FOUNDERS AGREEMENT (PARTNERSHIP AGREEMENT)

SCHOOL MANAGEMENT SYSTEM VENTURE - OPTION B: PARTNER A'S EXISTING COMPANY

This Founders Agreement ("Agreement") is made on this ___ day of __________, 2025, by and between:

1. [Partner A Full Name], of [Address], as the sole proprietor/director of **[Partner A's Company Name]** (RC: __________), hereinafter referred to as "**Partner A**" and "**the Company**", and

2. [Partner B Full Name], of [Address], hereinafter referred to as "**Partner B**".

Collectively referred to as "**the Partners**", and individually as a "**Partner**."

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1. PURPOSE AND BUSINESS ARRANGEMENT

1.1 **Purpose** The Partners hereby agree to jointly develop, market, and operate a School Management System venture (hereinafter referred to as "**the Venture**") under the legal entity of Partner A's existing company, **[Company Name]**.

The Venture will design, develop, and market digital tools for schools, including but not limited to school management software, learning management systems, and related educational technology products.

1.2 **Business Structure**

- The Venture shall operate as a **division or product line** of Partner A's existing company
- Legal entity: **[Partner A's Company Name]**, RC Number: __________
- All revenue and contracts shall flow through Partner A's company
- Partner B is **not an employee**, but a **co-founder and equity partner** in this specific venture

1.3 **Separate Venture Accounting**

- Partner A agrees to maintain **separate accounting** for the School Management System venture, distinct from other business activities of Partner A's company

- All revenue, expenses, and profit/loss related to the Venture shall be clearly tracked and reported separately
- Partner B shall have full transparency into Venture-specific financials (see Section 6)

1.4 **Liability Limitation**

- Partner B's liability is limited to **the Venture only**, not other activities of Partner A's company
- Partner B is **not liable** for debts, obligations, or legal issues arising from Partner A's other business activities
- Partner A indemnifies Partner B from any claims unrelated to the Venture

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2. ROLES AND RESPONSIBILITIES

2.1 **Partner A Responsibilities**:

- Own and operate the legal entity through which the Venture is conducted
- Manage and oversee the **operations, marketing, client relations, and business development** aspects of the Venture
- Secure clients, partnerships, and institutional agreements
- Handle all client onboarding, training, and ongoing support coordination
- Develop and execute sales and marketing strategies
- Maintain accurate books of accounts and financial records for the Venture
- Ensure regulatory compliance (CAC, FIRS, NDPR) for the Company and Venture
- Handle invoicing, collections, and payment processing

2.2 **Partner B Responsibilities**:

- Responsible for **technical development and maintenance** of the software, including coding, design, updates, and deployment
- Ensure the product remains functional, secure, and scalable for multiple users
- Provide technical support and manage software hosting and integration
- Implement security measures including data encryption, backups, and access controls
- Review and approve technical feasibility of custom feature requests
- Maintain system uptime and performance standards

2.3 **Minimum Performance Standards**

Partner A Obligations:

- Achieve minimum of **5 paying schools within first 6 months** of launch, or profit split will be reviewed
- Provide monthly sales and financial reports to Partner B within 7 days of month-end
- Respond to client inquiries within 24 business hours
- Process Partner B's profit distributions within 15 days of agreed schedule

Partner B Obligations:

- Maintain **99% system uptime** (excluding scheduled maintenance notified 48 hours in advance)
- Fix **critical bugs** (system down, data loss, security breach) within 48 hours
- Fix **major bugs** (features broken, significant UX issues) within 7 days
- Provide monthly technical status reports

Performance Review: Failure by either Partner to meet minimum obligations for 3 consecutive months triggers:

1. Formal written warning with 30-day cure period
2. Review of profit split or compensation adjustment
3. Potential buyout negotiation or partnership termination if uncured

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3. OWNERSHIP AND PROFIT SHARING

3.1 **Venture Ownership Structure** Since the Venture operates under Partner A's company, traditional equity ownership is not applicable. Instead, Partners agree to the following **economic arrangement**:

- **Partner A**: Owns the legal entity but **shares Venture profits equally** with Partner B
- **Partner B**: Does not own equity in Partner A's company, but has **contractual right to 50% of net profits** from the Venture

3.2 **Profit Calculation and Distribution**

Revenue = All income from the School Management System venture, including:

- Subscription fees from schools
- One-time setup fees
- Add-on feature revenue
- Professional services (training, consulting)

Legitimate Business Expenses = Costs directly attributable to the Venture:

- Hosting and infrastructure costs (Firebase, Vercel, CDN, etc.)
- Payment gateway fees (Paystack, Flutterwave charges)
- Marketing and advertising expenses for the Venture (pre-approved budget)
- Software licenses and tools used for the Venture
- Proportional share of office rent/utilities (if applicable)
- Salaries for any Venture-specific employees
- Professional fees (legal, accounting) related to the Venture
- Taxes attributable to Venture revenue

NOT Deductible: Expenses related to Partner A's other business activities.

Net Profit = Revenue - Legitimate Business Expenses

Profit Split:

- **50% to Partner A**
- **50% to Partner B**

3.3 **Profit Distribution Schedule**

- Profits shall be distributed **quarterly** (every 3 months) within **15 days** of quarter-end
- Minimum **20% of quarterly net profit** must be retained as working capital reserve for the Venture
- Distributions may be made monthly once MRR exceeds ₦500,000 (if Partners agree)

Example:

- Q1 Revenue: ₦1,500,000
- Q1 Expenses: ₦500,000
- Net Profit: ₦1,000,000
- Reserve (20%): ₦200,000
- Distributable Profit: ₦800,000
- Partner A receives: ₦400,000
- Partner B receives: ₦400,000

3.4 **Decision-Making Power**

Partner A Has Final Authority On:

- Client contracts <₦200,000/year (within approved pricing tiers)
- Marketing and advertising spend <₦50,000/month
- Day-to-day operations and customer support

- Company-wide legal and regulatory matters

Partner B Has Final Authority On:

- Technical architecture and technology stack decisions
- Hosting provider and infrastructure choices
- Feature prioritization and product roadmap
- Security and data protection technical implementation

Major Decisions Requiring Unanimous Consent:

- Taking on debt or loans >₦500,000 for the Venture
- Hiring full-time employees dedicated to the Venture
- Changing the 50/50 profit-sharing structure
- Sale or transfer of the Venture to a third party
- Licensing or selling intellectual property of the Venture
- Adding new partners or investors to the Venture
- Entering into contracts >₦500,000/year
- Offering discounts >30% off standard pricing
- Shutting down or discontinuing the Venture

3.5 **Salaries and Draws** (Optional)

- Once monthly recurring revenue exceeds ₦500,000/month, Partners may agree to draw equal monthly salaries of up to ₦__________ each, treated as business expenses before profit calculation
- Salaries must be equal for both Partners or agreed upon in writing

3.6 **Right to Audit** (Critical for Partner B)

- Partner B retains the right to request an **independent audit** of Venture finances at any time
- If audit reveals revenue under-reporting >5%, Partner A pays full audit costs and back-owed profits with 10% penalty
- If audit confirms accuracy, Partner B pays audit costs

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4. INTELLECTUAL PROPERTY (IP)

4.1 **Source Code and Technical IP Ownership**

- **Partner B retains 100% ownership** of:

  - Software source code
  - Technical architecture and database schemas
  - All technical documentation, APIs, and development tools

- **Partner A (the Company) receives an exclusive license** to:

  - Use, market, distribute, and sell the software **only for the duration of this Agreement**
  - Sub-license to clients as part of SaaS subscriptions

- **License Termination**: Partner A's license automatically terminates if:

  - This Agreement is terminated by either party
  - Partner A materially breaches this Agreement (e.g., fails to pay profit distributions for 60 days)
  - Unless buyout terms are triggered (see Section 10)

4.2 **Code Escrow** Within **60 days** of signing this Agreement:

- Partner B shall deposit the complete source code with a neutral third-party escrow agent (lawyer, Codekeeper, or Iron Mountain)

- **Escrow Release Conditions** - Code released to Partner A only if:

  - Partner B dies or becomes legally incapacitated, OR
  - Partner B materially breaches this Agreement and fails to cure within 30 days, OR
  - Partner B voluntarily exits and triggers buyout, OR
  - Partners mutually agree in writing

- Partner B shall update escrowed code **quarterly** or after major releases

- Escrow fees (₦50,000-₦100,000/year) paid by the Company as Venture expense

4.3 **Brand, Marketing Materials, and Business IP**

- Product name, logo, marketing materials, website, and client lists developed for the **Venture** are **jointly owned**
- Partner A may use branding for the Venture while this Agreement is in effect
- Upon termination:
  - If Partner A buys out Partner B, Partner A keeps all branding
  - If Partner B exits without buyout, Partner B may take source code but branding stays with Partner A (or negotiated)

4.4 **Client Data and Relationships**

- All client contracts, data, and relationships belong to **the Company (Partner A)**, not personally to either Partner
- Upon exit, Partner B loses access to client data (unless licensing agreement is in place)
- Partner A retains client relationships but loses software license

4.5 **Transfer Restrictions**

- **Partner A** cannot sell, license, or transfer the software to third parties without Partner B's written consent
- **Partner B** cannot use the software for competing ventures or license it to others without Partner A's written consent
- Neither Partner may use Venture IP for side projects or personal benefit

4.6 **IP Protection**

- Partners agree to jointly pursue trademark registration for product name/logo within 90 days (costs split 50/50)
- Patent or copyright registration for unique technical innovations may be pursued with unanimous consent

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5. CAPITAL CONTRIBUTION

5.1 **Initial Contributions**

- **Partner A**:
  - Use of existing company legal entity and CAC registration
  - Business development, sales, and marketing efforts
  - Cash contribution for marketing/infrastructure: ₦_________________
- **Partner B**:
  - Technical development (sweat equity) valued at: ₦_________________
  - Software architecture, codebase, and deployment
  - Ongoing maintenance and technical support

5.2 **Valuation of Contributions**

- Partner B's technical development valued at market rate for senior full-stack developer:
  - ₦_________/month × _____ months = ₦_________
  - OR fixed agreed valuation: ₦_________________

5.3 **Future Capital Requirements**

- If additional capital >₦100,000 is needed for the Venture:

  Option 1 - Equal Contribution:

  - Both Partners contribute equally (50/50)
  - No change to profit split

  Option 2 - Unequal Contribution with Profit Adjustment:

  - Partner contributing more receives increased profit share for ______ quarters
  - Example: Partner A invests ₦500K, Partner B invests ₦0 → Partner A gets 60/40 split for next 4 quarters

  Option 3 - Loan to Venture:

  - Contributing Partner loans money to Venture at ______% annual interest
  - Loan repaid from profits before distributions

5.4 **Operating Expense Budget**

- Monthly operating budget for the Venture: ₦________________
- Expenses within budget approved by Partner A (business) or Partner B (technical)
- Any single expense >₦50,000 requires approval from both Partners
- Monthly budget may be revised quarterly with unanimous consent

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6. FINANCIAL TRANSPARENCY AND REPORTING (Critical for Partner B Protection)

6.1 **Separate Accounting for the Venture** Partner A shall maintain **completely separate accounting** for the School Management System venture using:

- **Dedicated Accounting Software**: [QuickBooks / Xero / Wave / ______________]
- **Partner B shall be granted full read-only access** to view all Venture transactions in real-time
- All Venture revenue and expenses must be recorded within 7 days
- **No commingling**: Venture funds shall not be mixed with Partner A's other business activities

6.2 **Monthly Financial Reporting** (MANDATORY) Partner A shall provide Partner B with the following within **7 days of each month-end**:

Required Reports:

- **Profit & Loss Statement** (P&L) for the Venture only
- **Revenue Breakdown**:
  - Number of active paying schools by tier (Free, Starter, Pro, Enterprise)
  - New subscriptions vs. cancellations/churn
  - Total MRR (Monthly Recurring Revenue)
- **Expense Breakdown** with receipts for amounts >₦20,000
- **Cash Flow Statement** showing money in and money out
- **Accounts Receivable** aging report (who owes money and for how long)

Failure to Provide Reports:

- If Partner A fails to provide reports for 2 consecutive months, Partner B may:
  - Demand immediate independent audit (costs borne by Partner A)
  - Suspend technical support or development until reports provided
  - Trigger termination for Material Breach

6.3 **Direct Payment Gateway Access** (NON-NEGOTIABLE)

- All payment gateways (Paystack, Flutterwave, Stripe, bank transfers) for the Venture must be set up in **the Company's name**
- **Partner B MUST be granted direct admin or read-only access** to all payment gateway dashboards showing:
  - Real-time transaction logs (successful payments, failed payments, refunds)
  - Subscriber counts and active subscriptions
  - Webhook logs and API activity
  - Settlement history to bank account
- **Automatic settlements** from payment gateways shall go **directly to a designated Venture bank account** (see 6.4)
- **Partner A cannot revoke Partner B's payment gateway access** without mutual written agreement

6.4 **Dedicated Venture Bank Account** (Highly Recommended)

- Partner A shall open a **separate bank account** dedicated exclusively to Venture revenue:
  - **Account Name**: [Company Name] - School Management Division

  - **Bank**: _______________ Bank
  - **Account Number**: _______________

- **Partner B Access**:
  - Partner B added as **signatory** with dual-signature requirement for withdrawals >₦200,000, OR
  - Partner B granted **view-only online banking access** to monitor all transactions in real-time, OR
  - Partner B receives **monthly bank statements** directly from bank via email

- **No Personal Withdrawals**: Partner A cannot withdraw Venture funds for personal use or non-Venture business expenses

6.5 **Database and Analytics Access** Partner B shall retain **independent read-only access** to:

- Production Firebase database (to verify subscriber counts, active schools, and usage data)
- Firebase Analytics (to verify user activity, engagement, and feature usage)
- Google Analytics or Vercel Analytics (to verify traffic and sessions)
- Any CRM or customer database used for the Venture (HubSpot, Pipedrive, Excel, etc.)

This access cannot be revoked by Partner A without mutual written agreement.

6.6 **Audit Rights**

- Partner B may request an **independent audit** of Venture finances at any time, no more than once per year unless cause exists

- **Audit Costs**:
  - Borne **100% by Partner A** if audit reveals revenue under-reporting >5% or improper expense allocation
  - Partner A must also pay back-owed profits with **10% penalty**
  - Borne **50/50** if audit reveals discrepancies of 2-5%
  - Borne **100% by Partner B** if audit confirms accuracy within 2%

- Partner A must cooperate fully with auditor and provide all requested documentation within 14 days

- Auditor shall be a licensed Chartered Accountant mutually agreed upon

6.7 **Quarterly Partnership Review Meetings**

- Partners shall meet **quarterly** (in person or video call) to review:

- Financial performance vs. targets
- Customer acquisition, retention, and churn metrics
- Product roadmap alignment with sales pipeline
- Budget adjustments and capital needs for next quarter

- Meetings shall be documented with **written minutes signed by both Partners**
- Failure to hold quarterly meetings for 2 consecutive quarters is a Material Breach

6.8 **Technical Verification of Revenue** Since Partner B controls the software, Partner B may implement:

- **Automated revenue dashboard** showing real-time subscriber counts, active schools, payment status
- **Email notifications** for all successful payments via webhooks (sent to Partner B's email)
- **Monthly automated reports** of all transactions directly from Firebase/payment gateways
- Partner A cannot disable or interfere with these technical controls

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7. CLIENT CONTRACTS AND COMMITMENTS

7.1 **Standard Contract Terms** All client contracts entered into by Partner A must include the following protective clauses:

- **Limitation of Liability**: Maximum liability to any client = 12 months of fees paid by that client
- **Termination Clause**: Either party may terminate with 30-90 days written notice
- **No Unlimited Promises**: No commitments to unlimited free support, unlimited customization, or unlimited storage
- **Service Level Agreement (SLA)**: 99% uptime target; downtime credits limited to pro-rata refund
- **Payment Terms**: Net 30 days maximum; overdue payments subject to 5% monthly late fee
- **Price Increases**: Company reserves right to increase prices annually with 60 days notice

7.2 **Contract Approval Requirements**

- **Partner A may independently execute** client contracts that:
  - Use standard pricing tiers per FEATURE_TIERS_PRICING_STRATEGY.md
  - Are ≤₦200,000/year in value
  - Include standard terms and SLAs
- **Partner B approval required** for contracts that:

  - Exceed ₦200,000/year in value
  - Offer discounts >30% off standard pricing
  - Commit to custom feature development
  - Require dedicated support or hosting infrastructure
  - Deviate from standard terms in any material way

7.3 **Contract Documentation**

- Partner A must provide Partner B with a **copy of every signed client contract** within **48 hours** of execution
- Contracts stored in shared cloud storage accessible to both Partners (Google Drive, Dropbox, etc.)
- **Verbal agreements or handshake deals are not binding** unless documented and approved

7.4 **Custom Development and Feature Requests**

- If a client requests custom features not in the standard product:
  - Partner A submits written request to Partner B including client requirements and timeline
  - Partner B responds within 5 business days with feasibility assessment and development estimate (hours/cost)
  - If development cost exceeds ₦50,000 or 40 hours, Partner B may:
    - Request additional compensation (e.g., custom development fee paid separately), OR
    - Require price increase for that client, OR
    - Decline if it compromises system architecture or security
- Partner B is **not obligated** to build custom features that:
  - Compromise system security or stability
  - Require technology stack changes
  - Benefit only one client and cannot be productized

7.5 **Pricing Authority**

- **Standard Pricing** (per FEATURE_TIERS_PRICING_STRATEGY.md):
  - Free Tier: ₦0
  - Starter: ₦15,000/month
  - Professional: ₦35,000/month
  - Enterprise: ₦75,000/month
- **Discounts**:

- Partner A may offer up to **20% discount independently** (e.g., annual prepayment, multi-school deals, NGOs)
- Discounts of **21-40% require Partner B written approval**
- Discounts **>40% require unanimous consent** and must be time-limited (e.g., 3-month promo)
- **No free clients** beyond the Free Tier limits without Partner B approval

7.6 **Refund and Cancellation Policy**

- Standard policy: 14-day money-back guarantee for new customers
- Refunds >₦100,000 require notification to Partner B before processing
- Partner A shall provide monthly refund report showing all refunds issued and reasons

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8. CONFIDENTIALITY AND NON-DISCLOSURE

8.1 **Confidential Information** Both Partners agree to maintain strict confidentiality regarding:

- Proprietary information, trade secrets, and business strategies
- Client data, contracts, and pricing agreements
- Financial information, revenue, and profit figures
- Technical architecture, source code, and algorithms
- Marketing plans, growth strategies, and competitive analyses

8.2 **Permitted Disclosures** Confidential information may only be disclosed:

- To employees, contractors, or advisors who need to know (subject to written NDAs)
- As required by law, regulation, or court order (with advance notice if possible)
- To potential investors or acquirers (subject to written NDAs)

8.3 **Return of Materials** Upon termination, each Partner shall return or destroy all confidential materials belonging to the Company or the other Partner.

8.4 **Duration** Confidentiality obligations survive termination for **5 years**.

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9. NON-COMPETE AND NON-SOLICITATION

9.1 **Non-Compete During Partnership** During the term of this Agreement, neither Partner shall:

- Develop, market, sell, or operate any competing school management software or EdTech platform in Nigeria
- Participate in any competing venture as an owner, employee, consultant, or advisor
- Use proprietary information to benefit any competing business

9.2 **Non-Compete After Termination** For **24 months** following termination of this Agreement:

- **Partner A** shall not develop or market competing school management software using Partner B's code or technical architecture
- **Partner B** shall not directly market competing school management software to schools that were clients during the Partnership

Exception: If the Partnership dissolves through buyout:

- The purchasing Partner has **NO non-compete restriction**
- The exiting Partner remains subject to **12-month non-compete**

9.3 **Non-Solicitation of Clients** For **24 months** following termination:

- Neither Partner shall directly or indirectly solicit, contact, or do business with any client who was a customer during the 12 months prior to termination
- "Solicit" includes offering competing services, offering discounts to switch, or disparaging the Company

Exception: If Partner B exits and retains source code, Partner B may market to new schools but not existing clients.

9.4 **Non-Solicitation of Employees** For **18 months** following termination:

- Neither Partner shall recruit, hire, or solicit any employee, contractor, or consultant who worked for the Venture during the 12 months prior to termination

9.5 **Liquidated Damages for Breach** If either Partner breaches the non-compete or non-solicitation clauses:

- Breaching Partner shall pay liquidated damages of **₦5,000,000** OR **50% of first-year revenue from the competing venture**, whichever is greater
- Non-breaching Partner may also seek injunctive relief

9.6 **Reasonableness** Partners acknowledge these restrictions are reasonable given the nature of the business and confidential information shared.

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10. DURATION AND TERMINATION

10.1 **Effective Date and Duration** This Agreement shall become effective on the date of signing and remain in effect until:

- Terminated by mutual written consent of both Partners, OR
- Buyout of Partner B's profit-sharing rights by Partner A, OR
- Forced exit for Material Breach

10.2 **Voluntary Exit by Partner B** If Partner B wishes to exit the Partnership:

- Must provide **90 days written notice** to Partner A
- Partner B must offer Partner A **first right to purchase Partner B's profit-sharing rights** (not equity, but contractual rights)
- Valuation per Section 10.5 below

10.3 **Voluntary Exit by Partner A** (Rare) If Partner A wishes to discontinue the Venture or exit:

- Must provide **90 days written notice** to Partner B
- Partner B has the option to:
  - **Take over the Venture** by purchasing Partner A's client list and brand for fair market value, OR
  - **License the software** to Partner A for continued use at negotiated royalty rate, OR
  - **Wind down the Venture** and both Partners part ways

10.4 **Forced Exit / Termination for Cause** Either Partner may terminate this Agreement for **Material Breach**, including:

- **By Partner B** if Partner A:
  - Fails to pay profit distributions for 60 consecutive days after due date
  - Misreports revenue by >5% for 2 consecutive quarters
  - Refuses to provide financial transparency (reports, payment gateway access) for 60 days
  - Commits fraud, embezzlement, or misappropriation of Venture funds
  - Breaches confidentiality or uses Venture IP for competing business
- **By Partner A** if Partner B:
  - Fails to maintain 95% uptime for 3 consecutive months without valid reason
  - Abandons development or refuses to fix critical bugs for 30 days
  - Breaches confidentiality or licenses software to competitors

  - Commits gross negligence causing material harm (e.g., major data breach due to ignoring known vulnerabilities)

Procedure:

1. Non-breaching Partner provides **written notice** specifying the breach
2. Breaching Partner has **30 days to cure** (if curable)
3. If not cured, non-breaching Partner may:
   - **Terminate Agreement immediately**, OR
   - **Force buyout at 50% discount** to fair market value (see Section 10.5)

10.5 **Buyout Valuation** If Partner A wishes to buy out Partner B's profit-sharing rights (or forced exit):

Valuation Method (choose one or default to Method 1):

Method 1 - Revenue Multiple (Preferred for SaaS):

- Valuation = **12 × Monthly Recurring Revenue (MRR)** at time of buyout
- Partner B's 50% share = 6 × MRR
- Example: If MRR = ₦500,000, Partner B receives 6 × ₦500,000 = ₦3,000,000

Method 2 - Subscriber Count Formula:

- Valuation = (Annual Revenue × 2) + (Active Subscriber Count × ₦10,000)
- Partner B receives 50% of total valuation
- Example: Annual Revenue = ₦6M, 50 schools → (₦12M + ₦500K) × 50% = ₦6,250,000

Method 3 - Independent Valuation:

- Hire independent Chartered Accountant if Partners cannot agree
- Valuator's decision is final and binding
- Valuation costs split 50/50

Forced Exit Discount:

- If Partner B is exited for cause (Material Breach), buyout price is **50% of fair market valuation**
- If Partner A is forced out for cause, Partner B may take over at **50% discount**

10.6 **Payment Terms for Buyout** Unless otherwise agreed:

- **Lump Sum** (if <₦1,000,000): Paid within 30 days
- **Installments** (if >₦1,000,000):
  - **30% down payment** within 30 days of buyout agreement

    - Remaining **70% paid in equal monthly installments** over 12-24 months
    - Interest rate: _____% annually (or Central Bank prime rate + 2%)
    - **Security**: Partner A provides personal guarantee or collateral until fully paid

10.7 **IP Transfer Upon Buyout**

If Partner A Buys Out Partner B:

- Partner B transfers source code from escrow to Partner A
- Partner A receives **perpetual license** to use, modify, and sell the software
- Partner B provides **90 days of technical transition support** (paid separately at ₦_____/day or included in buyout)
- Partner B loses profit-sharing rights and client access
- Non-compete clause applies for 12 months

If Partner B Takes Over the Venture (rare, if Partner A exits):

- Partner B receives client list, contracts, and brand assets
- Partner B may continue operating under own company or new entity
- Partner A loses all rights to software and Venture

10.8 **Wind-Down and Dissolution** If both Partners agree to shut down the Venture:

- Client contracts honored or transitioned with 60 days notice
- Assets (cash, client list, brand) liquidated or distributed per agreement
- Liabilities and debts paid from proceeds
- Remaining proceeds distributed 50/50
- Source code returns to Partner B's sole ownership

10.9 **Death or Incapacity of Partner B** If Partner B dies or becomes permanently incapacitated:

- Partner B's estate is entitled to **50% of Venture valuation** (per Section 10.5)
- Partner A has **first right to purchase** at fair market value
- **Payment Terms**:
    - 40% paid upfront within 60 days
    - 60% paid in equal monthly installments over 24 months at _____% interest
- Source code released from escrow to Partner A upon full payment

10.10 **Death or Incapacity of Partner A** If Partner A dies or becomes permanently incapacitated:

- Partner B may choose to:
  - Continue operating with Partner A's estate/heirs (if they agree to honor this Agreement), OR
  - Take over the Venture by purchasing client list and brand at fair market value, OR
  - Wind down and part ways

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11. DEADLOCK RESOLUTION

11.1 **Deadlock Definition** A deadlock occurs when Partners cannot agree on a Major Decision (Section 3.4) after good faith negotiation for 14 consecutive days.

11.2 **Mediation** If deadlock persists for 14 days:

- Partners shall submit the matter to a neutral mediator mutually agreed upon
- Mediation costs split 50/50
- Mediator has 30 days to facilitate resolution

11.3 **Buyout Trigger** If mediation fails after 30 days:

- Either Partner may trigger the **Buyout Clause** (Section 10)
- Partner A may offer to buy out Partner B's profit-sharing rights
- Partner B may offer to take over the Venture by purchasing client list/brand from Partner A

11.4 **Arbitration as Last Resort** If buyout is not triggered or fails, deadlock shall be resolved through binding arbitration in Lagos, Nigeria under the Arbitration and Conciliation Act.

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12. LIABILITY AND INDEMNIFICATION

12.1 **Partner B Limited Liability**

- Partner B's liability is **limited to the Venture only**
- Partner B is **NOT liable** for:
  - Debts, obligations, or lawsuits arising from Partner A's other business activities
  - Partner A's personal debts or guarantees
  - Tax liabilities from Partner A's other revenue streams
- Partner A indemnifies and holds Partner B harmless from any claims unrelated to the Venture

12.2 **Mutual Indemnification** Each Partner shall indemnify the other from:

- Liabilities arising from their own gross negligence, willful misconduct, or fraud
- Debts or commitments made without the other Partner's written consent (where consent was required)
- Legal claims arising from their specific area of responsibility

12.3 **Partner A Specific Indemnification** Partner A shall be solely responsible for and indemnify Partner B from:

- Misrepresentation to clients, false advertising, or deceptive marketing
- Breach of client contracts due to overpromising or unauthorized commitments
- Payment disputes or billing errors
- Violations of consumer protection laws or regulatory requirements (CAC, FIRS, NDPR)
- Unauthorized expenses or financial commitments
- Tax liabilities from Partner A's other business activities

12.4 **Partner B Specific Indemnification** Partner B shall be solely responsible for and indemnify Partner A from:

- Software failures, bugs, or security breaches caused by gross negligence
- Data loss or corruption due to inadequate backups or security measures
- Copyright or patent infringement related to code or technical implementation
- Downtime exceeding 5% per month without valid justification

Exception: Partner B NOT liable for:

- Third-party service failures (Firebase, Vercel, etc.) beyond Partner B's control
- Client misuse or failure to follow documentation
- Issues caused by Partner A's failure to communicate infrastructure needs

12.5 **Authorized Commitments**

- **Partner A** cannot enter into contracts, loans, or commitments for the Venture exceeding ₦200,000 without Partner B's **written approval**
- Any unauthorized commitment is Partner A's sole responsibility
- Partner B not bound by unauthorized commitments

12.6 **Insurance** When annual Venture revenue exceeds ₦5,000,000/year, Partners agree the Company shall obtain:

- **Professional Indemnity Insurance** (E&O) covering software errors
- **Cyber Liability Insurance** covering data breaches

- Premiums paid from Venture funds as business expense

12.7 **No Personal Guarantees for Partner B**

- Partner B shall **NOT** provide personal guarantees for Partner A's company debts or loans
- If Partner A requires Partner B's personal guarantee for Venture-specific financing, terms must be negotiated separately

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13. DATA PROTECTION AND REGULATORY COMPLIANCE

13.1 **NDPR Compliance Responsibility** Partner A (as the Company owner) shall be responsible for:

- Registering with NITDA as a Data Controller
- Ensuring client contracts include NDPR-compliant data processing agreements
- Maintaining compliant Privacy Policy and Terms of Service
- Responding to Data Subject Access Requests (DSARs) within legal timeframes
- Training any employees on data protection

13.2 **Technical Security Responsibility** Partner B shall be responsible for:

- Implementing industry-standard security measures:
  - Data encryption in transit (HTTPS/TLS) and at rest
  - Regular backups (at least daily) with offsite storage
  - Access controls and multi-factor authentication
  - Firewall and intrusion detection
  - Regular security audits and penetration testing (annually)
- Notifying Partner A within **24 hours** of discovering any security incident or data breach

13.3 **Data Breach Liability**

- **Partner A liable** for breaches caused by improper consent, unauthorized data sharing, or failure to register with NITDA
- **Partner B liable** for breaches caused by failure to implement reasonable security measures or ignoring known vulnerabilities
- If breach results from third-party service failure (e.g., Firebase), Partners share liability equally

13.4 **Tax and Corporate Compliance** Partner A shall ensure:

- Annual CAC returns filed on time
- Corporate income tax returns filed with FIRS

- VAT registration and remittance if applicable (turnover >₦25M/year)
- Proper invoicing and receipt documentation

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14. OBLIGATIONS OF GOOD FAITH

14.1 **Fiduciary Duties** Both Partners owe fiduciary duties to each other regarding the Venture, including:

- Duty of loyalty (act in best interest of Venture)
- Duty of care (make informed decisions)
- Duty of good faith and fair dealing
- Duty of disclosure (communicate material information promptly)

14.2 **Communication Requirements** Partners agree to:

- Communicate material business developments within **48 hours** (major client win/loss, security incident, cash crisis)
- Hold **monthly partnership review meetings** (in person or video call)
- Document meetings with written minutes signed by both Partners
- Respond to each other's reasonable requests within 3 business days

14.3 **Availability**

- Partners expected to be reasonably available during normal business hours
- If taking extended leave >14 days, must provide **30 days advance notice**

14.4 **Conflict of Interest**

- Partners must disclose any potential conflicts of interest
- If conflict exists, conflicted Partner must recuse themselves from related decisions

14.5 **Outside Employment**

- Partners may engage in outside work **that does not compete** with the Venture and does not interfere with obligations
- If outside work consumes >10 hours/week, must notify other Partner

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15. DISPUTE RESOLUTION

15.1 **Good Faith Negotiation** Disputes shall first be resolved amicably through good faith discussion for **14 days**.

15.2 **Mediation** If unresolved after 14 days, refer to **mediation** with neutral mediator. Costs split 50/50.

15.3 **Arbitration** If mediation fails after 30 days, resolve through **binding arbitration** in Lagos, Nigeria, per Arbitration and Conciliation Act.

15.4 **Exception for Injunctive Relief** Either Partner may seek immediate court injunction for:

- Breach of confidentiality or IP theft
- Violation of non-compete
- Misappropriation of Venture funds
- Imminent harm to the business

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16. MISCELLANEOUS PROVISIONS

16.1 **Governing Law** This Agreement governed by laws of the **Federal Republic of Nigeria**.

16.2 **Entire Agreement** This Agreement supersedes all prior negotiations and agreements.

16.3 **Amendments** Amendments must be **in writing and signed by both Partners**.

16.4 **Severability** If any provision is invalid, remaining provisions remain in full force.

16.5 **Waiver** Failure to enforce any provision does not constitute waiver.

16.6 **Notices** All notices must be in writing via:

- Email (with read receipt)
- WhatsApp (with confirmation)
- Registered mail

16.7 **Assignment** Neither Partner may assign rights/obligations without the other's written consent.

16.8 **Counterparts** This Agreement may be executed in counterparts.

16.9 **Force Majeure** Neither Partner liable for failure to perform due to circumstances beyond reasonable control (natural disasters, war, government action).

16.10 **Survival** The following provisions survive termination:

- Intellectual Property (Section 4)

- Confidentiality (Section 8)
- Non-Compete and Non-Solicitation (Section 9)
- Indemnification (Section 12)
- Dispute Resolution (Section 15)

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17. SIGNATURES

IN WITNESS WHEREOF, the Partners have executed this Agreement as of the date first written above.

PARTNER A (Company Owner)

Full Name: ____

Company Name: ____

Company RC Number: ____

Signature: ____

Date: ____

Address: ____

Email: ____

Phone: ____

PARTNER B (Technical Co-Founder)

Full Name: ____

Signature: ____

Date: ____

Address: ____

Email: ____

Phone: ____

WITNESSES (Recommended)

WITNESS 1 (for Partner A)

Full Name: ___________________________________

Signature: ___________________________________

Date: ___________________________________

Address: ___________________________________

WITNESS 2 (for Partner B)

Full Name: ___________________________________

Signature: ___________________________________

Date: ___________________________________

Address: ___________________________________

PARTNER B'S CRITICAL PROTECTIONS CHECKLIST

Use this checklist to ensure all protections are in place before signing:

Financial Transparency ✓

- [ ] Direct read-only access to payment gateway dashboards (Paystack, Flutterwave)
- [ ] Direct access to accounting software showing all Venture transactions
- [ ] Monthly bank statements sent directly to Partner B's email
- [ ] Separate bank account for Venture (or at minimum, separate accounting)
- [ ] Monthly financial reports within 7 days of month-end
- [ ] Audit rights clearly defined with penalties for under-reporting

Technical & IP Protection ✓

- [ ] Source code ownership clearly stated (Partner B retains 100% ownership)
- [ ] Code escrow arrangement established within 60 days
- [ ] Database and analytics access cannot be revoked
- [ ] Technical verification mechanisms in place (automated reports, dashboards)

Revenue Verification ✓

- [ ] Firebase/analytics access to verify subscriber counts
- [ ] Payment webhooks sending notifications to Partner B's email
- [ ] CRM/customer database access to verify active clients

Contract Controls ✓

- [ ] Approval rights for contracts >₦200,000/year
- [ ] Approval rights for discounts >30%
- [ ] Copy of every signed contract within 48 hours
- [ ] Custom development requires feasibility review and approval

Exit Protection ✓

- [ ] Clear valuation method defined (revenue multiple preferred)
- [ ] Right of First Refusal if Partner A wants to sell
- [ ] Buyout payment terms clearly stated (installments acceptable)
- [ ] Code escrow release conditions defined
- [ ] Non-compete terms are reasonable (12-24 months max)

Liability Limitation ✓

- [ ] Partner B NOT liable for Partner A's other business activities
- [ ] Partner B NOT required to provide personal guarantees
- [ ] Insurance requirements when revenue exceeds ₦5M/year
- [ ] Indemnification for unauthorized commitments by Partner A

Termination for Cause ✓

- [ ] Can terminate if Partner A fails to pay profits for 60 days
- [ ] Can terminate if Partner A refuses financial transparency for 60 days
- [ ] Can terminate if Partner A misreports revenue >5% for 2 quarters
- [ ] 30-day cure period before forced exit

Decision-Making Balance ✓

- [ ] Major decisions require unanimous consent (debts >₦500K, changing profit split, hiring, sale of IP)
- [ ] Deadlock resolution mechanism in place (mediation → buyout)
- [ ] Partner B has final say on technical decisions

BEFORE SIGNING, PARTNER B SHOULD:

1. ✅ Have a lawyer review this agreement (budget ₦150K-₦300K for legal fees)
2. ✅ Verify Partner A's company is in good standing with CAC
3. ✅ Confirm Partner A's company has no hidden debts or liens
4. ✅ Get payment gateway access set up on Day 1
5. ✅ Get accounting software access set up on Day 1
6. ✅ Establish code escrow within 60 days
7. ✅ Document current codebase value and hours invested
8. ✅ Keep personal copies of all client contracts and financial reports

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This agreement provides STRONG protection for Partner B while operating under Partner A's company.