

Founders' Agreements

the foundation of a successful startup



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- Corporate transaction attorney specializing in entity formation and internal and external exits
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Founders' Agreements 101

- Legal agreement between the founders of a company governing the relationship between the founders and among the founders and the company
- Sets forth conditions, obligations and expectations of the founders
- Incorporates certain protections for the founders

Founders' Agreements - Timing

- A Founders' Agreement should be executed prior to incorporating/organizing the company
- Founders will want a Founders' Agreement negotiated and signed before capital contributions/loans are made to the company
- Ensures a meeting of minds among the founders with respect to the direction of the company, ownership and management

Founders' Agreements – The Basics

- Name and description of the company
- Identity of founders
- Form of entity
 - (Entity form has tax consequences!)

Founders' Agreements – Capital Contributions

- Capital Contributions
 - (Cash, IP, sweat equity)
- Establish bank accounts/financial institutions
- Documentation of contributions

Founders' Agreements – Capitalization and Compensation

- Share/Unit structure
- Vesting/Restricted Equity
- Equity Incentives
- Founder compensation

Founders' Agreements – Governance and Control

- Governance structure – Directors and Officers
- Major decisions
- Restrictive covenants

Founders' Agreements – Roles and Responsibilities

- Description of what each founder is expected to accomplish
- Development of metrics to test progress
- What happens if a founder is not pulling his/her weight?

Thank you.

Questions please



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