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TEMPLATE FOR DRAFTING A FOUNDERS' AGREEMENT

The Company:

This agreement governs the relationship between the Founders, doing business as [COMPANY NAME] (the "Company"). The Company will continue from year to year, unless dissolved in accordance with this agreement.

The Company will be organized as a [Corporation] [Limited Liability Company] [Limited Liability Partnership] [Partnership] under the laws of the State of [IOWA].

The Company will be taxed as a [C Corporation] [S Corporation] [Partnership]. [NOTE: a Certified Public Accountant can provide guidance on tax treatment.]

The Company's principal place of business is located at: [ADDRESS].

The following individuals are hereby admitted as partners in the Company ("Founders"), holding the titles as designated below:

[NAME] residing at [ADDRESS], who will hold the office of [CEO] [COO] [CFO] [CIO] [CTO] [CMO], and perform the duties of [DESCRIBE];

[NAME] residing at [ADDRESS], who will hold the office of [CEO] [COO] [CFO] [CIO] [CTO] [CMO], and perform the duties of [DESCRIBE]; and

[NAME] residing at [ADDRESS], who will hold the office of [CEO] [COO] [CFO] [CIO] [CTO] [CMO], and perform the duties of [DESCRIBE].

The Founders each are equal partners to the Company. [NOTE: If ownership interest is not equal, itemize what percentage of ownership, or how many shares of stock, each Founder has.]

The Founders have created the Company for the sole purpose of [DESCRIPTION OF BUSINESS, MARKET, AND GROWTH AREAS] (the "Business").



Initial Contributions:

Capital:

Each Founder hereby contributes [\$\$\$] toward the Company for business expenses, as non-refundable capital contributions. [NOTE: if unequal contributions, itemize which Founder contributes what amount.]

Intellectual Property and Non-Tangible Assets:

[Note: if a Founder is contributing IP or other non-tangible assets to the Company, itemize which Founder contributes what and how (e.g., assignment, exclusive license)]

Compensation and Distributions:

Salaries:

In connection with the job description described above, the Company will pay a salary of [\$\$\$] [monthly] [annually] to [FOUNDER NAME], commencing [DATE], and continuing on a [monthly] basis. [NOTE: itemize all salaries to be paid, and the timeframe for doing so. If salaries are to be paid in a graduated manner, based on Company profitability, so state.]

Distributions:

The Company may (but is not required to) make ordinary distributions to the Founders out of Company profits. All distributions shall be made in the following order: [In equal proportion to all Founders who have contributed capital that has not been repaid, until such contributions have been repaid, with the remainder to be paid out in accordance with each Founder's percent ownership or share in the Company] [or] [to all Founders, in accordance with each Founder's percent ownership or share in the Company] [or] [to all Founders, in accordance with the percentage of annual Company revenue attributable to each Founder].

Management:

The Company will be managed by the Founders, and a [51%] simple majority of Founders may take any action on behalf of the Company except where explicitly stated otherwise in this Agreement.

[The unanimous written approval] [or] [A supermajority of at least 67%] of all Founders is required for the Company to undertake the following actions:

[add any partner to the Company];

[remove any partner from the Company];

[initiate any voluntary bankruptcy proceeding];

[initiate any dissolution of the Company, or distribute substantially all of its assets and business];

and

[amend this Agreement].



Business-Related Intellectual Property:

“Business IP” means: [NOTE: following is a typical definition, suitable for many instances, but one that should be vetted by an attorney to be sure it is capturing the full scope of IP of your business]

(1) Any contributions and inventions, discoveries, creations, developments, improvements, works of authorship and ideas of any kind that are conceived, created, developed or reduced to practice by any Founder, alone or with others, while such Founder is a member of, or provides services to, the Company, regardless of whether they are conceived or made during regular business hours or at the Company’s place of work, that are directly or indirectly related to the Business, result from tasks assigned to a Founder by the Company, or are conceived or made with the use of the Company’s resources, facilities or materials; and

(2) any and all patents, patent applications, copyrights, trade secrets, trademarks (whether or not registered), domain names, and other intellectual property rights, in the United States or worldwide, with respect to any of the foregoing.

The term “Business IP” does not include any inventions developed by a Founder not relating to the Business that the Founder developed on his/her own time without using Company proprietary or trade secret information, unless the invention related to the Business at the time of the invention’s conception or reduction to practice.

Each Founder hereby assigns to the Company all right, title, and interest in and to all Business IP owned by such Founder.

Non-Competition:

No Founder may participate in any business or activity that is directly competitive with the Business within [PRIMARY MARKET], whether as an employee, officer, owner, partner, investor, consultant, advisor, or independent contractor. The ownership of [X%] or less of the securities of any publicly-traded company will not be considered participation in a competitive business or activity.

Confidentiality:

The Founders agree to keep all non-public information with respect to Business IP confidential and not to disclose it to any other party, except: (i) to retained attorneys, accountants, and auditors, as necessary to perform their duties, (ii) to a potential business development partner and/or investor approved by the Company in writing, and who is bound by a confidentiality agreement in writing, and (iii) in response to an order or subpoena from a legal or government regulatory authority.



Termination:

Resignation or Removal of a Founder:

Any Founder may resign the Company for any reason or no reason at all by giving written notice to the other Founders. A [majority] [or] [super majority] of Founders may remove a Founder from the partnership at any time, for [any reason or no reason at all] [or] [DESCRIBE], by giving written notice to such Founder. Upon a Founder's resignation or removal, the Company will continue and will not dissolve, so long as at least one Founder remains as a partner of the Company.

The Company will pay out to the resigning or removed Founder any remaining and unpaid or unreimbursed capital account balance within [TIMEFRAME] of resignation, either in cash or with an unsecured note payable within [TIMEFRAME].

Dissolution:

If the Founders unanimously determine to dissolve the Company and wind up the Business, or if the Company dissolves because no Founder remains as a partner, then any persons who were Founders immediately prior to the dissolution will cause the Company to liquidate all assets in an orderly fashion. All Founders must be afforded a full opportunity to personally purchase, for fair market value, any Business IP in connection with such liquidation process. The Company will distribute, in accordance with the Distribution provision above, any assets that remain after paying for the expenses of dissolving and winding up, and repaying all indebtedness owed by the Company.

Title to any Business IP that is not sold in connection with dissolution and liquidation of the Company will be distributed to any persons who were Founders immediately prior to the dissolution [as owners in common].

Dispute Resolution:

[All disputes arising from or related to this Agreement first must be submitted for private mediation before a mediator under the rules of the American Arbitration Association as in effect at such time, before any Founder has standing to bring any such claim before a court having valid jurisdiction.]
[or]

[All disputes arising from or related to this Agreement must be submitted for binding arbitration before a single arbitrator under the rules of the American Arbitration Association as in effect at such time. Any resulting arbitration award may be enforced in any court having valid jurisdiction.]

The Founders hereby submit to the jurisdiction of the state and federal courts located in [Des Moines, Polk County, Iowa] for the enforcement of any such arbitration award and/or any such litigation arising out of this Agreement.

The Founders hereby stipulate to the laws of the State of [Iowa] as the governing law for this Agreement and with respect to any disputes arising from or related to this Agreement.



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CONTACT INFORMATION:

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