# Awake Venture Memorandum of Understanding

**Version 1.0 — short-form statement of intent among venture partners forming a new venture**

Published: 2026-08-22

Last legal review: Not recorded; independent counsel review required

> **Template — not legal advice.** This is a general educational template, not legal, tax, securities, employment, or accounting advice. Publishing or using it creates no attorney-client or advisory relationship. Laws and filing requirements vary and change. The materials are provided **as is**, without warranties. Engage qualified counsel and tax advisers before signing, forming an entity, issuing equity, transferring intellectual property, or relying on this document. Read the full disclaimer.

## License



## What this document is

This is a **short-form memorandum of understanding** for people who have decided to build a venture together and want their intentions written down before definitive agreements exist. It records the venture structure, equity, other compensation, roles and responsibilities, and — unusually for an instrument of this kind — an explicit, dated exit intent.

It is **mostly non-binding by design.** Clauses 1 through 8 are a statement of intent. Only the clauses expressly identified in Clause 9 are intended to be legally binding. It is not a founders' agreement, an operating agreement, a term sheet for investors, or a substitute for the formation, equity-issuance, intellectual-property, employment, securities, and tax package the venture will require.

Visible bracketed fields are intentional template fields and must be resolved before signature:

- `[REQUIRED: …]` must be completed.
- `[SELECT ONE: …]` requires a selection and deletion of the alternatives.
- `[OPTIONAL: …]` must be affirmatively retained or deleted.
- `[COUNSEL: …]` requires individualized legal or tax review.
- `[DRAFTING NOTE: …]` must be removed from a signing copy.

Use the separate drafting and completion guide. A final signing copy must not contain unresolved brackets, examples, or drafting instructions, and should be kept as short as the venture allows. This release runs to the two pages that follow: the deal on the first, the exit intent and binding terms on the second.

# MEMORANDUM OF UNDERSTANDING

**Venture:** [REQUIRED: VENTURE NAME] (the "Venture")
**Partners:** [REQUIRED: PARTNER 1 FULL LEGAL NAME]; [REQUIRED: PARTNER 2 FULL LEGAL NAME] [OPTIONAL: ; [REQUIRED: PARTNER 3 FULL LEGAL NAME]] (each a "Partner")
**Effective date:** [REQUIRED: EFFECTIVE DATE] · **Outside date for definitive agreements:** [REQUIRED: OUTSIDE DATE]

---

**1. Intent.** The Partners intend to build [REQUIRED: ONE SENTENCE — WHAT THE VENTURE MAKES, FOR WHOM, AND THE PROBLEM IT SOLVES]. This memorandum records what they have agreed in principle so that definitive agreements can be drafted from it.

**2. Structure.** The Venture will operate through [REQUIRED: ENTITY NAME], a [REQUIRED: ENTITY TYPE AND JURISDICTION — e.g., Delaware corporation; California limited liability company] to be formed by [REQUIRED: FORMATION DATE]. Each Partner will hold their interest [SELECT ONE: directly / through a founders' holding vehicle]. Initial capital: [REQUIRED: AMOUNT AND WHO CONTRIBUTES IT, OR "NONE"]. [COUNSEL: confirm entity type and jurisdiction against tax treatment, equity-compensation plans, and investor expectations before formation.]

**3. Equity.** Founding equity, fully diluted, before outside investment:

| Partner | Founding equity | Consideration | Vesting | Cliff |
|---|---|---|---|---|
| [REQUIRED: NAME] | [REQUIRED: %] | [SELECT ONE: cash / services / intellectual property / combination] | [REQUIRED: e.g., 4 years, monthly] | [REQUIRED: e.g., 12 months] |
| [REQUIRED: NAME] | [REQUIRED: %] | [SELECT ONE: cash / services / intellectual property / combination] | [REQUIRED: e.g., 4 years, monthly] | [REQUIRED: e.g., 12 months] |
| Reserved option pool | [REQUIRED: %] | — | — | — |

Vesting commences [REQUIRED: VESTING START DATE]. Acceleration: [SELECT ONE: none / single-trigger on change of control / double-trigger on change of control and involuntary termination]. Dilution from future financings is borne pro rata by all Partners unless they unanimously agree otherwise. [COUNSEL: equity issued for services or subject to vesting carries tax and filing consequences, including time-sensitive elections.]

**4. Other compensation.** Beyond equity, the Partners intend:

| Item | Terms |
|---|---|
| Salary | [REQUIRED: e.g., none until [milestone]; then [amount] per Partner] |
| Deferred or accrued compensation | [REQUIRED: amount, trigger for payment, and whether it converts to equity, OR "none"] |
| Expense reimbursement | [REQUIRED: what is reimbursable and any approval threshold] |
| Profit distributions | [REQUIRED: policy and who approves, OR "none until the Partners agree otherwise"] |
| Other | [OPTIONAL: benefits, advisory fees, contractor rates; OTHERWISE DELETE] |

**5. Roles and responsibilities.** Each Partner is individually accountable for their column and holds day-to-day authority within it:

| Partner | Title | Accountable for | Time commitment |
|---|---|---|---|
| [REQUIRED: NAME] | [REQUIRED: TITLE] | [REQUIRED: THE 3–5 OUTCOMES THIS PARTNER OWNS] | [REQUIRED: e.g., full-time from [date] / 20 hrs per week] |
| [REQUIRED: NAME] | [REQUIRED: TITLE] | [REQUIRED: THE 3–5 OUTCOMES THIS PARTNER OWNS] | [REQUIRED: e.g., full-time from [date] / 20 hrs per week] |

Decisions outside a Partner's own column require [SELECT ONE: unanimous / [REQUIRED: THRESHOLD]%] written approval, including: spending above [REQUIRED: AMOUNT]; hiring; raising capital or incurring debt; issuing equity; changing the business or this memorandum; entering any contract above [REQUIRED: AMOUNT]; and selling the Venture. Deadlock: [REQUIRED: e.g., escalate to a named neutral adviser within 15 days].

**6. Intellectual property.** All work created for the Venture is intended to belong to the entity, and each Partner will sign an invention-assignment and confidentiality agreement at formation. Background intellectual property each Partner brings: [REQUIRED: LIST, OR "NONE"], which remains that Partner's and is licensed to the Venture [SELECT ONE: perpetually and royalty-free / on terms to be agreed in the definitive agreements].

**7. Exit intent.** The Partners record the following shared intention and will build toward it:

| Item | Intent |
|---|---|
| Preferred outcome | [SELECT ONE: strategic acquisition / initial public offering / independent cash-flow business paying distributions / buyout of one or more Partners / no predetermined outcome] |
| Target window | [REQUIRED: e.g., 5–7 years from the effective date] |
| Target valuation or return | [REQUIRED: e.g., not below [amount] enterprise value, OR “no target set”] |
| When a process starts | [REQUIRED: the trigger — e.g., inbound offer above target, or a Partner vote at any time after [date]] |
| Approval to accept an offer | [SELECT ONE: unanimous / [REQUIRED: THRESHOLD]% of Partner equity] |
| Drag-along and tag-along | Definitive agreements are intended to include drag-along rights on an approved sale and tag-along rights protecting every Partner on a transfer by another. |
| If no exit by the target window | The Partners will meet within [REQUIRED: DAYS] days and [SELECT ONE: extend the window / start a buy-sell at independently determined fair market value / wind the Venture down]. |
| Individual side deals | No Partner will negotiate or accept a purchase of their own interest, or a role offer conditioned on transferring it, without first disclosing it to the other Partners and offering them [SELECT ONE: a right of first refusal / the right to participate pro rata]. |

**8. Definitive agreements.** The Partners intend to sign, by the outside date above: entity formation documents; a founders' or operating agreement; equity purchase documents with the vesting in Clause 3; invention-assignment and confidentiality agreements; and [OPTIONAL: ADDITIONAL DOCUMENTS; OTHERWISE DELETE]. If those are not signed by the outside date, this memorandum expires unless the Partners extend it in writing.

**9. Binding effect. Clauses 1 through 8 record intent only and are not legally binding.** No Partner may sue on them, and no obligation to form the Venture, contribute capital, transfer property, or issue equity arises until definitive agreements are signed. **The following are intended to be legally binding and to survive expiry or termination:**

**9.1 Confidentiality.** Each Partner will keep the other Partners' non-public information, and the existence and contents of this memorandum, confidential for [REQUIRED: PERIOD] and use it only to evaluate and pursue the Venture.

**9.2 Exclusivity.** Until the outside date, no Partner will pursue, fund, or join a venture that competes with the Venture as described in Clause 1 [OPTIONAL: , except: [REQUIRED: CARVE-OUTS]]. [COUNSEL: review scope, duration, and enforceability under the governing law, including limits on restraints of trade.]

**9.3 Costs.** Each Partner bears their own costs, including legal fees, unless otherwise agreed in writing.

**9.4 No partnership or employment.** Nothing here creates a partnership, joint venture, agency, fiduciary, or employment relationship between the Partners, or authority to bind another Partner.

**9.5 Governing law and disputes.** This memorandum is governed by the laws of [REQUIRED: JURISDICTION]. Disputes will be resolved by [SELECT ONE: good-faith negotiation, then mediation, then the courts of [REQUIRED: VENUE] / good-faith negotiation, then binding arbitration seated in [REQUIRED: SEAT] under [REQUIRED: RULES]].

**9.6 Whole understanding.** This is the Partners' entire understanding on its subject matter, replaces prior discussions, and may be changed only in writing signed by every Partner.

**10. Signed.**

| Partner | Signature | Date |
|---|---|---|
| [REQUIRED: NAME] | | |
| [REQUIRED: NAME] | | |