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title: "Co-Founder Financial Agreement Template"

description: "Pre-operating-agreement term sheet covering equity, compensation, roles, spending authority, and exit terms for business partnerships."

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## Co-Founder Financial Agreement Template

*A pre-operating-agreement term sheet. Use this to align on financial terms before paying a lawyer to draft the full operating agreement. Fill this out together, discuss every section, then hand it to your attorney.*

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### Section 1: The Partners

	Partner A	Partner B
Full Legal Name		
Role/Title		
Full-time or Part-time		
Start Date		

*Add rows for additional partners as needed.*

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### Section 2: Entity Information

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- **Business Name:** \_\_\_\_\_
- **Entity Type:**  LLC  Partnership  S-Corp  C-Corp
- **State of Formation:** \_\_\_\_\_
- **Formation Date:** \_\_\_\_\_
- **Registered Agent:** \_\_\_\_\_

### Section 3: Equity Split

	Partner A	Partner B
Ownership %	____%	____%
Voting %	____%	____%

**Rationale for split** (document the reasoning):

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#### Vesting Schedule

- No vesting (all equity is fully vested at formation)
- Vesting applies:
- **Vesting period:** \_\_\_\_\_ years
  - **Cliff:** \_\_\_\_\_ months
  - **Vesting frequency after cliff:**  Monthly  Quarterly  Annually
  - **Acceleration on acquisition:**  None  Single-trigger  Double-trigger
  - **Acceleration on death/disability:**  None  Partial (\_\_\_\_%)  Full

### Section 4: Capital Contributions

#### Initial Contributions

	Partner A	Partner B
Cash	\$ _____	\$ _____

<b>Property/Equipment (FMV)</b>	\$ _____	\$ _____
<b>IP / Pre-existing Work</b>	\$ _____	\$ _____
<b>Sweat Equity Value</b>	\$ _____	\$ _____
<b>Total Initial Contribution</b>	\$ _____	\$ _____

### Future Contributions

- Are partners obligated to make additional contributions?  Yes  No
- If yes, how are additional contributions allocated?
  - Pro-rata to ownership
  - Equal amounts
  - As agreed at the time
  - If a partner cannot contribute their share:
    - The other partner may contribute and adjust ownership proportionally
    - The other partner may contribute as a loan to the non-contributing partner
    - The business will seek external funding instead
    - Other: \_\_\_\_\_

## Section 5: Compensation

### Salaries

- Will partners receive salaries?  Yes  No  Deferred until milestone
- If deferred, what triggers salary eligibility?
  - Revenue milestone: \$ \_\_\_\_\_ per month for \_\_\_\_\_ consecutive months
  - Date-based: Salaries begin on \_\_\_\_\_
  - Other: \_\_\_\_\_

	<b>Partner A</b>	<b>Partner B</b>
<b>Initial Annual Salary</b>	\$ _____	\$ _____
<b>Basis for Amount</b>	Market rate / Role / Equal / Other	Market rate / Role / Equal / Other

- Salary review frequency:  Quarterly  Semi-annually  Annually
- Who approves salary changes?  Both partners  Board/Advisors  Formula-based

### Distributions

- Distribution frequency:  Monthly  Quarterly  Annually  As available
- Distribution method:  Pro-rata to ownership  Other: \_\_\_\_\_
- Minimum cash reserve before distributions: \$\_\_\_\_\_
- **Tax distributions required?**  Yes — at least enough to cover each partner's estimated tax liability  No

### Benefits

- Health insurance:  Company-provided  Stipend: \$\_\_\_\_/mo  Not provided
  - Other benefits: \_\_\_\_\_
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## Section 6: Roles & Responsibilities

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### Partner A: [TITLE]

Primary responsibilities:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Minimum time commitment: \_\_\_\_\_ hours/week

### Partner B: [TITLE]

Primary responsibilities:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Minimum time commitment: \_\_\_\_\_ hours/week

### Performance Review

- Will partners formally review each other's performance?  Yes  No
- Frequency: \_\_\_\_\_
- What happens if a partner is underperforming?

- Written warning → 90-day improvement period → vesting pause
  - Mediated discussion
  - Other: \_\_\_\_\_
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## Section 7: Spending Authority

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Expense Amount	Approval Required
Under \$ _____	Either partner independently
\$ _____ to \$ _____	Notify other partner within 24 hours
\$ _____ to \$ _____	Both partners must agree
Over \$ _____	Both partners + written resolution

### Financial Controls

- Bank account signers:  Both  Either  One primary, one backup
  - Credit card(s):  Shared company card  Individual cards with limits: \$ \_\_\_\_\_ each
  - Who reviews bank statements? \_\_\_\_\_
  - Monthly financial review meeting:  Yes, scheduled for \_\_\_\_\_  No
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## Section 8: Decision-Making

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### Day-to-Day Decisions

- Managing partner for daily operations:  Partner A  Partner B  Shared equally
- Decisions each partner can make independently within their role:  Yes  No

### Major Decisions Requiring Both Partners

Check all that should require unanimous (or supermajority) consent:

- Hiring or firing employees
- Spending over \$ \_\_\_\_\_
- Taking on debt over \$ \_\_\_\_\_
- Signing contracts over \$ \_\_\_\_\_ or longer than \_\_\_\_\_ months

- Changing the business model or product line
- Entering new markets or geographies
- Adding a new partner or investor
- Selling the company or any major asset
- Changing compensation for any partner
- Changing the operating agreement

### **Deadlock Resolution**

If partners cannot agree on a major decision:

- Step 1: Mediation (shared cost)
  - Step 2: Advisory board vote (if advisory board exists)
  - Step 3: Binding arbitration
  - Shotgun clause (one partner names a price, the other must buy or sell at that price)
  - Other: \_\_\_\_\_
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## **Section 9: Exit & Buyout Terms**

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### **Voluntary Departure**

- Notice period required: \_\_\_\_\_ days/months
- Buyout triggered? [ ] Yes — mandatory [ ] Yes — at remaining partner's option [ ] No
- Transition period: \_\_\_\_\_ days/months

### **Buyout Valuation Method**

- Formula-based: \_\_\_\_\_
- Common: [Revenue multiple] × trailing 12-month revenue
- Common: Book value of equity
- Common: Multiple of trailing 12-month EBITDA
- Third-party appraisal (cost split 50/50)

- Agreed-upon value, updated annually by \_\_\_\_\_ (date)
- Average of two independent appraisals

### **Buyout Payment Terms**

- Lump sum within \_\_\_\_\_ days of valuation
- Installments: \_\_\_\_\_ payments over \_\_\_\_\_ months at \_\_\_\_\_% interest
- Combination: \_\_\_\_\_% upfront, remainder over \_\_\_\_\_ months

### **Right of First Refusal**

If a partner wants to sell to an outsider:

- Remaining partner(s) have \_\_\_\_\_ days to match the offer
- No right of first refusal

### **Non-Compete After Exit**

- No non-compete
- Non-compete for \_\_\_\_\_ months/years within \_\_\_\_\_ miles / \_\_\_\_\_ industry

### **Death or Permanent Disability**

- Mandatory buyout from estate at formula value
- Funded by key person life insurance: \$\_\_\_\_\_ per partner
- Estate inherits interest (subject to operating agreement restrictions)
- Other: \_\_\_\_\_

### **Termination for Cause**

Grounds for involuntary removal:

- Fraud or misappropriation of funds
- Criminal conviction (felony)
- Material breach of operating agreement
- Competing business activity

- Failure to perform duties after written notice and cure period of \_\_\_\_\_ days
- Other: \_\_\_\_\_

Buyout terms on termination for cause:

- Same as voluntary departure
- Discounted valuation: \_\_\_\_\_% of standard formula
- Forfeiture of unvested equity; buyout of vested equity only

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## Section 10: Protective Provisions

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### Intellectual Property

- All IP created for the business belongs to the business
- Pre-existing IP contributed by a partner is: [ ] Assigned [ ] Licensed
- IP ownership survives exit: [ ] Yes [ ] No (reverts to creator)

### Confidentiality

- Partners agree to keep business information confidential
- Confidentiality survives exit for \_\_\_\_\_ years

### Key Person Insurance

- Required: \$\_\_\_\_\_ per partner, premiums paid by the business
- Not required at this time

### Outside Activities

- Partners may pursue outside business activities with disclosure
- No outside business activities in the same industry
- All outside activities require written consent

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## Section 11: Banking & Financial Setup

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- **Business bank account:** \_\_\_\_\_
  - **Who opens the account:** \_\_\_\_\_
  - **Authorized signers:** \_\_\_\_\_
  - **Accounting software:** \_\_\_\_\_
  - **Bookkeeper/Accountant:** \_\_\_\_\_
  - **Tax preparer:** \_\_\_\_\_
  - **First monthly financial review date:** \_\_\_\_\_
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## Signatures

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By signing below, both parties agree that these terms reflect their shared understanding and will serve as the basis for the formal operating agreement.

**This is a term sheet, not a legal contract.** Have an attorney draft the full operating agreement based on these agreed terms.

Partner A: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Partner B: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

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*This template is for informational purposes and does not constitute legal advice. Consult an attorney licensed in your state before forming a business partnership.*

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