

# PROFIT SHARING AGREEMENT

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This Profit Sharing Agreement (this "**Agreement**") is entered into as of [EFFECTIVE DATE] (the "**Effective Date**") by and between:

[PARTY A LEGAL NAME], a [STATE] [ENTITY TYPE / individual] with its principal place of business or residence at [PARTY A ADDRESS] (the "**Company**"); and

[PARTY B LEGAL NAME], a [STATE] [ENTITY TYPE / individual] with its principal place of business or residence at [PARTY B ADDRESS] (the "**Participant**").

The Company and the Participant are each a "**Party**" and together the "**Parties**."

**Recitals.** The Participant will contribute [CAPITAL / SERVICES / REFERRALS / OTHER VALUE] to the Company in connection with [DESCRIBE THE BUSINESS, PRODUCT, OR ACTIVITY] (the "**Business**"). In exchange, the Company is willing to share a portion of the profits of the Business with the Participant on the terms below. The Parties intend this Agreement to create a contractual profit-sharing relationship only and not a partnership, joint venture, or employment relationship except as expressly stated. In consideration of the mutual promises below, the Parties agree as follows.

## 1. Purpose and Scope

**1.1 Purpose.** This Agreement governs how the Parties will share the profits generated by the Business during the Term. It defines what counts as profit, how profit is calculated, when payments are made, and what each Party owes the other.

**1.2 Scope of the Business.** The profit-sharing arrangement applies only to the Business as defined in the Recitals and described in detail on **Schedule A**. It does not extend to any other line of business, product, or activity of the Company unless the Parties amend this Agreement in writing.

**1.3 Participant contribution.** The Participant's contribution to the Business is described on **Schedule A** and may consist of capital, services, intellectual property, customer relationships, or other value. The Participant will deliver its contribution as and when stated on Schedule A.

## 2. Definitions

**2.1 Net Profit.** "**Net Profit**" means the gross revenue actually received by the Company from the Business during a calculation period, less the deductible costs identified in Section 2.2, determined in accordance with the Company's regular accounting practices applied consistently.

**2.2 Deductible costs.** Deductible costs include the direct and reasonably allocable indirect costs of operating the Business, such as cost of goods sold, payment processing fees, refunds and chargebacks, marketing costs directly attributable to the Business, and [OTHER AGREED COSTS]. Deductible costs exclude [e.g. the

**Company's general overhead, owner compensation, or other items the Parties choose to exclude].**

**2.3 Calculation period.** "Calculation Period" means each [MONTH / QUARTER / CALENDAR YEAR] during the Term, with the first and last periods prorated as needed.

### 3. Profit Share and Allocation

**3.1 Participant's share.** For each Calculation Period, the Company will pay the Participant [PERCENTAGE]% of the Net Profit of the Business, subject to the adjustments and limits in this Section (the "Profit Share").

**3.2 Caps, floors, and tiers.** The Profit Share is subject to the following, if the Parties so elect on **Schedule B**: (a) a minimum guaranteed payment of [AMOUNT] per Calculation Period; (b) a maximum total payment of [AMOUNT]; and (c) tiered percentages that change as cumulative Net Profit crosses defined thresholds.

**3.3 Priority of distributions.** The Company will first apply revenue to deductible costs, then to any reserve described in Section 3.4, before calculating the Profit Share. The Participant's right to payment is contractual and is not an equity interest in the Company.

**3.4 Reserve.** The Company may retain a reasonable reserve of up to [PERCENTAGE OR AMOUNT] to cover anticipated costs, refunds, and contingencies of the Business, with any unused reserve carried into the next Calculation Period or released as the Parties agree.

### 4. Payment Terms

**4.1 Payment timing.** The Company will calculate the Profit Share within [NUMBER] days after the end of each Calculation Period and will pay the Participant within [NUMBER] days after that calculation.

**4.2 Statement.** With each payment, the Company will deliver a written statement showing gross revenue, deductible costs, any reserve, the resulting Net Profit, and the calculation of the Participant's Profit Share.

**4.3 Method.** Payments will be made by [ACH / CHECK / WIRE / OTHER] to the account the Participant designates in writing. Each Party bears its own transaction fees unless stated otherwise.

**4.4 Taxes.** Each Party is responsible for its own taxes arising from amounts it receives under this Agreement. The Company will issue any tax forms required by law. Nothing in this Agreement makes either Party responsible for the other's income taxes.

### 5. Books, Records, and Audit

**5.1 Recordkeeping.** The Company will keep accurate books and records of the revenue and costs of the Business sufficient to verify the calculation of Net Profit and the Profit Share, and will retain them for at least [NUMBER] years.

**5.2 Audit right.** Once per [twelve-month period], on [NUMBER] days' written notice, the Participant (or its representative) may inspect the relevant books and records during normal business hours to verify the calculations.

**5.3 Underpayment.** If an audit reveals an underpayment of more than [PERCENTAGE, e.g. 5%] for the audited period, the Company will promptly pay the shortfall and reimburse the Participant's reasonable audit costs; otherwise each Party bears its own audit costs.

### 6. Term and Termination

**6.1 Term.** This Agreement begins on the Effective Date and continues for **[TERM, e.g. a stated number of years / until the Business is wound down]**, unless terminated earlier under this Section (the "Term").

**6.2 Termination for convenience.** Either Party may terminate on **[NUMBER]** days' prior written notice. Termination does not affect the Participant's right to its Profit Share for periods before the effective date of termination.

**6.3 Termination for cause.** Either Party may terminate immediately on written notice if the other Party materially breaches and fails to cure within **[NUMBER]** days after written notice describing the breach.

**6.4 Effect of termination.** On termination, the Company will calculate and pay the Participant's Profit Share through the effective date of termination, including a prorated final period. Sections 5, 7, and 8 survive termination.

## 7. Relationship of the Parties

**7.1 No partnership.** The Parties are independent contracting Parties. This Agreement does not create a partnership, joint venture, agency, or employment relationship, and neither Party may bind the other or incur obligations on the other's behalf.

**7.2 No equity.** The Participant's Profit Share is a contractual right to payment and does not give the Participant ownership, voting rights, or a claim to the assets of the Company or the Business on dissolution.

**7.3 Control of the Business.** The Company retains sole discretion over the operation of the Business, including pricing, staffing, and strategy, provided it acts in good faith and does not take action with the primary purpose of reducing the Participant's Profit Share.

## 8. Confidentiality and General Provisions

**8.1 Confidentiality.** Each Party will keep confidential the non-public financial and business information it receives under this Agreement and will use it only to perform or enforce this Agreement, except as required by law.

**8.2 Governing law and venue.** This Agreement is governed by the laws of the State of **[STATE]**, without regard to its conflict-of-laws rules. The Parties submit to the exclusive jurisdiction of the state and federal courts located in **[COUNTY, STATE]**.

**8.3 Dispute resolution.** Before filing suit, the Parties will attempt in good faith to resolve any dispute through discussion within **[NUMBER]** days of written notice. **[OPTIONAL: arbitration clause — discuss with counsel.]**

**8.4 Assignment.** Neither Party may assign this Agreement without the other's prior written consent, except to a successor in connection with a merger or sale of substantially all assets, on written notice.

**8.5 Entire agreement; amendment.** This Agreement, together with its Schedules, is the entire agreement between the Parties on its subject and supersedes prior discussions. It may be amended only by a writing signed by both Parties.

**8.6 Severability and waiver.** If any provision is unenforceable, the rest remains in effect. A Party's failure to enforce a provision is not a waiver.

**8.7 Counterparts and electronic signature.** This Agreement may be signed in counterparts and by electronic signature, each of which is an original and all of which together form one agreement.

**IN WITNESS WHEREOF,** the Parties have executed this Agreement as of the Effective Date.

**COMPANY****PARTICIPANT**

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed name: **[NAME]**Printed name: **[NAME]**Title: **[TITLE]**Title: **[TITLE / N/A]**

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

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

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