

Auditor Partnership

Discussion Framework & Term Sheet

Compliance Platform — SOC 2 + HIPAA + ISO 27001

Prepared: April 2026 · For Discussion Purposes Only

Context & Opportunity

This document outlines a proposed partnership framework between a compliance platform startup and an experienced auditor. The goal is to structure a relationship that leverages the auditor's expertise and credibility while preserving the founder's full ownership and control of the software company. The arrangement must also respect AICPA independence standards governing audit firms.

The Independence Rule: Audit firms cannot both audit a client AND sell that client software or services — it would compromise audit independence. This means the partnership must be structured as a **separate entity** from the auditor's audit practice. The auditor can contribute to product development, validate frameworks, and refer non-audit clients, but cannot recommend the platform to clients he personally audits.

What Each Party Brings

You (Founder)	Auditor Partner
Technical build — software architecture, development, deployment	Framework expertise — knows exactly what auditors want to see in evidence
Product vision — pricing, UX, go-to-market strategy	Credibility — an actual auditor validating the tool carries enormous weight with buyers
Operational experience — you run compliance as a small business owner, you know the pain	Referral channel — every audit engagement is a potential lead for the platform
100% ownership and control of the software company	Quality assurance — ensures evidence collection actually satisfies audit requirements

Proposed Structure Options

Three structures are outlined below, ranging from simplest to most involved. Any of these can work — the right choice depends on the auditor's appetite for involvement and risk.

Option A: Advisory Retainer + Referral Fees

Best if: Auditor wants to stay at his firm; lower commitment, lower risk

Component	Terms	Notes
Monthly retainer	\$2,000–\$5,000/mo	For framework validation, product feedback, marketing credibility
Referral fee	15–20% of Year 1 revenue per referred customer	OR flat \$500–\$1,500 per converted customer
Milestone bonuses	\$5K–\$10K per milestone	First successful audit on platform, first 10 customers, SBIR award
Equity	None	You retain 100% ownership
Time commitment	5–10 hrs/month	Product reviews, framework validation, occasional sales calls

Option B: Advisory Equity (Minority Stake)

Best if: Auditor wants long-term upside; stronger alignment for fundraising/acquisition

Component	Terms	Notes
Equity grant	3–8% of the company	Vested over 4 years with 1-year cliff
Monthly retainer	\$1,000–\$3,000/mo (lower because of equity)	Offset by long-term equity value
Referral fee	10–15% of Year 1 revenue per referral	Slightly lower since equity provides upside
Your ownership	92–97%	Full operational control; auditor has no board seat or veto rights
Vesting schedule	4-year vest, 1-year cliff	If he leaves in Year 1, no equity vests; protects you
Buyback clause	Right of first refusal at fair market value	If he wants to sell his stake, you can buy it back first

Option C: Separate Consulting Entity (Two-Company Model)

Best if: Auditor wants to actively build a revenue stream; cleanest independence structure

Under this model, two separate legal entities are formed:

Entity 1 — The Software Company (yours, 100%). Builds and sells the compliance platform. Revenue from SaaS subscriptions, self-hosted licenses, and support.

Entity 2 — The Consulting LLC (co-owned or auditor-operated). Offers compliance readiness assessments, quarterly reviews, audit prep coaching. Revenue from professional services.

Revenue Stream	Entity	Pricing	Split
SaaS subscriptions	Software Co.	\$300–\$1,000/mo	100% to you
Readiness assessments	Consulting LLC	\$2,000–\$5,000 one-time	50/50 or 60/40 (you/him)
Quarterly compliance reviews	Consulting LLC	\$500–\$1,000/quarter	50/50 or 60/40
Audit prep coaching	Consulting LLC	\$2,000–\$4,000 per engagement	40/60 (you/him — his labor)
Cross-referrals	Both	Formal referral agreement	10–15% fee each direction

Why Option C Works Best for Independence: The consulting entity is legally separate from his audit practice. The software company is separate from both. Clients who use your platform and need an audit can go to any firm — including his, as long as the specific engagement partner isn't involved in the consulting entity. This is the cleanest structure for AICPA rules.

Financial Projections: Auditor Compensation by Option

These projections show what the auditor could earn under each structure over three years, based on the revenue model from the market opportunity analysis.

	Year 1	Year 2	Year 3
Platform ARR (midpoint)	\$180K	\$650K	\$1.8M
His customers referred	5–8	15–25	30–50

Structure	Year 1 Earnings	Year 2 Earnings	Year 3 Earnings	3-Year Total
A: Retainer + Referrals	\$36K–\$72K	\$39K–\$82K	\$42K–\$100K	\$117K–\$254K
B: Equity (5%) + Retainer	\$18K–\$42K + equity	\$21K–\$50K + equity	\$24K–\$60K + equity	\$63K–\$152K + equity*
C: Two-Entity Model	\$20K–\$50K	\$60K–\$140K	\$120K–\$260K	\$200K–\$450K

*Option B equity value depends on company valuation at exit. At \$1.8M ARR with a 5x revenue multiple, a 5% stake would be worth ~\$450K. At 8x (common for compliance software acquisitions), it would be ~\$720K.

Recommended Approach for the Dinner Conversation

Don't lead with numbers. Start by understanding what he wants:

- Does he see this as a side income opportunity, a future career pivot, or just an interesting way to help clients?
- How involved does he want to be? Monthly calls, or hands-on product development?
- What are his firm's specific independence rules? Some firms are stricter than AICPA minimums.
- Is he interested in the consulting revenue layer (readiness assessments, reviews) or just the software advisory role?

Then match the structure to his answer:

- **"I want to keep my day job and help on the side"** → Option A (retainer + referrals)
- **"I believe in this and want long-term upside"** → Option B (minority equity)
- **"I want to build something together"** → Option C (two-entity model)

Important: Get a business attorney involved before signing anything. You want someone who understands professional services independence rules (ideally one who works with CPA firms) to draft the advisory agreement, operating agreement, or referral contract. The dinner is for gauging interest and alignment — the paperwork comes after.

This document is a discussion framework only and does not constitute a binding agreement. All terms are subject to negotiation and formal legal documentation.