

Ex-Intelligentsia exec sues company after sale to Peet's

By Peter Frost November 19, 2015

Former Intelligentsia President and co-CEO Robert Buono is suing his former employer and its founders, alleging they owe him at least \$15 million following the **company's sale of a majority interest to Peet's Coffee & Tea**.

Buono's lawsuit, filed today in Cook Co. Circuit Court, alleges breach of contract and a violation of the Illinois Wage Payments and Collections Act by the company and its founders, Doug Zell and Emily Mange.

Buono, who helped incorporate the company in the mid-1990s and served as its initial registered agent, was hired as Intelligentsia's president and co-CEO in 2011 and served in the position until his termination in July 2014.

During his tenure, the suit claims, he helped steer what was then a mismanaged enterprise with slim margins to steady growth and a 61 percent increase in profits.

But in the course of overhauling and reorganizing the company's structure, he clashed with longtime employees, including Mange and Zell, ultimately leading to his termination and the company's "current wrongful conduct against Rob," the suit alleges.

As part of his original employment agreement signed in February 2012, Buono accepted an "executive interest" in the company, also referred to as profits interest, in lieu of a traditional equity stake. Buono claims in the suit he accepted an annual salary below market level and "would never join" the company as its top executive in absence of some sort of financial stake.

In place of an equity stake, the suit says, Intelligentsia founders developed the executive interest program, in which Buono was to be granted a 15 percent profits interest in the company that was to vest in two parts, provided he and the company achieved certain milestones.

The first 5 percent was to be vested on Aug. 1, 2013, provided Buono remained employed with the company. The second 10 percent was to kick in upon the achievement of certain valuation targets for the company, starting at \$40 million and fully vesting at \$53 million.

Buono alleges that since the sale of Intelligentsia to Peet's was valued at as much as \$100 million, according to media reports, his executive interest is valued at least \$15 million.

He claims Intelligentsia has failed to pay him his share of its annual profits or acknowledge or recognize his entitlement to his executive interest following the change in control of the company.

In all, Buono alleges he is due 2.5 percent of the company's profits between Aug. 1, 2012, and January 31, 2013; 3.75 percent of profits between Feb. 1, 2013, and July 31, 2013; 5 percent of profits between Aug. 1, 2013, and Oct. 29, 2015; and 15 percent thereafter.

"The moneys owed to Rob arise out of the company's obligation to honor a profits interest to him that was granted as part of his employment agreement," said Buono's attorney, P. Andrew Fleming of Chicago firm Novack and Macey. "Obviously, we intend to pursue the suit as vigorously as possible on Rob's behalf."

Buono is seeking a jury trial.

Messages to Zell, Mange and Intelligentsia's in-house counsel were not immediately returned.

