

Founders' Agreement

This Founders' Agreement (herein referred to as "Agreement") is made on _____ day of _____, 20____ and defines the cooperation principles among the Founders, including related measures and responsibilities. The undersigned (each herein referred to as "Founder" and jointly as "Founders") are working together to obtain mutual benefit and in developing their business.

_____ [Official business name] is in the field of _____ [Business industry] which concerns _____ [Business concept description] (hereby referred as the "Project").

Founders hereby agree to collaborate in upholding and reaching their common business purpose and desires to regulate certain rights and obligations in connection with the Project, subject to the terms and conditions below:

I. Interpretation. The Founders agree to interpret the following words with the following meanings:

- A. Board.** The Board of Directors of the Operational Company.
- B. Constitution.** Articles of Incorporation of the Operational Company and any amendment from time to time.
- C. Exit Date.** The date on which a Founder ceases to be part of the Project because he/she transferred all his shares.
- D. Shareholder.** A Founder that holds at least one share.
- E. Party.** Individually refers to a Founder subscribing to this Agreement whose name shall be below.
- F. Project.** Any undertaking carried out collaboratively or individually by the Founders to attain a certain outcome for the business.
- G. Applicable law.** Laws, Statutes, Ordinance, or any legal instrument applicable to this Agreement in _____ [Governing state] excluding the conflict of laws.

II. Incorporation and Transfer of Ownership. Each Founder declares that he/she owns the business concept and any associated right thereof and shall develop the Project through a corporation to be incorporated under the laws of _____ [State in which the business will be registered] promptly after the execution of this Agreement.



Each Founder shall grant and assign to the Operational Company (Check one)

within _____ days after the execution of this Agreement

immediately after its formation,

all right, title, and interest in and to the Project, including any intellectual property right, ideas, registered or not, labor and work products that result from any and all work performed by the Founders that relates to the Project for the time this Project last or as otherwise agreed by Founders in the future.

Obligation of any Founders pursuant to this entire Agreement includes the obligation of execution of any document, form, and instrument that may be required by the applicable law to perfect title into the Project.

The Founders agree to use the assets and capital contribution commercially with reasonable efforts to cause the business to advance in accordance with sound business practices.

III. Titles & Responsibilities. The Parties to this Agreement agree to conduct their tasks in the field of the Operational Company's business operations in the interests of the Company. All immaterial and other property rights created during or directly related to the Operational Company's business development process will become the property of the Operational Company unless agreed otherwise in writing by all Parties.

Tasks and roles of the Founders

_____ [Founder name], _____ [Title]

Main tasks & responsibilities:

_____ [Founder name], _____ [Title]

Main tasks & responsibilities:

_____ [Founder name], _____ [Title]

Main tasks & responsibilities:



_____ [Founder name], _____ [Title]

Main tasks & responsibilities:

IV. Time Commitment. The Founders agree to the following:

_____ [Founder name] hereby agrees to commit (Check one)

full-time part-time for _____ day(s) a week, _____ hour(s) a day.

_____ [Founder name] hereby agrees to commit (Check one)

full-time part-time for _____ day(s) a week, _____ hour(s) a day.

_____ [Founder name] hereby agrees to commit (Check one)

full-time part-time for _____ day(s) a week, _____ hour(s) a day.

_____ [Founder name] hereby agrees to commit (Check one)

full-time part-time for _____ day(s) a week, _____ hour(s) a day.

V. Decisions. The Founders have expertise in different fields and aspects. For the collective interest of the Operational Company, the structure to address equity and decision-making is vested to the Founders according to their expertise. The Founders agree to the following:

_____ [Founder(s) name(s)] hereby agree(s) to make decisions regarding _____.

_____ [Founder(s) name(s)] hereby agree(s) to make decisions regarding _____.

_____ [Founder(s) name(s)] hereby agree(s) to make decisions regarding _____.

The limit to take a decision should not exceed _____ day(s). In rare situations where the matter at hand is complex and it is not possible to take an informed decision within the prescribed time limit, an extension of _____ day(s) can be granted. The decision to extend the limit can be taken by (Check one) all Founders the Founders with expertise on the decision to be taken.

For instances where there is a deadlock between the Founders over decision making, the Founders will

_____ [Method to handle deadlock]



VI. Initial Capital Contribution. Each Founder agrees and is obligated to contribute the following amount(s) of non-refundable initial capital commitment to account for initial company expenses:

_____ [Founder name]

Initial contribution: _____

Total value: \$ _____

_____ [Founder name]

Initial contribution: _____

Total value: \$ _____

_____ [Founder name]

Initial contribution: _____

Total value: \$ _____

_____ [Founder name]

Initial contribution: _____

Total value: \$ _____

Each Founder agrees that any additional capital contribution may be possible to support the operational costs of the Project, provided that each Founder agrees with written consent.

VII. Business and Ownership Structure upon Formation. Upon the formation of the Company, the entire issued share ownership of the Operational Company shall reflect the following equity:

_____ [Founder name]

Shares: _____

Equity Percentage: _____%

_____ [Founder name]

Shares: _____

Equity Percentage: _____%

_____ [Founder name]

Shares: _____

Equity Percentage: _____%



_____ [Founder name]

Shares: _____

Equity Percentage: _____%

The Company shall be managed by the Board of at least _____ directors elected by the Founders. The Founders may be elected as a director.

At any given time, if a Founder decides to sell, assign or otherwise convey a portion of their shares in the Operational Company to any party, the Selling Founder shall notify other Non-selling Founders and give them reasonable time to learn about the offer. A failure by a Non-selling Founder to give written notice of exercise within _____ day(s) shall be deemed a rejection by the Selling Founder of its option to purchase, and the Selling Founder is entitled to offer to a third party with the same sale terms as offered to the Non-selling Founders.

Each share counts for one vote.

VIII. Vesting Schedule. Founders' shares shall vest in accordance with the provisions of this clause. After _____ [Cliff period] from the execution of this Agreement or any different time as may be agreed upon by the written consent of all the Founders, each Founder will have _____% of his or her shares vested.

On _____ [Vesting frequency] thereafter, the remaining shares will be apportioned in equal increments. In all cases, each Founder's shares shall be 100% fully vested after _____ [Duration of vesting schedule] of the execution of this Agreement.

If a Founder who is subject to the vesting schedule departs the Operational Company prior to full vesting of his/her share, the remaining portion of any unvested shares shall be returned to the Operational Company in accordance with the vesting schedule.

IX. President's Engagement. During _____ [Term] after the execution of this Agreement, _____ [President name] will serve as President of the Operational Company reporting to the Board of Directors. In such a position, the President shall have such duties, authorities, and responsibilities as shall be determined in the Constitution of the Operational Company or as it may be granted from time to time by the Board of Directors.



During the term of this engagement the President will be permitted, without consent of the Board, to act or serve as a director, trustee, committee member, or principal of any type of business association, as long as such activities are disclosed in writing to the Board of Directors, and does not represent a conflict of interest. Similarly, the President shall not be prohibited from purchasing or owning any other entity unless such activity represents a conflict of interest to the primary activity of the Operational Company.

The Operational Company shall pay the President an annual rate of base salary of \$_____. The Board of Directors may set the President's base salary at a higher level than provided herein, on the basis of a salary review that it may conduct on at least an annual basis.

In the event the President is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, or administrative, other than one initiated by the Operational Company, by reason of his position as President, the Operational Company shall indemnify and held harmless by the Company to the fullest extent permitted by applicable law and the Operational Company's constitutional document, from and against any liabilities, costs, claims, or expenses, including all costs and expenses incurred in defense of any proceeding.

The engagement of the founder as a President of the Company may be terminated at any time by the Board of Directors.

With respect to each calendar year of the Operational Company, the President shall be eligible to receive an additional long-term incentive award of not less than _____% of his base salary.

X. Expenses. The Founders shall approve in writing the budget of the Company expenses on a rolling basis. Any Founder may pay budgeted expenses on the Company's behalf, and the Company shall reimburse promptly each Founder for such expenses within a reasonable time period after the payment's report is submitted by the Founder supported by receipts.

XI. Term and Termination. This Agreement may be terminated in writing of all parties to it, and if not terminated prior will expire at _____ [Agreement term] after the execution of this Agreement. Upon termination, any business asset transferred to the Company shall be executed and divided in accordance with the percentage distribution of the shares of the Company.



Any Founder may voluntarily terminate any services with the Company at any time for any reason, provided however, such Founder notifies the other Founders thirty (30) days in advance. The Founder shall compulsorily offer to transfer the shares held by him or her, to the remaining Founders in proportion to their interest in the shares of the Operational Company.

A Founder may be excluded or terminated with cause provided that he or she either (a) acted on material breach of his or her fiduciary duty or duty of care; (b) an act of fraud, willful misconduct, dishonesty, gross negligence, or abuse of authority, including but not limited to leaking confidential information of the Operational Company, colluding with the competitors of the Company, or intentionally and materially harming the interests of the Company or has attempted to do any of the above. In both cases, the rest of the Founder shall be offered the shares of the breaching Founder at the price set by an independent expert appointed by the Operational Company in the ratio of their interest. The breaching Founder shall resign from any corporate position or charge he or she may have in the company.

In the case of death of a Founder or permanent disability, the transfer of his or her share shall be in the following manner: the vested shares shall be offered at a price determined by an independent expert appointed by the Company to the remaining Founders in the ratio of their interest of the Founders. The unvested shares shall be acquired by the Company.

XII. Other Covenants.

- **Non-competition.** None of the Founders, without the prior written consent of disinterested Founder(s), while he/she is a holder of interest of the Project and for a lock-in period of _____ [Lock-in period], can compete or assist in competing with the Operating Company directly or indirectly in any transaction or activity related to the Project or otherwise support financially such activity, so long as he/she holds shares of the Operating Company or is a member of the Board. These prohibitions shall be applicable till the lock-in period lapses.

- **No solicitation.** During the time the Founder holds interest in the Company, is a member of the Board, or is entitled to elect any member thereof, shall not solicit, approach or offer any person natural or legal that was employed by the Operational Company or provided services to the Operational Company as an independent contractor if the purpose of such approach or offering is to transact in the area of business of the operational company or the Plan.

- **Confidentiality.** Each Party must keep this Agreement, its terms and existence confidential. Furthermore, any information that each Founder receives about other Founders



and/or the business shall be kept strictly confidential. Such information must not be used without the prior written consent of the other party unless (a) disclosure is required by law, (b) the confidential information is already in the public domain or generally known, or (c) it is reasonably necessary in connection with any proposed sale of that party's interest in the Company, part or all of the business, or shares. In any case, the Founder will be promptly made sure to put on notice the owner of the information if the disclosure is required by law or by any governmental agency.

- **Intellectual Property Rights.** Each Founder hereby confirms that all intellectual property rights, whether registered or not, developed by, for or in relation to the business of the operational company or the Project as a whole, shall be the sole and exclusive property of the operational company. In any case, each Founder agrees to transfer any of such rights developed by or for the Company's purpose, using or not the company resources, to the Operational Company. Should Founders agree to allow any party to retain any such rights developed by or for the Company in any manner inconsistent with the preceding sentences, it must be agreed upon by all parties and recorded in writing with signatures attached.

- **Entire Agreement.** This Agreement contains all of the terms agreed between the parties relating to the subject matter dealt with herein and supersedes and cancels all prior discussions and agreements covering the subject of this Agreement. The Parties have not relied on any representation, warranty, or agreement relating to the matters herein negotiated that is not expressly set out in this Agreement, or any amendment thereof, and no such representation, warranty, or covenant has any effect from the date of this Agreement.

- **Amendments.** This Agreement may be amended by writing consent of the Parties only.

- **No Partnership.** The Parties expressly declare that anything contained in this Agreement will be deemed or construed to constitute any party to be a partner, agent, or representative of any other Founder, or to create any trust or commercial partnership different from that created in regard to the operational company.

- **Severability.** If any provision of this Agreement becomes invalid or unenforceable to any extent, the remainder of this Agreement and its application will not be affected and will remain enforceable to the greatest extent permitted by law.

- **Notices.** All notices and communications given under this Agreement must be in writing and will be delivered both personally and by email.



● **Buy Back Option.** The Founders undertake not to transfer their share to third parties before _____ month(s) of executing the Shareholders' Agreement for the first time. Each Founder shall inform one another about any intent to transfer the Founder's shares and about the information to be given to third parties in connection with such transfer. Founders reserve the right to buy shares back for a period of _____ month(s) from resignation of a Founder if the buyback has not materialized earlier.

● **No Warranties or Representations.** The Parties make no warranties or representation either express or implied, as to any matter, on the part of any Party that the Operational Company shall give any successful business result as a consequence of the rights and obligations granted in this Agreement. Each Party recognizes that the business development of this Project is risky and that the obligations of each Party are to make reasonable efforts to develop the business field herein described. No special knowledge or expertise is hereby represented by any Party.

● **Waiver.** No failure to insist on the performance of any covenant, rights, or obligations herein contained shall be interpreted by any party, arbitrator, or judge, as a waiver of any such breach of any other covenant, duty, agreement, or condition. Any waiver must always be in writing.

XIII. Exit. In case of a liquidation event, any net consideration shall be distributed pro rata between the shareholders.

XIV. Governing Law. The Parties agree that all interpretation, validity, and all and any claims, disputes, controversies, and/or differences, whether contentious, arising out, relation, or as a consequence of this Agreement, including torts claims, or those arising from its termination or language and/or intent of the Parties, and all and any disputes arising from the interpretation of the Law or its validity, its applicability or the scope of this Agreement (any of the previous, in the following and only for the purpose of this Agreement shall be referred as a "Dispute"), shall be subject to the laws of _____ [Governing state].

XV. Dispute Resolution. (Check one)

Any dispute shall be resolved exclusively and definitively in institutional arbitration of law, that shall be held in the _____ [Governing state], subjected to the Regulations of the American Arbitration Association. The Arbitration Court shall be constituted by one or more arbitrators. The arbitration award shall be motivated in writing and shall be final and binding for the Parties. By entering into this arbitration clause, the Parties manifest



their clear and express consent to exclude the jurisdiction of the courts over any Dispute that would originally have jurisdiction on the subject matter.

Any dispute shall be resolved exclusively, and definitively by the Courts of _____ [Governing state] whose jurisdiction the Parties herein submit to exclusively.

(Check if applicable) Any dispute between or among the Parties, the Parties shall first proceed in good faith to submit the matter to mediation. Costs related to mediation shall be mutually shared between or among the Parties. Unless otherwise agreed in mediation, the Parties retain their rights to proceed to arbitration or litigation.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

Founder Signature **Founder Name** **Date**

