financial incentive for participants to hide income or remain unemployed to protect their benefit.

4. Governance Structure

The Plan separates "Financial Custody" from "Operational Decision Making" to ensure compliance with ERISA and Tax Code regulations.

Role	Entity	Responsibility
Plan Sponsor	The Company	Sets the rules, pays the premiums, and defines eligibility.
Plan Administrator	HR / Benefits Committee	Handles day-to-day enrollment and "State Peg" verification.
The Trustee	Third-Party Bank	Holds the assets. The Company cannot access these funds for general operations (Bankruptcy Remote).
Appeals Body	Independent Ethics Committee	The final authority on "For Cause" termination disputes. This externalization inoculates the Company against bias claims.

Export to Sheets

5. Financial Risk & Exit Strategy

A. Funding Volatility (The "Contribution Holiday")

- **Risk:** The Trust becomes overfunded due to low turnover.
- **Control:** The Plan includes a "125% Funding Trigger." If assets exceed 125% of projected liabilities, the Company stops paying premiums ("Contribution Holiday").
- **Pivot:** Surplus assets can also be legally redirected to pay **Active Employee Health Premiums**, essentially returning the value to the Company's operating budget without a taxable reversion.

B. Plan Termination (The Exit)

- **Risk:** The Company wishes to discontinue the Golden Runway.
- **Control:** The Company retains the right to terminate the Plan at any time. Upon termination:
 1. No new entrants are accepted.
 2. Existing beneficiaries continue to be paid until their term ends.
 3. Remaining assets must be distributed to participants or used to offset active employee healthcare costs, thereby freeing up operating cash. Assets **cannot** revert to the Company as taxable cash profit.

[End of Document]