
K-Notes: Founder's Agreements

using generic example

Be Inclusive

You'll want to avoid drafting an agreement that has a tone of "I'm going to make you do this" and instead has a tone of "let's do this together."



"Before you incorporate an entity and document your shares you would want an agreement in place that includes the share that founders will take after incorporation because they're going to be putting efforts right from the beginning even before anything happens."

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KEY TAKEAWAYS

- **Define When Approval from All is Needed**

Define decisions that require universal approval from all founders. This will help set expectations ahead of time on the process.

- **Draft Confidentiality Clause Carefully**

Define which information is confidential and which can be shared. It's critical for a founder to use some information to talk about their business. But not all of it. Strike a balance.

- **No Blanket Rights to Removal**

Give founders an opportunity to be heard and a specific period of notice before they can be removed. Don't grant blanket removal rights to the majority of founders.

- **Fiduciary Duties Clause**

Don't benefit personally from the company's operations, do not engage in activity detrimental to the company's interests, and don't put one person's personal benefit at the expense of the company

"The timing at which you enter into a founder's agreement is important because although founder's agreements usually are entered into before an incorporated entity comes into a place you can also have it after incorporation just as a measure of internal understanding between the founders."