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Founder Agreement Snapshot: What to Do and What to Avoid

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For co-founders at the incorporation or pre-seed stage, before the first disagreement and before the first outside investor.

What a Founder Agreement Actually Does

A founder agreement is not about trust. It defines who owns what, who decides what, and what happens if things change. If those three are not clear, the agreement is incomplete.

DO

✓ **Define equity clearly from day one**
State exact percentages, not ranges, assumptions, or verbal understandings.

✓ **Use vesting for all founders**
Even between equal partners. A standard structure is 3 to 4 years with a one-year cliff.

✓ **Define roles in plain language**
Be clear about who is responsible for product, sales, operations, fundraising, finance, and hiring.

✓ **Set decision-making rules for real situations**
Cover day-to-day authority, deadlock situations, and reserved matters such as budgets, hiring, fundraising, taking on debt, and sale of the company.

✓ **Define how money decisions are made**
This includes founder salaries, reimbursements, spending authority, and approval thresholds.

✓ **Include a clear exit mechanism**
State what happens if a founder leaves, is removed, becomes inactive, or stops contributing as expected.

✓ **Make IP ownership explicit and complete**
All code, inventions, product assets, content, data structures, designs, and work product created for the company belong exclusively to the company.

✓ **Define time commitment expectations**
Full-time, part-time, transition period, and any outside activities that are allowed or prohibited.

✓ **Include confidentiality clearly**
The agreement should clearly protect company information, business plans, customer information, product direction, and internal know-how.

✓ **Specify governing law explicitly**
State which country’s law governs the agreement. For cross-border founding teams or companies incorporated in a different jurisdiction from where founders are based, this is not a formality. It determines how and where disputes are resolved.

DO NOT

✗ **Do not split equity equally just because it feels fair**
Equal is not the same as fair, and fair on day one is often wrong six months later.

✗ **Do not skip vesting**
Unvested equity is the cleanest way to deal with early departures.

✗ **Do not leave decision-making vague**
“We’ll decide together” is not a structure.

✗ **Do not ignore exit scenarios**
Someone may leave earlier than expected. Plan for that now, not after conflict starts.

✗ **Do not leave IP ownership implied**
If ownership is not clearly assigned, it becomes a real problem later.

✗ **Do not rely on verbal understandings**
They usually collapse exactly when they are needed most.

✗ **Do not mix personal and company expenses**
It creates friction, mistrust, and accounting problems immediately.

✗ **Do not allow undefined roles to continue for too long**
Ambiguity may feel flexible early, but it becomes conflict once expectations diverge.

✗ **Do not postpone the agreement**
“Later” usually means after the first disagreement, when everyone is already protecting themselves.

Quick Check Before Signing

1. Does each founder’s equity match expected contribution over time, not just today?

2. Is there a clear vesting structure?

3. Who has final say when founders disagree?

4. What happens if a founder leaves in 6 to 12 months?

5. Is all IP clearly and fully owned by the company?

6. Are salary, spending, and approval rules clearly defined?

If any of these are unclear, the agreement is not ready.

Before You Sign

Five questions to ask before the agreement is executed. If any answer is uncertain, resolve it before signing, not after.

Has every founder read the full document?
Not a summary. The actual text. Founders who sign without reading create disputes over what they thought they agreed to.

Has an independent lawyer reviewed it?
Not the same lawyer acting for both sides. Each founder should have independent advice, or at minimum understand why they are waiving it.

Are all verbal agreements reflected in writing?
If something was discussed and agreed but is not in the document, it does not exist. Add it before signing or accept that it is gone.

Does the agreement cover what happens next year, not just today?
Think through the next 12 to 24 months: a new investor, a co-founder leaving, a pivot, a revenue milestone. Does the agreement handle those moments?

Do all founders agree on what the agreement actually says?
Ask each founder to describe the equity split, the decision-making structure, and the exit mechanism in their own words. If the answers differ, the document is not ready.

When This Is Not Enough

Early-stage does not mean informal. The agreement can be short, but the core structure cannot be vague.

If the company is already raising money, generating revenue, hiring employees, or adding operational complexity, the agreement usually needs to be more detailed than founders expect. If any of those questions are open, john@jaconsulting.pro is the right place to start.

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