This is a sample C-owner agreement. Please update.

Co-ownership operating agreement

Co-owners:	Co-owner 1 Co-owner 2 Co-owner 3…. *(can be multiple co-owners)*
Purpose:	To purchase a single-family home
Ownership Value:	xx% for each of the n co-owners.
Ownership legal responsibility:	Joint and several
Date:	mm/dd/20yy

Background

Co-ownership is where unmarried co-ownership members come together to purchase a home. Legally, it is treated very similarly to married couples. There is no limit on the number of people that may enter a co-ownership relationship. There are 3 main events to consider:

1) **Entry** – the beginning of the relationship when the initial decision is made about the investment (real estate, joint venture, securities, etc) This document is focused on the purchase of a single-family home across 4 co-ownership members.
2) **Ongoing** – After the investment is acquired. This is the ongoing relationship and the responsibilities and expected behaviors of each co-ownership member.
3) **Exit** - These are the expectations and rules for making decisions and exiting the co-ownership investment relationship.

Rules and Considerations

The 3 main events are governed by the following rules and considerations:

1) Entry:
   - Do you get along?
   - Are you aligned with your timing expectations? That is, do you expect to live together for 3 years, 5 years, 10 years, or longer?
   - If you do not live together, are you ok with holding this property as a long-term investment together?
   - Each co-ownership member is responsible for an equal share of all costs. These costs include: mortgage, utilities, maintenance, and other costs agreed to by co-ownership members. Please see the link for average maintenance costs.
   - Each co-ownership member needs to be comfortable with the ownership distribution. In general, the least complicated approach is for each member to have an equal share. E.g.,

in the case of 4 members, an equal share is achieved by each co-owner having a 25% ownership share. *Note - it is possible to have uneven percent of ownership, based on the buy in amount. (Buy in amount is the cash to close on the house)*

- Each co-ownership member needs to be comfortable with the monthly financial commitments and the required buy in amount. (cash to close)
- Each co-ownership member needs to be comfortable with the purchase being made. This includes the criteria to buy the home, the alternatives considered for purchase, the real estate and mortgage brokers engaged to facilitate home the purchase, and the final home decision.
- Each co-ownership member needs to be comfortable they will each have joint and several responsibilities for all co-ownership member commitments. This agreement binds the members to the co-ownership financial commitment. However, the mortgage owner may legally seek to bind each member to the full financial commitment. *For example, if one co-ownership member disappears or for whatever reason cannot make their financial responsibility under this operating agreement, the other 3 co-ownership members may need to make the payments on the total co-ownership membership liability)*

2) Ongoing:
   - Each co-ownership member is responsible for paying their share of the mortgage, utilities, and any other expense agreed to by the co-ownership members.
   - It is always good to have a capital reserve account for unexpected expenses.
   - Determine the fair distribution of labor to maintain the home. Homeowner responsibilities include:
     - Collecting and paying mortgage and all utilities. Refinancing mortgage and related capital considerations
     - Yard maintenance (mowing, edging, trimming, plants, painting, home repair) Perhaps hire a company for mowing?
     - Inside cleaning of common areas (take turns?)
     - Inside maintenance (Mechanicals like HVAC and plumbing, getting appliances fixed, adding new appliances, buying furniture, decorating)
     - Other stuff? There will be other stuff!

3) Exit:
   These are the rules for making co-ownership exit decisions. These rules serve as a reasonable expectation of all parties upon entering the co-ownership relationship. In general, if all co-ownership members agree on any exit decision, they may override these rules. These rules serve as backstops in the event an agreement cannot be reached.

Decisions	**Voting Structure**	**Notes**
A co-ownership member moves out	1 in agreement	Any co-ownership member can move out. They still pay their share of costs as agreed to in the entry section. Remaining members may want to

		excuse move-out member from future housing costs (e.g., furniture or utilities)
Co-ownership member sublet	4 in agreement	A co-ownership member may sublet their room to another. The subletting co-ownership member is still responsible for their share of the costs and managing their sub lessee.
Dissolution of co-ownership membership	4 in agreement	This is when the house is sold and all proceeds distributed to co-ownership members
Co-ownership member default	Non defaulted co-ownership members	A DEFAULT EVENT is when a co-ownership member(s) does not make required payments for 2 months. Immediately following the second missed payment, the co-ownership member is considered in default. A defaulted member loses their co-ownership membership. A defaulted member is still required to make any back payments, including missed payments and all required expenses prior to the default event. The defaulted ownership will be distributed proportionally to the remaining co-ownership members. If a co-ownership member has not made a payment but is not considered in default, they need to bring all arrearages current, plus any interest.
Co-ownership member buyout	4 in agreement	A co-ownership member, with the agreement of the other co-ownership members, may be bought out of the co-ownership membership. This would occur by a remaining co-ownership member arranging to have a realtor market assessment (RMA) done on the property. This would provide an estimated current market sales price. The buyout would be determined by the following formula:

		(a): (Total RMA-Current Loan Payoff) * percent ownership of leaving co-ownership member - any transaction costs - any deferred maintenance agreed to by all co-ownership members (b): (a) will be divided evenly by the remaining co-ownership members. The remaining co-ownership members will provide the amount (b) to the leaving co-ownership member. It is understood any tax implications will be separately absorbed by each co-ownership member. Please note: It is possible for a subset of the co-ownership members to participate in the buyout. But all members need to agree. *<u>Example:</u>* *Hypothetically, let's say:* ● *Billy wants to be bought out.* ● *Kyra agrees to participate in the buyout. (i.e., Kyra provides the buyout money)* ● *Delilah and Byron do not wish to participate.* *In this hypothetical case, Billy, Delilah, Kyra, and Byron all need to agree to the buyout proposal.* *Kyra will arrange to have the RMA done. Once done, Kyra will buy Billy out of his share based on the formula.* *Billy pays all expenses associated with the transaction. Kyra will net expenses out of the proceeds to Billy.*
Significant Other Clause	4 in agreement	If a co-ownership member gets a significant other, we will have a team meeting and discuss.
Amendment Clause	4 in agreement	Anyone can call a meeting to amend the contract.

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Pet Clause	4 in agreement	If one of us wants to buy a new pet.

Signature page:

This Agreement is made and entered into on this ___ day of _____, 20___.

_____ Co-owner 1	_____ Co-owner 2
_____ Co-owner 3	_____ Add signature line for more co-owners