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Post: Funding contract templates



Created by [Brittany Bunk](#) on 23-Jul-2021

Fund raise

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Content

Investor-friendly business practices: part 4. Others: see part [1](#), [2](#), and [3](#) and [investor series](#)

Disclaimer:

I'm not an expert in legal or other business matters, just an investor who's seen many contracts. I'm just providing my opinions based on my own experience to help educate those who seek my knowledge. Anything in regards past what I say, especially when implementing something in reality (including what's thought up in one's head), should be consulted with appropriate (legal, business, etc.) experts.

Who creates the contract?

Short answer: the business

Reasons:

- if an investor is not given a contract, they have no obligation to create one of their own, and their work that has no contract associated with it can lead to legal issues
- an investor can't adequately create a complete/accurate contract - as only a business would have such key knowledge of their own self: brand, operations, etc.
- if an investor did create a contract, the ownership would be theirs, not the company's - and so they wouldn't have to give it over to the company
 - and the company can't provide it with their name (like a letterhead, logo, etc.) - as then they'd be taking credit for someone else's work - which again - is a legal liability

Long answer: When an entrepreneur starts a business, they look for investors. Once they find one they'd like to bring into the company, the next step is to create a contract. This contract is created by the company and given by the company to the investor. An investor can go over the contract and make suggestions, but the company has the overall say. This is why the business creates the contract, as they know the company better than an investor and are giving the opportunity to the investor - so the contract comes from them. This avoids confusion over roles and provides consistency, lining up with similar laws (like employment) as well.

Once a business decides on a template - their customized format (i.e. icon, paragraphing, etc.) would be standardized for all contracts in the business. That way, when legal issues come up - there's proof where it came from, due to the characteristics make up (font, etc.) specific to the business would be shown enough for a business to be able to claim it. If you make an investor create the contract, it won't have a complete legal basis and would be harder to prove it's the company's, due to the format being different than what the company has. It would look like an investor pushed a random document under a company to sign - making it out to be coercion - hence why it might not carry legal weight as one would think!

Note: To avoid all this, a standardized format for the company would need to be created first to place on a template. This should be done before any template's created - to avoid forgetting to add it in!

Templates:

- Modular loans (i.e. loans split into parts, which is preferable to all the money at once): see 'loan - modular - template.docx'
- Series A - Swiss - see 'series a - template - swiss.docx'
- Series A - US and other US templates for download - <https://www.ycombinator.com/library/6z-fundraising-templates-safe-financing-documents>





loan - modular - template.docx



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