

BLACKTECHSTARTUP EDUCATION

Founder Agreements, Vesting, Decision Rights & Dispute Prevention

Turn the co-founder relationship into an operating agreement for ownership, contribution, authority, vesting, departures and deadlocks before stress turns ambiguity into leverage.

The founding team is both an operating system and a concentration of legal/economic risk. “We trust each other” does not answer who can sign a major contract, hire/fire an executive, issue equity, sell the company, change salaries or break a 50/50 deadlock. Investors care because unresolved founder conflict can freeze the company or leave departed founders with blocking ownership.

Know what weak and strong look like

READINESS AREA	WEAK / DILIGENCE RISK	STRONG / INVESTOR-READY
Roles	Titles overlap and responsibilities are assumed.	Written primary accountabilities, time commitments and decision domains.
Equity	Split reflects friendship or idea origin only.	Split rationale documented; vesting/repurchase protects against early departure.
Authority	Any founder can commit the company.	Bank, contract, hiring, financing and strategic approval thresholds are explicit.
Deadlock	“We will work it out.”	Escalation, tie-break/board mechanism and reserved matters are defined.
Departure	No process for resignation, termination, disability or misconduct.	Vesting, repurchase, access removal, IP/confidentiality and transition steps are documented.

Separate ownership from management authority

A founder can own a large stake without having unilateral authority over every operational decision. Define domains, spending limits and reserved matters that require joint/board approval.

Use vesting to align future contribution

Common venture structures use vesting/repurchase rights so unearned founder equity can return to the company if someone leaves early. The exact schedule, credit for pre-formation work and acceleration terms require legal review; the key principle is that years of future contribution should not be fully earned on day one.

Write the hard scenarios while the relationship is good

Discuss part-time transition, underperformance, inability to work, misconduct, outside projects, new family obligations, founder loans, salary changes and strategic disagreement. A document does not eliminate conflict; it prevents the conflict from inventing rules after incentives have changed.

Control company access

Tie departure procedures to bank access, code repositories, domains, devices, customer systems, cap-table tools and signing authority. Corporate separation is incomplete if the former founder still controls the production account.

Build governance that can mature

Before institutional capital, founders may hold most board power. After financing, voting agreements and protective provisions can change decision authority. Keep founder arrangements compatible with future corporate governance rather than creating side promises that conflict with formal documents.

Run the diligence stress test before investors do

Do not rehearse an answer. Rehearse the evidence. Give yourself a short diligence window and try to produce the underlying records without rebuilding the story from memory. A clean result is reproducible, tied to a source system or signed document, and consistent with the numbers elsewhere in the company.

→ **Roles:** Put the underlying records on screen and prove this standard: Written primary accountabilities, time commitments and decision domains. If the evidence still looks like this weak state—Titles overlap and responsibilities are assumed.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Equity:** Put the underlying records on screen and prove this standard: Split rationale documented; vesting/repurchase protects against early departure. If the evidence still looks

like this weak state—Split reflects friendship or idea origin only.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Authority:** Put the underlying records on screen and prove this standard: Bank, contract, hiring, financing and strategic approval thresholds are explicit. If the evidence still looks like this weak state—Any founder can commit the company.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Deadlock:** Put the underlying records on screen and prove this standard: Escalation, tie-break/board mechanism and reserved matters are defined. If the evidence still looks like this weak state—“We will work it out.”—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Departure:** Put the underlying records on screen and prove this standard: Vesting, repurchase, access removal, IP/confidentiality and transition steps are documented. If the evidence still looks like this weak state—No process for resignation, termination, disability or misconduct.—record the gap, name an owner and give it a due date instead of explaining it away.

Do the math investors will do

Decision-rights design: list material decisions in rows—financing, equity grants, annual budget, contracts above threshold, founder compensation, executive hiring/firing, debt, IP sale/license, litigation settlement, acquisition/sale—and assign “owner decides,” “consult,” “unanimous founders,” “board approval,” or “stockholder approval.” The artifact is far more useful than a vague sentence saying founders “share decisions.”

Build the evidence investors can verify

- ✓ Founder role/accountability memo
 - ✓ Founder stock purchase and vesting/repurchase documents
 - ✓ IP/confidentiality assignments
 - ✓ Decision-rights matrix and spending/signature policy
 - ✓ Deadlock/escalation procedure
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✓ Departure/offboarding checklist

✓ Board/stockholder approval map for reserved matters

Questions an investor may ask

? What happens if one founder goes part-time?

? Who can sign a \$250k contract?

? If founders disagree on a financing, who decides?

? How much unvested equity returns if a founder leaves next month?

? Could any side agreement conflict with the charter or voting agreement?

30-day repair sprint

1 Days 1–5: write roles, time commitments and decision domains.

2 Days 6–10: inventory equity/vesting/IP documents and missing approvals.

3 Days 11–15: build decision-rights matrix and financial/signature thresholds.

4 Days 16–20: work through five departure/deadlock scenarios.

5 Days 21–25: have qualified counsel conform the arrangement to corporate documents.

6 Days 26–30: sign, store and connect the agreement to offboarding/access controls.

Research behind this guide

Use the primary and authoritative sources below to verify current rules, market conditions and technical guidance. Terms and regulations can change.

Cooley GO — Startup Legal Document Library / VC Due Diligence List



NVCA — Model Legal Documents



SEC — Ready to Raise CAPITAL



Y Combinator — SAFE Financing Documents



Important: This guide is educational information, not individualized legal, tax, investment, employment, security or compliance advice. For decisions with material legal or financial consequences, use a qualified professional who can review your facts.

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