

# Founder Agreements – Clause Anatomy (Annotated)

Educational Framework for Startup Founders

## Important Disclaimer

This document is provided solely for educational and informational purposes. It does not constitute legal advice and should not be used as a ready-to-use Founder Agreement. The clauses below illustrate structure, intent, and common risk considerations only. Use of this document does not create an advocate–client relationship.

## Purpose of This Document

This annotated clause anatomy explains the key provisions commonly found in founder agreements. It is designed to help startup founders understand how governance, equity, and risk are structured contractually.

### 1. Founder Details and Background

**Clause Function:** Identifies founders, shareholding, and background of the venture.

**Annotation:** Clear identification avoids disputes over roles and ownership.

### 2. Roles and Responsibilities

**Clause Function:** Defines operational and strategic responsibilities of each founder.

**Annotation:** Ambiguity here is a major cause of founder disputes.

### 3. Capital Contribution

**Clause Function:** Specifies financial or non-financial contributions by founders.

**Annotation:** Prevents later disagreements over unequal investment.

### 4. Equity Ownership and Vesting

**Clause Function:** Explains shareholding and vesting mechanisms.

**Annotation:** Vesting aligns equity with long-term contribution.

### 5. Decision-Making and Governance

**Clause Function:** Sets voting rights and approval thresholds.

**Annotation:** Lack of governance clarity can paralyse operations.

### 6. Transfer Restrictions

**Clause Function:** Restricts transfer of founder shares.

**Annotation:** Protects the company from unwanted third parties.

### 7. Exit and Buy-Back

**Clause Function:** Explains voluntary and involuntary exit scenarios.

**Annotation:** Clear exit mechanisms reduce conflict during separation.

## 8. Confidentiality and IP Assignment

**Clause Function:** Protects confidential information and intellectual property.

**Annotation:** Essential for preserving company value.

## 9. Non-Compete and Non-Solicit

**Clause Function:** Addresses post-exit restrictions.

**Annotation:** Must be drafted carefully under Indian law.

## 10. Deadlock Resolution

**Clause Function:** Provides mechanisms to resolve founder deadlocks.

**Annotation:** Prevents long-term stalemates.

## 11. Dispute Resolution

**Clause Function:** Specifies how disputes between founders are resolved.

**Annotation:** Clear mechanisms reduce escalation to litigation.

## 12. Governing Law and Jurisdiction

**Clause Function:** Specifies applicable law and courts.

**Annotation:** Important for enforceability.

## Closing Note

This clause anatomy is intended to build understanding, not replace professional drafting. Founder agreements must be customised based on the founders' relationship, business model, and long-term vision.