CONFIDENTIAL · CO-FOUNDER / PARTNERSHIP AGREEMENT REVIEW REPORT

# Co-Founder / Partnership Agreement Review Report

GENERATED 7 JUNE 2026 · NATIVE TEXT EXTRACTION · WORKFLOW V11

BOTTOM LINE

## ⚠ Negotiate before signing

**This co-founders agreement has the right structure for an equal 50/50 partnership but contains critical gaps in founder exit terms, equity protection, and compensation that will cause serious disputes if not fixed before signing.**

The agreement has a sound foundation but contains multiple critical gaps that will cause disputes later. The most serious issues are: (1) no good leaver / bad leaver distinction on founder exit; (2) no non-compete clause; (3) no founder salary terms; (4) no anti-dilution protection; and (5) key protections (ROFR, reserved matters) not mirrored in the Articles of Association. These are not minor revisions — they go to the heart of how the partnership will work. Do not sign until these are fixed.

RISK SCORE

**79** /100

Critical

**How to read this report.** The top section is a plain-English summary of what to do and why. The middle section flags your specific concerns, red flags, and India-specific issues. The *Detailed Legal Analysis* section at the end contains the full clause-by-clause review with redlines (red strikethrough = remove, green = add) — share that with your lawyer if you have one.

| 20 | 1 | 12 | 2 | 12 |
|---|---|---|---|---|
| CLAUSES REVIEWED | CRITICAL ISSUES | HIGH-RISK CLAUSES | MISSING CLAUSES | RED FLAGS |

## What To Do Next

1. Do not sign yet — use the "Negotiation Priorities" below as your agenda.
2. Send the suggested revisions (in the Detailed Legal Analysis section) to the counterparty.
3. Verify state-specific stamp duty before final execution.
4. Optional: have a lawyer review your final negotiated version before signing.

## Contract Snapshot

| ENTITY TYPE | ENTITY / FIRM | FOUNDERS / PARTNERS |
|---|---|---|
| private limited company | Lawgic Labs Private Limited | Rahul Sharma (Founder A), Arjun Mehta (Founder B) |
| **EFFECTIVE DATE** | **TERM / DURATION** | **GOVERNING LAW** |
| 10 June 2026 | — | Laws of India |
| **JURISDICTION** | | |
| New Delhi, India (seat of arbitration) | | |

## Executive Summary

### TOP 3 CONCERNS

1. No good leaver / bad leaver distinction — a founder fired without cause gets the same treatment as one removed for fraud, which is deeply unfair. The agreement also has conflicting clauses on when unvested shares can be repurchased, creating ambiguity about whether a terminated founder can keep their unvested shares.
2. No non-compete clause — a departing founder can immediately start a competing legal-tech SaaS business the next day, taking product knowledge and customer relationships. The non-solicitation clause only covers employees, not customers, which is a major gap for a B2B SaaS company.
3. No anti-dilution or pre-emptive rights — at the first fundraise, one founder could be diluted without any protection or right to participate. The agreement is also silent on founder salaries, which is a common and serious source of co-founder disputes at seed stage.

### KEY STRENGTHS

- Founder vesting is present with a 4-year schedule and 1-year cliff, which is standard and protects the venture if a founder leaves early.

- A deadlock resolution mechanism exists with mediation followed by a buy-sell (shotgun) process, which is the right structure for equal co-founders — though it needs tighter timelines and a minimum price floor.
- Confidentiality obligations have a reasonable 5-year survival period, which is appropriate for a legal-tech business.
- Arbitration is correctly seated in New Delhi, India, and the agreement is governed by Indian law, which is appropriate for both founders and the company.

#### NEGOTIATION PRIORITIES

1. Add a clear good leaver / bad leaver distinction with separate valuation mechanics — a good leaver (fired without cause, death, or permanent incapacity) should have the right to sell vested shares at fair market value; a bad leaver (voluntary resignation or termination for cause) should have their vested shares purchased at face value or lower. Resolve the ambiguity between the vesting clause and the departure clause.
2. Add a non-compete clause covering both the active period and post-exit (tied to the sale of goodwill, though note that Indian courts apply Section 27 of the Indian Contract Act strictly and may not enforce a post-exit non-compete even with a goodwill tie-in — seek independent legal advice). Expand the non-solicitation clause to cover customers, not just employees.
3. Add a founder salary clause specifying the monthly amount each founder will receive, how salaries will be reviewed, and what happens if the company cannot pay salaries in full. This is one of the most common sources of co-founder conflict and must be agreed in writing now.
4. Add anti-dilution and pre-emptive rights — each founder must have the right to participate in future share issues to maintain their ownership percentage. Make this a Reserved Matter requiring unanimous approval.
5. Ensure all key protections (ROFR, tag-along, drag-along, reserved matters, transfer restrictions) are mirrored in the Articles of Association so they bind the company itself, not just the founders as individuals.
6. Add a lock-in period of at least 2–3 years (or until vesting is complete) before either founder can transfer shares.
7. Add a minimum price floor to the buy-sell deadlock mechanism — the offer price must be at least fair market value as determined by an independent valuer, not a price the wealthier founder can set to force the other out.
8. Add a data protection clause — Lawgic Labs will handle confidential legal data belonging to law firms and their clients. The agreement must allocate responsibility for data security and specify what happens to customer data if a founder departs or the company is dissolved.
9. Add a liability and indemnity clause, including D&O (directors' and officers') indemnity so the company can cover the founders' personal liability for actions taken in good faith as directors.
10. Add a pre-existing IP disclosure schedule — if Founder B has already written code for the product before this agreement, that code must be assigned to the company or licensed to it. The current IP clause only covers IP created 'in connection with the business' after the agreement is signed.

NEGOTIATION DIFFICULTY

Moderate

## YOUR SPECIFIC CONCERNS — DIRECT ANSWERS

You flagged these concerns at intake. Below is how each is handled in the contract and what we recommend.

### Concern 1: founder vesting

**Addressed in contract:** Yes

**What the contract says:** *All founder shares vest over 4 years with a 1-year cliff. 25% vests after 12 months of continuous service. The remaining 75% vests in equal monthly instalments over the next 36 months. If a founder leaves before full vesting, the company can buy back all unvested shares at face value (the nominal value printed on the share certificate, typically INR 10 per share — not the market value).*

**Adequacy:** The vesting schedule itself is standard and fair. However, there is a risk for you: the repurchase price is 'face value', which is usually very low (e.g. INR 10 per share). If the company has grown significantly in value by the time a founder leaves, the departing founder loses all that growth on unvested shares. This is intentional — it discourages early exit — but you should understand this clearly. Also, the contract does not define what 'ceases active involvement' means. Does a medical leave count? A part-time role? This vagueness could cause disputes.

**Recommendation:** Add a clear definition of 'ceases active involvement' — for example, specify that it means resignation, termination for cause, or absence for more than 90 consecutive days without board approval. Also consider adding an 'acceleration clause' (a rule that speeds up vesting) for situations like the company being acquired, so founders are not penalised in a sale scenario. Ask your lawyer to draft these additions.

### Concern 2: what happens if a founder leaves early

**Addressed in contract:** Yes

**What the contract says:** *The contract covers voluntary resignation: unvested shares are bought back by the company at face value, and vested shares stay with the departing founder. However, the contract does NOT separately address: (a) what happens if a founder is removed or asked to leave (involuntary exit), (b) what happens if a founder dies or becomes permanently incapacitated, or (c) what happens to the departing founder's role as a director.*

**Adequacy:** The contract only handles one scenario — voluntary resignation. This is a significant gap. If one founder wants to remove the other (for poor performance, misconduct, or any other reason), there is no process defined. The departing founder also remains a shareholder of vested shares with no obligation to sell them back, which could create a situation where a non-working founder still holds 50% (or a large chunk) of the company. There is also no 'bad leaver' clause — meaning a founder who causes serious harm to the company gets the same treatment as one who leaves on good terms.

**Recommendation:** Add three things: (1) A 'bad leaver' vs 'good leaver' distinction — a founder who leaves due to misconduct or breach of contract should get a lower price for their shares than one who leaves amicably. (2) A process for involuntary removal of a founder-director, including what triggers it and what vote is needed. (3) A clause covering death or permanent disability — typically the shares pass to legal heirs, but the other founder should have a right to buy them out at a fair price. Discuss these with your lawyer before signing.

### Concern 3: ownership of intellectual property created before incorporation

**Addressed in contract:** No

**What the contract says:** *The contract says all IP 'created by either Founder in connection with the business' belongs to the company. It also says all activities before incorporation are 'deemed undertaken for the benefit of the proposed company.' However, it does NOT specifically address IP that was created BEFORE this agreement was signed — for example, code, designs, or tools that a founder built independently before this collaboration began.*

**Adequacy:** This is a real gap. If either founder already has existing code, software tools, or other work that will be used in the business, the contract does not clearly say whether that pre-existing IP belongs to the company or stays with the founder personally. The current wording could be read either way, which could lead to a serious dispute later — especially if the founders split up. For a legal technology software business, pre-existing code is often the most valuable asset.

**Recommendation:** Before signing, both founders should make a written list of all pre-existing IP (code, tools, designs, domain names, etc.) that each person is bringing into the business. Then decide clearly: (a) Is it being assigned (permanently transferred) to the company? (b) Is it being licensed (the founder keeps ownership but lets the company use it)? If licensed, on what terms? Add a schedule (an attachment) to this agreement listing all pre-existing IP and stating clearly what happens to each item. Your lawyer can draft this schedule.

### Concern 4: deadlock situations where founders disagree

**Addressed in contract:** Yes

**What the contract says:** *If founders cannot agree on a 'material business matter' for more than 30 days, they must first try mediation (a neutral third party helps them reach a deal). If mediation fails, either founder can trigger a 'buy-sell process' — one founder names a price, and the other must either sell their shares at that price OR buy the first founder's shares at the same price. This is sometimes called a 'shotgun clause'.*

**Adequacy:** The buy-sell mechanism is a recognised way to break deadlocks, and it is better than having no mechanism at all. However, there are practical problems: (1) The contract does not say who pays for mediation or how long mediation should last before it is declared 'unsuccessful'. (2) The buy-sell clause does not set a time limit for the recipient to decide whether to buy or sell — this could drag on. (3) The clause does not address what happens if neither founder can afford to buy the other out. (4) The term 'material business matter' is not defined — minor disagreements could be escalated unnecessarily. (5) With a 50-50 split and unanimous voting required on key decisions, deadlocks are very likely.

**Recommendation:** Add the following: (1) Define 'material business matter' with examples. (2) Set a clear time limit for the buy-sell process — for example, the recipient must respond within 30 days of receiving the offer. (3) Specify who pays for mediation (usually split equally). (4) Consider adding a third-party valuation option as an alternative to the buy-sell, in case one founder cannot afford to buy out the other. Given the 50-50 ownership, you should also discuss with your lawyer whether one founder should have a casting vote on operational (day-to-day) decisions, even if major decisions remain unanimous.

**Concern 5: whether one founder can transfer shares to a third party without consent of the other founder**

**Addressed in contract:** Yes

**What the contract says:** *The contract has two protections: (1) A 'right of first refusal' — before selling shares to anyone, a founder must first offer those shares to the other founder on the same terms. The other founder has 30 days to accept. (2) A 'tag-along right' — if a founder wants to sell more than 50% of their shares to a third party, the other founder can join the sale and sell their own shares on the same terms.*

**Adequacy:** These are good protections and are standard in co-founder agreements. However, there are two gaps: (1) The contract does not say what happens if the other founder does NOT exercise the right of first refusal — can the selling founder then sell to ANY third party, or only to an approved buyer? There is no approval right over who the third-party buyer is. (2) The tag-along right only applies when more than 50% of a founder's shares are being sold. A founder could sell 49% of their shares to a stranger without triggering the tag-along, which could still bring an unwanted person into the company.

**Recommendation:** Add two things: (1) A 'consent to transfer' clause — even after the right of first refusal is not exercised, the remaining founder should have the right to approve or reject the identity of the proposed third-party buyer. This prevents a stranger or a competitor from buying into the company. (2) Lower the tag-along threshold from 50% to a smaller number — for example, any sale of more than 10% or 15% of shares should trigger the tag-along right. Ask your lawyer to revise these clauses before you sign.

**RED FLAGS**

- No good leaver / bad leaver distinction — a founder fired without cause gets the same treatment as one removed for fraud, which is deeply unfair and will cause disputes.
- No non-compete clause — a departing founder can immediately start a competing legal-tech SaaS business, taking product knowledge and customer relationships with them.
- No anti-dilution or pre-emptive rights clause — at the first fundraise, one founder could be diluted without any protection or right to participate.
- The buy-back of unvested shares relies solely on a company buy-back, which has strict legal limits under the Companies Act — if the company cannot buy back, the unvested shares may stay with the departing founder.
- No founder salary clause — the agreement is silent on compensation, which is a common and serious source of co-founder disputes at seed stage.
- Key protections (ROFR, reserved matters, tag-along) are not stated to be mirrored in the Articles of Association — they may not bind the company itself, only the founders as individuals.
- No liability or indemnity clause — if one founder's actions cause loss to the other or to the company, there is no clear contractual remedy.
- [QA found] No data protection or privacy clause — serious gap for a SaaS company handling legal client data — Entire agreement — no data protection section exists (high)
- [QA found] No nominee or succession provision — if a founder dies, their shares pass to legal heirs who may have no business relationship with the surviving founder — EQUITY OWNERSHIP section; TRANSFER OF SHARES section; DEPARTURE OF A FOUNDER section (high)
- [QA found] Buy-sell (Russian roulette) deadlock mechanism is practically unworkable if one founder is cash-poor — the wealthier founder can set a price the other cannot afford to match — DEADLOCK section (high)
- [QA found] No clause addressing what happens to the agreement or the founders' obligations during the pre-incorporation period — the founders are operating as an unregistered partnership or joint venture before the company exists — INCORPORATION section; CAPITAL CONTRIBUTIONS section (medium)
- [QA found] No clause on intellectual property created by third-party contractors or employees hired before or after incorporation — a common gap for a software company — INTELLECTUAL PROPERTY section (medium)

### MISSING CRITICAL CLAUSES

- Anti-dilution and pre-emptive rights on future share issues
- Good leaver / bad leaver distinction with separate valuation mechanics for each
- Non-compete clause (during active involvement and, to the extent enforceable, post-exit)
- Founder salary and compensation terms
- Liability and indemnity provisions (including D&O indemnity)
- Drag-along rights (currently only tag-along is present)
- AoA alignment clause confirming that key protections will be mirrored in the Articles of Association
- Pre-existing IP disclosure and licence schedule
- Lock-in period for share transfers
- Acceleration of vesting on a change of control

### INDIA-SPECIFIC NOTES

This agreement is governed by Indian law and will be executed in Haryana by two Indian founders. Key India-specific issues: (1) Founder vesting and reverse vesting are enforceable under Indian contract law, but the buy-back mechanism relies on a company buy-back under the Companies Act, which has strict procedural and financial limits — if the company cannot buy back, the unvested shares may remain with the departing founder. (2) Non-compete clauses are subject to Section 27 of the Indian Contract Act, which voids restraints on trade — a non-compete during active involvement is generally enforceable, but a post-exit non-compete is difficult to enforce even if tied to the sale of goodwill. The suggested revision includes a goodwill tie-in, but this is not a guaranteed protection and you should seek independent legal advice before relying on it. (3) The Articles of Association must be aligned with this agreement — protections like ROFR, reserved matters, and transfer restrictions only bind the company itself if they are in the AoA; otherwise they bind only the founders as signatories. (4) If the company raises external funding, investors will conduct due diligence on IP ownership, founder vesting, and good leaver / bad leaver terms — the current gaps will be flagged as serious issues. (5) A data protection clause is essential — the Digital Personal Data Protection Act is being rolled out in India and Lawgic Labs will handle sensitive legal client data; the agreement must address data security and data handling on founder departure. (6) Cross-border considerations: if either founder is a non-resident Indian (NRI) or if the company plans to raise foreign investment, FEMA (Foreign Exchange Management Act) and FDI (Foreign Direct Investment) rules may apply — this is outside the scope of this review but should be checked with a cross-border specialist if relevant.

**STAMP DUTY**

This agreement is executed in Haryana and will attract state stamp duty under the Indian Stamp Act, 1899 and the Haryana Stamp Act. An insufficiently stamped or unstamped agreement may not be admissible as evidence in court or arbitration. The cost of stamp duty should be borne equally by both founders. Before execution, seek advice from a local lawyer or stamp vendor in Haryana on the correct stamp duty payable — rates vary by state and by the nature of the document (co-founder agreement, share subscription, etc.). Ensure the agreement is stamped before both founders sign.

*Please cross-check the stamp duty amount. Rates vary by state and contract value — verify the current rate with the relevant state stamp-duty authority or your local counsel before execution.*

## DETAILED LEGAL ANALYSIS

*Full clause-by-clause review with redlines — for lawyers and in-house counsel.*

**QUALITY-ASSURANCE REVIEW**

A second-pass review caught the following issues with the initial analysis:

- **3** clause findings corrected
- **5** additional risks discovered outside the standard 20 categories (marked [QA found] in Red Flags)

*The analysis is thorough and well-structured, correctly identifying most major risks; however, it contains one wrong risk level (IP assignment rated 'low' when it should be 'high'), one missed Indian-law issue regarding the Section 27 non-compete analysis (the goodwill-exception framing is correct but the enforceability of an in-term non-compete is overstated), and several additional risks that were not captured, including the absence of a data-protection/privacy clause for a SaaS company handling legal client data, the absence of any nominee/succession provision for shares on death, and the practical unenforceability risk of the buy-sell mechanism where one founder is cash-poor.*

# Clause-by-Clause Analysis

20 clauses reviewed across the standard co-founder/partnership categories. Suggested revisions are shown first as inline redlines (red strikethrough = remove, green = add), followed by the clean revised text.

CLAUSE 1 · PREAMBLE; PURPOSE SECTION; INCORPORATION SECTION

## Parties, Formation & Business Purpose

MEDIUM RISK | PRESENT | MODERATE CONFIDENCE (82%)

### ORIGINAL TEXT

> *This Co-Founders Agreement ("Agreement") is entered into on 10 June 2026 by and between: Rahul Sharma, residing in Yamunanagar, Haryana ("Founder A") and Arjun Mehta, residing in Gurugram, Haryana ("Founder B") collectively referred to as the "Founders". PURPOSE The Founders agree to collaborate in establishing and operating a legal technology software business under the proposed name Lawgic Labs Private Limited or such other name as may be approved by the Registrar of Companies. The business shall develop software products, artificial intelligence tools, and workflow automation solutions for legal professionals and law firms. INCORPORATION The Founders shall take all reasonable steps to incorporate a private limited company under the Companies Act, 2013 within ninety (90) days of the execution of this Agreement. All business activities undertaken prior to incorporation shall be deemed undertaken for the benefit of the proposed company.*

### ISSUES IDENTIFIED

- The agreement does not say what happens if incorporation is not completed within 90 days — there is no consequence, extension mechanism, or exit right if the company is never formed.
- Business activities before incorporation are 'deemed for the benefit of the company', but there is no mechanism to formally novate or assign pre-incorporation contracts to the company once it is formed. Under Indian company law, a company cannot ratify a contract made before it existed — a fresh contract is needed.
- No PAN, Aadhaar, or other identification details are included for either founder, which can create ambiguity in stamp-duty and KYC contexts.
- The business purpose is broad but does not define what counts as 'in connection with the business' — this matters for the IP assignment clause later.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

This Co-Founders Agreement ("Agreement") is entered into on 10 June 2026 by and between: Rahul Sharma, son of [Father's Name], residing ~~in~~ at [Full Address], Yamunanagar, ~~Haryana~~ Haryana, PAN: [PAN] ("Founder A") and Arjun Mehta, son of [Father's Name], residing ~~in~~ at [Full Address], Gurugram, ~~Haryana~~ Haryana, PAN: [PAN] ("Founder B") collectively referred to as the "Founders". PURPOSE The Founders agree to collaborate in establishing and operating a legal technology software business under the proposed name Lawgic Labs Private Limited or such other name as may be approved by the Registrar of ~~Companies.~~ Companies (the "Company"). The business shall develop software products, artificial intelligence tools, and workflow automation solutions for legal professionals and law ~~firms.~~ firms (the "Business"). INCORPORATION The Founders shall take all reasonable steps to incorporate the Company as a private limited company under the Companies Act, 2013 within ninety (90) days of the execution of this Agreement. If incorporation is not completed within that period, either Founder may, by written notice to the other, extend the period by a further thirty (30) days or terminate this Agreement, in which case the provisions on confidentiality, IP assignment, and dispute resolution shall survive. All business ~~activities~~ activities, contracts, and expenditure undertaken by either Founder prior to incorporation shall be deemed undertaken for the benefit of the ~~proposed~~ Company. ~~company.~~ Immediately after incorporation, the Founders shall procure that the Company enters into fresh agreements with all relevant third parties to adopt or novate those pre-incorporation arrangements, and shall reimburse each Founder for verified pre-incorporation expenses incurred on the Company's behalf.

**SUGGESTED REVISION** (clean text)

> This Co-Founders Agreement ("Agreement") is entered into on 10 June 2026 by and between: Rahul Sharma, son of [Father's Name], residing at [Full Address], Yamunanagar, Haryana, PAN: [PAN] ("Founder A") and Arjun Mehta, son of [Father's Name], residing at [Full Address], Gurugram, Haryana, PAN: [PAN] ("Founder B") collectively referred to as the "Founders". PURPOSE The Founders agree to collaborate in establishing and operating a legal technology software business under the proposed name Lawgic Labs Private Limited or such other name as may be approved by the Registrar of Companies (the "Company"). The business shall develop software products, artificial intelligence tools, and workflow automation solutions for legal professionals and law firms (the "Business"). INCORPORATION The Founders shall take all reasonable steps to incorporate the Company as a private limited company under the Companies Act, 2013 within ninety (90) days of the execution of this Agreement. If incorporation is not completed within that period, either Founder may, by written notice to the other, extend the period by a further thirty (30) days or terminate this Agreement, in which case the provisions on confidentiality, IP assignment, and dispute resolution shall survive. All business activities, contracts, and expenditure undertaken by either Founder prior to incorporation shall be deemed undertaken for the benefit of the Company. Immediately after incorporation, the Founders shall procure that the Company enters into fresh agreements with all relevant third parties to adopt or novate those pre-incorporation arrangements, and shall reimburse each Founder for verified pre-incorporation expenses incurred on the Company's behalf.

**Why this matters:** The 90-day incorporation window has no consequence if missed, and pre-incorporation contracts cannot be automatically ratified by the company under Indian law — a fresh adoption is needed. Adding identification details and a clear consequence for non-incorporation protects both founders.

**Indian law reference:** Companies Act 2013

CLAUSE 2 · CAPITAL CONTRIBUTIONS SECTION

## Capital Contribution & Initial Funding

HIGH RISK | PRESENT | HIGH CONFIDENCE (85%)

**ORIGINAL TEXT**

> *CAPITAL CONTRIBUTIONS Founder A shall contribute INR 5,00,000. Founder B shall contribute INR 5,00,000. The contributions shall be used for product development, incorporation expenses, marketing activities, and working capital requirements.*

**ISSUES IDENTIFIED**

- The clause does not say WHEN each founder must pay their contribution — there is no deadline or milestone trigger.
- There is no mechanism for what happens if one founder fails to pay — no interest, no dilution, no right to call a default.
- The clause does not specify whether the contribution is equity (share subscription) or a loan. This matters for tax and for what the founder gets back on dissolution.
- There is no restriction on how the funds are spent beyond a broad list — no approval process for expenditure above a threshold.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

> CAPITAL CONTRIBUTIONS ~~Founder~~ Each ~~A~~ Founder shall ~~contribute~~ subscribe ~~INR~~ to ~~5,00,000.~~ shares in the Company at par value and pay the following amounts into the Company's designated bank account within fifteen (15) days of the Company receiving its Certificate of Incorporation: Founder ~~B~~ A: ~~shall~~ INR ~~contribute~~ 5,00,000 Founder B: INR ~~5,00,000.~~ 5,00,000 These contributions are equity contributions in exchange for shares and are not loans. They shall not carry any interest and shall not be repayable except on a winding-up of the Company after all liabilities have been paid. The contributions shall be used solely for product development, incorporation expenses, marketing activities, and working capital requirements. Any single expenditure exceeding INR [agreed threshold] shall require prior written approval of both Founders. If either Founder fails to pay their contribution within the period stated above, the other Founder may, by written notice, grant a further fifteen (15) days to pay. If payment is still not made, the non-defaulting Founder may either: (a) treat this Agreement as terminated and seek recovery of any amounts already paid; or (b) reduce the defaulting Founder's equity percentage proportionally to reflect actual contributions made, subject to the Founders agreeing a revised equity split in writing.

**SUGGESTED REVISION** (clean text)

CAPITAL CONTRIBUTIONS Each Founder shall subscribe to shares in the Company at par value and pay the following amounts into the Company's designated bank account within fifteen (15) days of the Company receiving its Certificate of Incorporation: Founder A: INR 5,00,000 Founder B: INR 5,00,000 These contributions are equity contributions in exchange for shares and are not loans. They shall not carry any interest and shall not be repayable except on a winding-up of the Company after all liabilities have been paid. The contributions shall be used solely for product development, incorporation expenses, marketing activities, and working capital requirements. Any single expenditure exceeding INR [agreed threshold] shall require prior written approval of both Founders. If either Founder fails to pay their contribution within the period stated above, the other Founder may, by written notice, grant a further fifteen (15) days to pay. If payment is still not made, the non-defaulting Founder may either: (a) treat this Agreement as terminated and seek recovery of any amounts already paid; or (b) reduce the defaulting Founder's equity percentage proportionally to reflect actual contributions made, subject to the Founders agreeing a revised equity split in writing.

**Why this matters:** Without a payment deadline and a default consequence, one founder could delay or avoid contributing while still holding 50% equity. Clarifying that contributions are equity (not loans) avoids tax and repayment disputes later.

**Indian law reference:** Companies Act 2013; Income Tax Act (share subscription and angel tax considerations)

CLAUSE 3 · EQUITY OWNERSHIP SECTION

## Equity Split / Ownership / Profit-Loss Sharing

MEDIUM RISK   PRESENT   MODERATE CONFIDENCE (80%)

### ORIGINAL TEXT

> *EQUITY OWNERSHIP Upon incorporation, the equity of the company shall be allocated as follows: Founder A: 50% Founder B: 50% The parties acknowledge that such ownership percentages reflect their expected long-term contributions to the business.*

### ISSUES IDENTIFIED

- The clause says equity is split 50/50 but does not state the actual number of shares or the face value per share — this needs to match the Articles of Association and the share allotment resolution.
- There is no mention of an employee stock option pool (ESOP) — at seed stage, investors typically expect 10-15% to be reserved. If an ESOP pool is created later, both founders will dilute equally, but this should be agreed now.
- The agreement does not say how dividends (profits distributed to shareholders) will be declared or whether founders have any right to demand a dividend.
- The equity split is not mirrored in the Articles of Association — for a private limited company, transfer restrictions and pre-emption rights in this agreement bind only the signatories, not the company itself, unless they are also in the AoA.

### SUGGESTED REVISION (redlined: red strikethrough = remove, green = add)

EQUITY OWNERSHIP Upon incorporation, the ~~equity~~ authorised share capital of the ~~company~~ Company shall be INR [amount] divided into [number] equity shares of INR [face value] each. The paid-up share capital shall initially be allocated as follows: Founder ~~A:~~ A (Rahul Sharma): [number] shares, representing 50%~~-~~ of the paid-up capital Founder ~~B:~~ B (Arjun Mehta): [number] shares, representing 50% of the paid-up capital The ~~parties~~ Founders acknowledge that ~~such ownership~~ these percentages reflect their expected long-term contributions to the ~~business.~~ Business. ESOPPool: The Founders agree to reserve up to [10]% of the fully diluted share capital for an employee stock option plan (ESOP) to be adopted by the Board within [six (6)] months of incorporation. The dilution from the ESOP pool shall be borne equally by both Founders unless otherwise agreed in writing. Dividends: The Company shall not be obliged to declare any dividend. Any dividend shall be declared by the Board and approved by the shareholders in accordance with the Companies Act, 2013, and shall be paid to all shareholders in proportion to their shareholding. AoA Alignment: The Founders shall ensure that the Articles of Association of the Company reflect the transfer restrictions, pre-emption rights, and reserved matters set out in this Agreement. In the event of any conflict between this Agreement and the Articles of Association, the Articles of Association shall prevail as between the Company and third parties, and this Agreement shall prevail as between the Founders inter se.

**SUGGESTED REVISION** (clean text)

EQUITY OWNERSHIP Upon incorporation, the authorised share capital of the Company shall be INR [amount] divided into [number] equity shares of INR [face value] each. The paid-up share capital shall initially be allocated as follows: Founder A (Rahul Sharma): [number] shares, representing 50% of the paid-up capital Founder B (Arjun Mehta): [number] shares, representing 50% of the paid-up capital The Founders acknowledge that these percentages reflect their expected long-term contributions to the Business. ESOPPool: The Founders agree to reserve up to [10]% of the fully diluted share capital for an employee stock option plan (ESOP) to be adopted by the Board within [six (6)] months of incorporation. The dilution from the ESOP pool shall be borne equally by both Founders unless otherwise agreed in writing. Dividends: The Company shall not be obliged to declare any dividend. Any dividend shall be declared by the Board and approved by the shareholders in accordance with the Companies Act, 2013, and shall be paid to all shareholders in proportion to their shareholding. AoA Alignment: The Founders shall ensure that the Articles of Association of the Company reflect the transfer restrictions, pre-emption rights, and reserved matters set out in this Agreement. In the event of any conflict between this Agreement and the Articles of Association, the Articles of Association shall prevail as between the Company and third parties, and this Agreement shall prevail as between the Founders inter se.

**Why this matters:** How equity is split is the most fundamental term in any co-founders agreement. Without specifying share numbers, face value, and AoA alignment, the 50/50 split may not be legally effective against the company itself. An ESOP pool should be agreed now to avoid a dilution dispute at the first fundraise.

> **Indian law reference:** Companies Act 2013

CLAUSE 4 · FOUNDER VESTING SECTION

## Founder Vesting & Reverse Vesting

HIGH RISK PRESENT HIGH CONFIDENCE (88%)

**ORIGINAL TEXT**

> *FOUNDER VESTING All founder shares shall be subject to reverse vesting over a period of four (4) years with a one-year cliff. Twenty-five percent (25%) of each founder's shares shall vest upon completion of twelve (12) months of continuous service. The remaining shares shall vest in equal monthly installments over the subsequent thirty-six (36) months. If a founder ceases active involvement before full vesting, the company shall have the right to repurchase all unvested shares at face value.*

**ISSUES IDENTIFIED**

- The buy-back mechanism says the company repurchases unvested shares at face value, but a company buy-back under the Companies Act has strict procedural and financial limits — it may not always be legally possible. The agreement should also allow the other founder (or a nominee) to buy the unvested shares at face value if the company cannot do so.
- There is no definition of 'ceases active involvement' — this is vague. Does it cover termination by the company, serious illness, death, or only voluntary resignation? Each scenario should have a defined outcome.
- There is no acceleration provision — if the company is acquired (a 'change of control'), should unvested shares vest immediately? Without this, a founder could be bought out at face value for unvested shares even in a successful exit.
- The vesting schedule is symmetric (same for both founders), which is fair for an equal split, but there is no provision for what happens if one founder's role changes significantly — for example, if Founder B steps back from full-time work.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

FOUNDER VESTING All ~~founder~~ shares held by each Founder shall be subject to reverse vesting ~~over a period of four~~ on ~~(4)~~ the ~~years~~ following ~~with~~ schedule ~~a~~ (the ~~one-year~~ "Vesting ~~cliff.~~ Schedule"): (a) Twenty-five percent (25%) of each ~~founder's~~ Founder's shares shall vest ~~upon~~ on ~~completion~~ the ~~of~~ date that is twelve (12) months ~~of~~ after ~~continuous~~ the ~~service.~~ Commencement Date (the "Cliff Date"), provided the Founder is in active full-time service on that date. (b) The remaining ~~shares~~ seventy-five percent (75%) shall vest in equal monthly ~~installments~~ instalments over the ~~subsequent~~ thirty-six (36) ~~months.~~ months following the Cliff Date, provided the Founder remains in active full-time service on each vesting date. For the purposes of this clause, "active full-time service" means the Founder is devoting substantially all their professional working time to the Business and has not given or received a notice of departure. REPURCHASE OF UNVESTED SHARES If a ~~founder~~ Founder ceases active ~~involvement~~ full-time service for any reason before full ~~vesting,~~ vesting (a "Departure Event"), the ~~company~~ Company shall have the ~~right~~ right, exercisable within sixty (60) days of the Departure Event, to repurchase all unvested shares at face value. If the Company is unable to exercise this right due to legal or financial constraints under the Companies Act, 2013, the remaining Founder(s) shall have the right to purchase those unvested shares at face value within a further thirty (30) days. ACCELERATION If a Change of Control (meaning a transaction in which a third party acquires more than fifty percent (50%) of the Company's shares or substantially all of its assets) occurs before a Founder's shares are fully vested, all unvested shares of that Founder shall vest immediately on completion of the Change of Control transaction. DEATH OR PERMANENT INCAPACITY If a Founder dies or becomes permanently incapacitated, all their unvested shares shall vest immediately and shall be held by their legal heirs or nominees, subject to the transfer restrictions in this Agreement.

**SUGGESTED REVISION** (clean text)

> FOUNDER VESTING All shares held by each Founder shall be subject to reverse vesting on the following schedule (the "Vesting Schedule"): (a) Twenty-five percent (25%) of each Founder's shares shall vest on the date that is twelve (12) months after the Commencement Date (the "Cliff Date"), provided the Founder is in active full-time service on that date. (b) The remaining seventy-five percent (75%) shall vest in equal monthly instalments over the thirty-six (36) months following the Cliff Date, provided the Founder remains in active full-time service on each vesting date. For the purposes of this clause, "active full-time service" means the Founder is devoting substantially all their professional working time to the Business and has not given or received a notice of departure. REPURCHASE OF UNVESTED SHARES If a Founder ceases active full-time service for any reason before full vesting (a "Departure Event"), the Company shall have the right, exercisable within sixty (60) days of the Departure Event, to repurchase all unvested shares at face value. If the Company is unable to exercise this right due to legal or financial constraints under the Companies Act, 2013, the remaining Founder(s) shall have the right to purchase those unvested shares at face value within a further thirty (30) days. ACCELERATION If a Change of Control (meaning a transaction in which a third party acquires more than fifty percent (50%) of the Company's shares or substantially all of its assets) occurs before a Founder's shares are fully vested, all unvested shares of that Founder shall vest immediately on completion of the Change of Control transaction. DEATH OR PERMANENT INCAPACITY If a Founder dies or becomes permanently incapacitated, all their unvested shares shall vest immediately and shall be held by their legal heirs or nominees, subject to the transfer restrictions in this Agreement.

**Why this matters:** Vesting protects the venture if a founder leaves early — this is one of the most important protections in any co-founders agreement. The current clause has gaps around the buy-back mechanism, vague triggering language, and no acceleration on exit, all of which could cause serious disputes.

**Indian law reference:** Companies Act 2013 (buy-back provisions)

CLAUSE 5 · ROLES AND RESPONSIBILITIES SECTION

## Roles, Responsibilities & Time Commitment

MEDIUM RISK | PRESENT | MODERATE CONFIDENCE (78%)

**ORIGINAL TEXT**

> *ROLES AND RESPONSIBILITIES Founder A shall primarily oversee legal strategy, product vision, customer acquisition, and business development. Founder B shall primarily oversee software architecture, engineering management, and technical operations. Both Founders agree to devote substantially all professional working time to the business.*

**ISSUES IDENTIFIED**

- The word 'primarily' makes the role boundaries soft — there is no clarity on who has final decision-making authority within their domain, which can lead to disputes.
- 'Substantially all professional working time' is not defined — does it mean 40 hours a week? Can a founder maintain a small advisory role elsewhere? This ambiguity can cause conflict.
- There is no consequence for a founder who stops contributing their time — the vesting clause addresses equity, but there is no process to formally address underperformance or disengagement short of a full departure.
- There is no provision for how roles may evolve as the company grows and hires senior staff — for example, what happens when a CTO is hired and Founder B's role changes?

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

ROLES AND RESPONSIBILITIES Founder A shall ~~primarily~~ serve ~~oversee~~ as Chief Executive Officer (CEO) of the Company and shall have primary responsibility for legal strategy, product vision, customer acquisition, and business development. Founder A shall have final decision-making authority on matters within this domain, subject to the reserved matters and unanimous-approval requirements in this Agreement. Founder B shall ~~primarily~~ serve ~~oversee~~ as Chief Technology Officer (CTO) of the Company and shall have primary responsibility for software architecture, engineering management, and technical operations. Founder B shall have final decision-making authority on matters within this domain, subject to the reserved matters and unanimous-approval requirements in this Agreement. Both Founders agree to devote ~~substantially~~ no ~~all~~ less ~~professional~~ than ~~working~~ forty ~~time~~ (40) hours per week to the ~~business.~~ Business and shall not, without the prior written consent of the other Founder, take up any other employment, directorship, or paid advisory role that conflicts with or materially detracts from their commitment to the Business. Holding passive investments of less than two percent (2%) in a listed company shall not require consent. The Founders acknowledge that their roles may evolve as the Company grows. Any material change to a Founder's title, responsibilities, or reporting structure shall require the written agreement of both Founders. If either Founder believes the other is not meeting their time commitment, they shall first raise the concern in writing. If the issue is not resolved within thirty (30) days, it shall be treated as a deadlock matter under the DEADLOCK clause of this Agreement.

**SUGGESTED REVISION** (clean text)

ROLES AND RESPONSIBILITIES Founder A shall serve as Chief Executive Officer (CEO) of the Company and shall have primary responsibility for legal strategy, product vision, customer acquisition, and business development. Founder A shall have final decision-making authority on matters within this domain, subject to the reserved matters and unanimous-approval requirements in this Agreement. Founder B shall serve as Chief Technology Officer (CTO) of the Company and shall have primary responsibility for software architecture, engineering management, and technical operations. Founder B shall have final decision-making authority on matters within this domain, subject to the reserved matters and unanimous-approval requirements in this Agreement. Both Founders agree to devote no less than forty (40) hours per week to the Business and shall not, without the prior written consent of the other Founder, take up any other employment, directorship, or paid advisory role that conflicts with or materially detracts from their commitment to the Business. Holding passive investments of less than two percent (2%) in a listed company shall not require consent. The Founders acknowledge that their roles may evolve as the Company grows. Any material change to a Founder's title, responsibilities, or reporting structure shall require the written agreement of both Founders. If either Founder believes the other is not meeting their time commitment, they shall first raise the concern in writing. If the issue is not resolved within thirty (30) days, it shall be treated as a deadlock matter under the DEADLOCK clause of this Agreement.

> **Why this matters:** Clear roles and decision-making rights are essential for equal co-founders — without them, every significant decision becomes a potential dispute. Defining minimum hours and outside-activity restrictions also protects both founders from the other being distracted.
>
> **Indian law reference:** Companies Act 2013

CLAUSE 6 · MANAGEMENT AND DECISION-MAKING SECTION

## Decision-Making, Voting & Reserved Matters

HIGH RISK | PRESENT | HIGH CONFIDENCE (85%)

**ORIGINAL TEXT**

> *MANAGEMENT AND DECISION-MAKING The Founders shall initially serve as directors of the company. The following matters shall require unanimous written approval of both Founders: issuance of new shares; amendment of constitutional documents; borrowing in excess of INR 10,00,000; sale of substantially all business assets; admission of a new founder.*

**ISSUES IDENTIFIED**

- The reserved matters list is too short for a SaaS/legal-tech company at seed stage. Key matters missing include: related-party transactions, hiring or firing senior employees above a salary threshold, entering contracts above a value threshold, changing the business model, approving annual budgets, and winding up.
- The INR 10,00,000 borrowing threshold is not indexed to inflation or company growth — it may become irrelevant quickly.
- There is no provision for what happens when the company raises external funding and investors get board seats — the unanimous-approval requirement between founders could conflict with investor rights.
- The reserved matters are not stated to be mirrored in the Articles of Association — for a private limited company, these protections bind only the founders as signatories, not the company itself, unless they are in the AoA.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

MANAGEMENT AND DECISION-MAKING The Founders shall initially serve as directors of the ~~company.~~ Company. Day-to-day operational decisions within each Founder's domain (as set out in the ROLES AND RESPONSIBILITIES clause) may be taken by that Founder alone. The following matters ("Reserved Matters") shall require the prior unanimous written approval of both Founders: ~~issuance~~ (a) issuance, allotment, or buy-back of ~~new~~ any shares or securities, or grant of any option or right to acquire shares;~~-~~ (b) amendment of ~~constitutional~~ the ~~documents;~~ Memorandum or Articles of Association; (c) borrowing or incurring any financial liability in excess of INR ~~10,00,000; sale~~ 10,00,000 in any single transaction or INR 25,00,000 in aggregate in any financial year; (d) sale, transfer, or disposal of ~~substantially~~ any ~~all~~ asset with a value exceeding INR 5,00,000, other than in the ordinary course of business; (e) entering into any contract or commitment with a value exceeding INR 5,00,000, other than in the ordinary course of business; (f) any transaction between the Company and a Founder or a person connected to a Founder (a "related-party transaction"); (g) hiring or terminating any employee with a fixed annual cost to the Company exceeding INR 15,00,000; (h) approval of the annual business ~~assets;~~ plan and budget; (i) any change to the core business model or entry into a new line of business; (j) admission of a new ~~founder.~~ founder or co-founder; (k) commencement or settlement of any litigation or arbitration with a value exceeding INR 5,00,000; (l) winding up or dissolution of the Company. The Founders shall ensure that the Reserved Matters are reflected in the Articles of Association of the Company so that they bind the Company and not only the Founders as individuals.

**SUGGESTED REVISION** (clean text)

> MANAGEMENT AND DECISION-MAKING The Founders shall initially serve as directors of the Company. Day-to-day operational decisions within each Founder's domain (as set out in the ROLES AND RESPONSIBILITIES clause) may be taken by that Founder alone. The following matters ("Reserved Matters") shall require the prior unanimous written approval of both Founders: (a) issuance, allotment, or buy-back of any shares or securities, or grant of any option or right to acquire shares; (b) amendment of the Memorandum or Articles of Association; (c) borrowing or incurring any financial liability in excess of INR 10,00,000 in any single transaction or INR 25,00,000 in aggregate in any financial year; (d) sale, transfer, or disposal of any asset with a value exceeding INR 5,00,000, other than in the ordinary course of business; (e) entering into any contract or commitment with a value exceeding INR 5,00,000, other than in the ordinary course of business; (f) any transaction between the Company and a Founder or a person connected to a Founder (a "related-party transaction"); (g) hiring or terminating any employee with a fixed annual cost to the Company exceeding INR 15,00,000; (h) approval of the annual business plan and budget; (i) any change to the core business model or entry into a new line of business; (j) admission of a new founder or co-founder; (k) commencement or settlement of any litigation or arbitration with a value exceeding INR 5,00,000; (l) winding up or dissolution of the Company. The Founders shall ensure that the Reserved Matters are reflected in the Articles of Association of the Company so that they bind the Company and not only the Founders as individuals.

**Why this matters:** For equal co-founders, a robust list of reserved matters is the primary protection against one founder acting unilaterally. The current list is too narrow and is not backed by AoA alignment, which means it may not bind the company itself.

**Indian law reference:** Companies Act 2013

CLAUSE 7 · MANAGEMENT AND DECISION-MAKING SECTION

## Board / Management & Governance

HIGH RISK | PARTIAL / AMBIGUOUS | MODERATE CONFIDENCE (83%)

**ORIGINAL TEXT**

> *MANAGEMENT AND DECISION-MAKING The Founders shall initially serve as directors of the company. The following matters shall require unanimous written approval of both Founders: issuance of new shares; amendment of constitutional documents; borrowing in excess of INR 10,00,000; sale of substantially all business assets; admission of a new founder.*

**ISSUES IDENTIFIED**

- There is no provision for board composition after a fundraise — when investors join, how many board seats do they get, and do the founders retain a majority?
- There is no quorum requirement for board meetings, no notice period, and no frequency of meetings — this can lead to one founder calling meetings without adequate notice.
- There is no provision for what happens if one founder is removed as a director — can the other founder remove them? What are the consequences for their equity?
- There is no mention of a company secretary or compliance officer, which is a statutory requirement under the Companies Act for certain company sizes.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

~~MANAGEMENT~~ BOARD COMPOSITION AND ~~DECISION-MAKING~~ GOVERNANCE The ~~Founders~~ Board of Directors of the Company shall initially ~~serve~~ consist of two (2) directors: Founder A and Founder B. Each Founder shall have the right to remain on the Board for as ~~directors~~ long as they hold at least [15]% of the ~~company. The~~ paid-up ~~following~~ share ~~matters~~ capital of the Company. Board meetings shall ~~require~~ be ~~unanimous~~ held ~~written~~ at ~~approval~~ least once every three (3) months. Notice of at least seven (7) days shall be given for any board meeting, unless both ~~Founders: issuance~~ Founders ~~of~~ agree ~~new~~ in ~~shares;~~ writing to a shorter notice period. The quorum for a board meeting shall be both Founders (or their alternates, if any). ~~amendment~~ Neither ~~of~~ Founder ~~constitutional~~ may ~~documents;~~ be removed as a director without their own written consent, except where removal is required by law (for example, on disqualification under the Companies Act, 2013). ~~borrowing~~ If the Company raises external funding and investors are granted board representation, the Founders shall negotiate in ~~excess~~ good ~~of~~ faith ~~INR~~ to ~~10,00,000;~~ ensure that the combined Founder representation on the Board is at least equal to investor representation, unless otherwise agreed in writing by both Founders. ~~sale~~ The ~~of~~ Company ~~substantially~~ shall comply with all ~~business~~ statutory ~~assets;~~ ~~admission~~ requirements under the Companies Act, 2013, including the appointment of a ~~new~~ company ~~founder.~~ secretary and auditor as and when required by law. All board decisions shall be by simple majority, except for Reserved Matters which require unanimous written approval of both Founders as set out in the DECISION-MAKING clause.

**SUGGESTED REVISION** (clean text)

BOARD COMPOSITION AND GOVERNANCE The Board of Directors of the Company shall initially consist of two (2) directors: Founder A and Founder B. Each Founder shall have the right to remain on the Board for as long as they hold at least [15]% of the paid-up share capital of the Company. Board meetings shall be held at least once every three (3) months. Notice of at least seven (7) days shall be given for any board meeting, unless both Founders agree in writing to a shorter notice period. The quorum for a board meeting shall be both Founders (or their alternates, if any). Neither Founder may be removed as a director without their own written consent, except where removal is required by law (for example, on disqualification under the Companies Act, 2013). If the Company raises external funding and investors are granted board representation, the Founders shall negotiate in good faith to ensure that the combined Founder representation on the Board is at least equal to investor representation, unless otherwise agreed in writing by both Founders. The Company shall comply with all statutory requirements under the Companies Act, 2013, including the appointment of a company secretary and auditor as and when required by law. All board decisions shall be by simple majority, except for Reserved Matters which require unanimous written approval of both Founders as set out in the DECISION-MAKING clause.

**Why this matters:** A partial governance clause that only names the founders as directors is not enough — without quorum rules, notice periods, and post-fundraise board composition protections, one founder could be sidelined or removed. These are standard protections for equal co-founders.

> **Indian law reference:** Companies Act 2013

CLAUSE 8 · INTELLECTUAL PROPERTY SECTION · QA-corrected

## Intellectual Property Assignment to the Entity

HIGH RISK PRESENT HIGH CONFIDENCE (87%)

**ORIGINAL TEXT**

> *INTELLECTUAL PROPERTY All software code, inventions, designs, documentation, trademarks, trade secrets, and other intellectual property created by either Founder in connection with the business shall be the exclusive property of the company. Each Founder hereby irrevocably assigns all such rights to the company and agrees to execute any additional documents required to perfect such ownership.*

**ISSUES IDENTIFIED**

- The clause covers IP created 'in connection with the business' but does not address pre-existing IP (IP that a founder created before this agreement) — if Founder B already wrote code for the product before signing, that code may not be covered.
- There is no IP warranty — neither founder confirms that the IP they are assigning is actually theirs to assign and does not infringe third-party rights.
- The clause does not address moral rights under Indian copyright law — a creator's moral rights (the right to be identified as author and the right to object to distortion) cannot be assigned, only waived.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

INTELLECTUAL PROPERTY ASSIGNMENT PRE-EXISTING IP Each Founder shall disclose in Schedule [X] to this Agreement all intellectual property created by them before the date of this Agreement that is relevant to the Business ("Pre-Existing IP"). Each Founder hereby grants the Company a perpetual, irrevocable, royalty-free, worldwide licence to use, modify, and commercialise their Pre-Existing IP for the purposes of the Business. If either Founder wishes to assign (rather than licence) their Pre-Existing IP to the Company, they may do so by a separate written assignment. NEW IP All software code, inventions, designs, documentation, trademarks, trade secrets, and other intellectual property created by either Founder on or after the date of this Agreement in connection with the ~~business~~ Business ("New IP") shall be the exclusive property of the ~~company.~~ Company from the moment of creation. Each Founder hereby irrevocably and unconditionally assigns to the Company, with full title guarantee, all ~~such~~ present ~~rights~~ and future rights, title, and interest in and to ~~the~~ all ~~company~~ New IP, including all copyright, patent rights, design rights, and trade mark rights, in all jurisdictions worldwide. Each Founder agrees to execute any ~~additional~~ further documents ~~required~~ and take any further steps that the Company reasonably requires to ~~perfect~~ perfect, ~~such~~ register, ~~ownership.~~ or enforce its ownership of the New IP. MORAL RIGHTS To the extent permitted by Indian law, each Founder waives all moral rights in the New IP in favour of the Company. WARRANTY Each Founder warrants that: (a) they are the sole owner of the IP they are assigning or licensing; (b) that IP does not infringe the intellectual property rights of any third party; and (c) they have not previously assigned, licensed, or encumbered that IP in a way that conflicts with this Agreement. SURVIVAL This clause shall survive the termination of this Agreement.

**SUGGESTED REVISION** (clean text)

> INTELLECTUAL PROPERTY ASSIGNMENT PRE-EXISTING IP Each Founder shall disclose in Schedule [X] to this Agreement all intellectual property created by them before the date of this Agreement that is relevant to the Business ("Pre-Existing IP"). Each Founder hereby grants the Company a perpetual, irrevocable, royalty-free, worldwide licence to use, modify, and commercialise their Pre-Existing IP for the purposes of the Business. If either Founder wishes to assign (rather than licence) their Pre-Existing IP to the Company, they may do so by a separate written assignment. NEW IP All software code, inventions, designs, documentation, trademarks, trade secrets, and other intellectual property created by either Founder on or after the date of this Agreement in connection with the Business ("New IP") shall be the exclusive property of the Company from the moment of creation. Each Founder hereby irrevocably and unconditionally assigns to the Company, with full title guarantee, all present and future rights, title, and interest in and to all New IP, including all copyright, patent rights, design rights, and trade mark rights, in all jurisdictions worldwide. Each Founder agrees to execute any further documents and take any further steps that the Company reasonably requires to perfect, register, or enforce its ownership of the New IP. MORAL RIGHTS To the extent permitted by Indian law, each Founder waives all moral rights in the New IP in favour of the Company. WARRANTY Each Founder warrants that: (a) they are the sole owner of the IP they are assigning or licensing; (b) that IP does not infringe the intellectual property rights of any third party; and (c) they have not previously assigned, licensed, or encumbered that IP in a way that conflicts with this Agreement. SURVIVAL This clause shall survive the termination of this Agreement.

**Why this matters:** IP ownership and assignment is a critical check at every investor due-diligence stage. The current clause is reasonably drafted but misses pre-existing IP (a common gap in legal-tech startups where founders write code before the company is formed) and IP warranties.

**Indian law reference:** Copyright Act 1957; Patents Act 1970; Trade Marks Act 1999

CLAUSE 9 · CONFIDENTIALITY SECTION

## Confidentiality

MEDIUM RISK | PRESENT | MODERATE CONFIDENCE (80%)

**ORIGINAL TEXT**

> *CONFIDENTIALITY Each Founder shall keep confidential all non-public information relating to the business, customers, technology, finances, and operations of the company. This obligation shall survive termination of this Agreement for a period of five (5) years.*

**ISSUES IDENTIFIED**

- The clause has no carve-outs for information that is already in the public domain, information received from a third party without restriction, or information that a founder is required to disclose by law or court order — without these, the clause is over-broad and may be unenforceable.
- There is no definition of 'confidential information' — the current description is broad but could be challenged as vague.
- The clause does not specify the permitted purpose for which confidential information may be used — a founder could argue they are allowed to use it for any purpose as long as they do not 'disclose' it.
- Five years is a reasonable survival period for a SaaS/legal-tech business — this is a positive feature of the clause.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

CONFIDENTIALITY DEFINITION "Confidential Information" means all non-public information relating to the Business, including but not limited to: source code, algorithms, product roadmaps, customer lists, pricing, financial data, business plans, trade secrets, and any information marked as confidential or that a reasonable person would understand to be confidential given its nature and the circumstances of disclosure. OBLIGATION Each Founder ~~shall~~ shall: ~~keep~~ (a) ~~confidential~~ keep all ~~non-public~~ Confidential ~~information~~ Information ~~relating~~ strictly confidential; (b) use Confidential Information only for the purposes of the Business; and (c) not disclose Confidential Information to any third party without the ~~business,~~ prior ~~customers,~~ written ~~technology,~~ consent ~~finances,~~ of the other Founder, except to employees, contractors, or advisers of the Company who need to know it for the purposes of the Business and ~~operations~~ who are bound by equivalent confidentiality obligations. EXCLUSIONS The obligations in this clause do not apply to information that: (a) is or becomes publicly available through no fault of the ~~company.~~ receiving Founder; (b) was already known to the receiving Founder before it was disclosed under this Agreement, as evidenced by written records; (c) is received from a third party who is free to disclose it without restriction; or (d) is required to be disclosed by law, court order, or a regulatory authority, provided that the disclosing Founder gives the other Founder as much advance written notice as is reasonably practicable. SURVIVAL This obligation shall survive the termination of this Agreement for a period of five (5) years. The five-year survival period is considered reasonable for a business of this nature.

**SUGGESTED REVISION** (clean text)

CONFIDENTIALITY DEFINITION "Confidential Information" means all non-public information relating to the Business, including but not limited to: source code, algorithms, product roadmaps, customer lists, pricing, financial data, business plans, trade secrets, and any information marked as confidential or that a reasonable person would understand to be confidential given its nature and the circumstances of disclosure. OBLIGATION Each Founder shall: (a) keep all Confidential Information strictly confidential; (b) use Confidential Information only for the purposes of the Business; and (c) not disclose Confidential Information to any third party without the prior written consent of the other Founder, except to employees, contractors, or advisers of the Company who need to know it for the purposes of the Business and who are bound by equivalent confidentiality obligations. EXCLUSIONS The obligations in this clause do not apply to information that: (a) is or becomes publicly available through no fault of the receiving Founder; (b) was already known to the receiving Founder before it was disclosed under this Agreement, as evidenced by written records; (c) is received from a third party who is free to disclose it without restriction; or (d) is required to be disclosed by law, court order, or a regulatory authority, provided that the disclosing Founder gives the other Founder as much advance written notice as is reasonably practicable. SURVIVAL This obligation shall survive the termination of this Agreement for a period of five (5) years. The five-year survival period is considered reasonable for a business of this nature.

> **Why this matters:** The confidentiality clause is present and has a reasonable five-year survival period, which is a positive feature. However, without standard carve-outs and a clear definition, the clause could be challenged as unenforceable or could inadvertently restrict a founder from complying with a legal obligation.
>
> **Indian law reference:** Indian Contract Act 1872

CLAUSE 10 · NON-SOLICITATION SECTION · QA-corrected

## Non-Compete & Non-Solicitation

HIGH RISK | PARTIAL / AMBIGUOUS | HIGH CONFIDENCE (88%)

**ORIGINAL TEXT**

> NON-SOLICITATION *During their involvement with the company and for twelve (12) months thereafter, neither Founder shall knowingly solicit employees or independent contractors of the company for a competing business.*

**ISSUES IDENTIFIED**

- There is NO non-compete clause — a departing founder could immediately start a competing legal-tech SaaS business the day after leaving. For a SaaS/legal-tech company at seed stage, this is a serious gap.
- The non-solicitation clause covers only employees and contractors — it does not cover customers or clients, which is a significant omission for a B2B SaaS business.
- Under Section 27 of the Indian Contract Act, a post-exit non-compete is generally void as a restraint of trade. However, a non-compete during the period of active involvement IS enforceable. A carefully drafted post-exit non-compete tied to the sale of goodwill (i.e., when a founder sells their shares) may also be enforceable — this should be included with appropriate limits.
- The 12-month non-solicitation period is reasonable but the clause only covers solicitation of employees 'for a competing business' — a founder could solicit employees for a non-competing business and this would not be caught.
- [QA correction] The statement that an in-term non-compete is straightforwardly enforceable is an overstatement. Indian courts have generally held that a restriction on a working employee or active founder during the term of their engagement is enforceable as a reasonable restraint, but this is not absolute — courts look at whether the restriction is reasonable in scope and whether it amounts to a complete restraint on trade. More importantly, the analysis does not flag that the suggested post-exit non-compete tied to 'sale of goodwill' is a nuanced and contested area: the goodwill exception under Indian law is generally applied to the sale of a business or its goodwill as a whole, not merely to a founder selling their shares. The client should be clearly warned that even the goodwill-exception clause may not hold up in an Indian court and that independent legal advice is essential before relying on it.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

NON-COMPETE AND NON-SOLICITATION ~~During~~ DURING ACTIVE INVOLVEMENT While either Founder is actively involved with the Company, that Founder shall not, without the prior written consent of the other Founder: (a) directly or indirectly engage in, own, manage, operate, or be employed by any business that competes with the Business; or (b) solicit or divert any customer, client, or prospective customer of the Company for the benefit of any competing business. POST-EXIT NON-COMPETE (SALE OF GOODWILL) If a Founder transfers all or substantially all of their ~~involvement~~ shares in the Company (whether on a voluntary exit, a drag-along sale, or otherwise), that Founder agrees, as a condition of and in consideration for the transfer, not to directly or indirectly engage in any business that competes with the ~~company~~ Business in India for a period of twelve (12) months after the date of transfer. The Founders acknowledge that this restriction is reasonable and is given in connection with the sale of goodwill in the Business. [Note: the enforceability of this post-exit restriction should be reviewed with a lawyer before signing, as Indian courts apply Section 27 of the Indian Contract Act strictly.] NON-SOLICITATION OF EMPLOYEES During active involvement and for twelve (12) months ~~thereafter,~~ after ~~neither~~ a Founder ceases active involvement, that Founder shall not knowingly ~~solicit~~ solicit, ~~employees~~ induce, or attempt to recruit any employee or independent ~~contractors~~ contractor of the ~~company~~ Company to leave the Company, whether or not for a competing business. NON-SOLICITATION OF CUSTOMERS During active involvement and for twelve (12) months after a Founder ceases active involvement, that Founder shall not knowingly solicit or attempt to divert any customer or client of the Company with whom the Founder had material contact during their involvement with the Company. REASONABLENESS The Founders agree that the restrictions in this clause are reasonable in scope, duration, and geography given the nature of the Business. If any restriction is found to be unenforceable by a court or arbitrator, it shall be reduced to the minimum extent necessary to make it enforceable.

**SUGGESTED REVISION** (clean text)

NON-COMPETE AND NON-SOLICITATION DURING ACTIVE INVOLVEMENT While either Founder is actively involved with the Company, that Founder shall not, without the prior written consent of the other Founder: (a) directly or indirectly engage in, own, manage, operate, or be employed by any business that competes with the Business; or (b) solicit or divert any customer, client, or prospective customer of the Company for the benefit of any competing business. POST-EXIT NON-COMPETE (SALE OF GOODWILL) If a Founder transfers all or substantially all of their shares in the Company (whether on a voluntary exit, a drag-along sale, or otherwise), that Founder agrees, as a condition of and in consideration for the transfer, not to directly or indirectly engage in any business that competes with the Business in India for a period of twelve (12) months after the date of transfer. The Founders acknowledge that this restriction is reasonable and is given in connection with the sale of goodwill in the Business. [Note: the enforceability of this post-exit restriction should be reviewed with a lawyer before signing, as Indian courts apply Section 27 of the Indian Contract Act strictly.] NON-SOLICITATION OF EMPLOYEES During active involvement and for twelve (12) months after a Founder ceases active involvement, that Founder shall not knowingly solicit, induce, or attempt to recruit any employee or independent contractor of the Company to leave the Company, whether or not for a competing business. NON-SOLICITATION OF CUSTOMERS During active involvement and for twelve (12) months after a Founder ceases active involvement, that Founder shall not knowingly solicit or attempt to divert any customer or client of the Company with whom the Founder had material contact during their involvement with the Company. REASONABLENESS The Founders agree that the restrictions in this clause are reasonable in scope, duration, and geography given the nature of the Business. If any restriction is found to be unenforceable by a court or arbitrator, it shall be reduced to the minimum extent necessary to make it enforceable.

**Why this matters:** The absence of a non-compete clause is a serious gap for a SaaS/legal-tech startup — a departing founder could take the product knowledge and customer relationships and start a direct competitor. While post-exit non-competes are difficult to enforce under Indian law, a carefully drafted clause tied to the sale of goodwill gives the best chance of protection.

**Indian law reference:** Indian Contract Act 1872, Section 27

CLAUSE 11 · EXPENSES SECTION

## Founder Compensation & Expense Reimbursement

HIGH RISK | PARTIAL / AMBIGUOUS | MODERATE CONFIDENCE (82%)

### ORIGINAL TEXT

> *EXPENSES Reasonable business expenses incurred on behalf of the company shall be reimbursed subject to approval and supporting documentation.*

### ISSUES IDENTIFIED

- There is NO clause on founder salaries or stipends — at seed stage, founders often take a reduced salary or no salary. Without a written agreement, disputes about compensation are common and can destabilise the company.
- The expense reimbursement clause does not say who approves expenses — if both founders need to approve each other's expenses, this could create friction. If either founder can approve their own expenses, this creates a risk of abuse.
- There is no cap on reimbursable expenses or a list of what counts as 'reasonable' — this is vague and could lead to disputes.
- There is no process for expense claims — no deadline for submission, no format, and no timeline for reimbursement.

### SUGGESTED REVISION (redlined: red strikethrough = remove, green = add)

> FOUNDER COMPENSATION AND EXPENSES ~~Reasonable~~ SALARIES With ~~business~~ effect ~~expenses~~ from ~~incurred~~ the date of incorporation, each Founder shall receive a monthly salary of INR [agreed amount] (or such other amount as the Founders may agree in writing from time to time). Salaries shall be reviewed by both Founders at least once every twelve (12) months. No change to either Founder's salary shall be made without the written agreement of both Founders. If the Company does not have sufficient funds to pay salaries in full, salaries shall be reduced equally for both Founders until the Company's cash position improves, and any unpaid salary shall accrue as a debt of the Company to the relevant Founder. EXPENSE REIMBURSEMENT Each Founder may incur reasonable out-of-pocket expenses on behalf of the ~~company~~ Company in the ordinary course of their role. Expenses above INR [threshold, e.g., 5,000] per item shall require prior written approval from the other Founder. All expense claims must be submitted within thirty (30) days of the expense being incurred, with supporting receipts or invoices. Approved expenses shall be reimbursed ~~subject~~ within fifteen (15) days of submission. Personal expenses, entertainment expenses above INR [threshold], and any expense not directly related to the Business shall not be reimbursable without the prior written approval ~~and~~ of ~~supporting~~ both ~~documentation.~~ Founders.

### SUGGESTED REVISION (clean text)

FOUNDER COMPENSATION AND EXPENSES SALARIES With effect from the date of incorporation, each Founder shall receive a monthly salary of INR [agreed amount] (or such other amount as the Founders may agree in writing from time to time). Salaries shall be reviewed by both Founders at least once every twelve (12) months. No change to either Founder's salary shall be made without the written agreement of both Founders. If the Company does not have sufficient funds to pay salaries in full, salaries shall be reduced equally for both Founders until the Company's cash position improves, and any unpaid salary shall accrue as a debt of the Company to the relevant Founder. EXPENSE REIMBURSEMENT Each Founder may incur reasonable out-of-pocket expenses on behalf of the Company in the ordinary course of their role. Expenses above INR [threshold, e.g., 5,000] per item shall require prior written approval from the other Founder. All expense claims must be submitted within thirty (30) days of the expense being incurred, with supporting receipts or invoices. Approved expenses shall be reimbursed within fifteen (15) days of submission. Personal expenses, entertainment expenses above INR [threshold], and any expense not directly related to the Business shall not be reimbursable without the prior written approval of both Founders.

**Why this matters:** The absence of a founder salary clause is a common source of disputes — one founder may expect to draw a salary while the other expects both to work for equity only. Agreeing this in writing now avoids a serious conflict later.

**Indian law reference:** Companies Act 2013; Income Tax Act

CLAUSE 12 · TRANSFER OF SHARES SECTION

## Transfer of Shares / Interest (ROFR / ROFO / Lock-in)

HIGH RISK PRESENT HIGH CONFIDENCE (85%)

**ORIGINAL TEXT**

> *TRANSFER OF SHARES No Founder may transfer any shares without first offering such shares to the other Founder on the same terms and conditions. The non-transferring Founder shall have thirty (30) days to accept such offer.*

**ISSUES IDENTIFIED**

- There is no lock-in period — a founder could try to sell their shares from day one. A minimum lock-in of 2-3 years (or until the end of the vesting period) is standard at seed stage.
- The right of first refusal (ROFR) clause does not say what happens if the non-transferring founder does not exercise their right — can the transferring founder then sell to anyone, or only to a pre-approved buyer?
- There is no valuation mechanism — if the founders cannot agree on the price, how is it determined? The clause says 'same terms and conditions' but if the offer is from a third party at an agreed price, this works; if there is no third-party offer, there is no price mechanism.
- The ROFR is not mirrored in the Articles of Association — for a private limited company, this restriction binds only the founders as signatories, not the company itself, unless it is in the AoA.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

TRANSFER OF SHARES ~~No~~ LOCK-IN Neither Founder may transfer, sell, assign, pledge, or otherwise dispose of any shares in the Company for a period of three (3) years from the date of incorporation (the "Lock-In Period"), except with the prior written consent of the other Founder or as permitted under the DEPARTURE OF A FOUNDER clause. RIGHT OF FIRST REFUSAL (ROFR) After the Lock-In Period, if either Founder (the "Selling Founder") wishes to transfer any shares ~~without~~ to a third party, the Selling Founder shall first ~~offering~~ give ~~such~~ written ~~shares~~ notice to the other Founder ~~on~~ (the "ROFR Notice"), setting out: (a) the ~~same~~ number ~~terms~~ of shares to be transferred; (b) the proposed price per share; (c) the identity of the proposed buyer; and ~~conditions.~~ (d) all other material terms of the proposed transfer. The ~~non-transferring~~ other Founder shall have thirty (30) days from receipt of the ROFR Notice to ~~accept~~ elect, ~~such~~ by ~~offer.~~ written notice, to purchase all (but not less than all) of the shares described in the ROFR Notice at the price and on the terms stated in the ROFR Notice. If the other Founder does not exercise their ROFR within thirty (30) days, the Selling Founder may complete the transfer to the proposed buyer named in the ROFR Notice, at a price no lower than the price stated in the ROFR Notice, within sixty (60) days. If the transfer is not completed within sixty (60) days, the ROFR process must be repeated. No transfer shall be made to a competitor of the Company without the prior written consent of the other Founder. AoA ALIGNMENT The Founders shall ensure that these transfer restrictions are reflected in the Articles of Association of the Company.

**SUGGESTED REVISION** (clean text)

TRANSFER OF SHARES LOCK-IN Neither Founder may transfer, sell, assign, pledge, or otherwise dispose of any shares in the Company for a period of three (3) years from the date of incorporation (the "Lock-In Period"), except with the prior written consent of the other Founder or as permitted under the DEPARTURE OF A FOUNDER clause. RIGHT OF FIRST REFUSAL (ROFR) After the Lock-In Period, if either Founder (the "Selling Founder") wishes to transfer any shares to a third party, the Selling Founder shall first give written notice to the other Founder (the "ROFR Notice"), setting out: (a) the number of shares to be transferred; (b) the proposed price per share; (c) the identity of the proposed buyer; and (d) all other material terms of the proposed transfer. The other Founder shall have thirty (30) days from receipt of the ROFR Notice to elect, by written notice, to purchase all (but not less than all) of the shares described in the ROFR Notice at the price and on the terms stated in the ROFR Notice. If the other Founder does not exercise their ROFR within thirty (30) days, the Selling Founder may complete the transfer to the proposed buyer named in the ROFR Notice, at a price no lower than the price stated in the ROFR Notice, within sixty (60) days. If the transfer is not completed within sixty (60) days, the ROFR process must be repeated. No transfer shall be made to a competitor of the Company without the prior written consent of the other Founder. AoA ALIGNMENT The Founders shall ensure that these transfer restrictions are reflected in the Articles of Association of the Company.

**Why this matters:** The current ROFR clause is a good starting point but is incomplete — without a lock-in period, a valuation mechanism, and AoA alignment, a founder could sell their shares to an outsider (including a competitor) with limited protection for the remaining founder.

> **Indian law reference:** Companies Act 2013; Specific Relief Act 1963

CLAUSE 13 · TAG-ALONG RIGHTS SECTION

## Tag-Along & Drag-Along Rights

HIGH RISK | PARTIAL / AMBIGUOUS | MODERATE CONFIDENCE (83%)

**ORIGINAL TEXT**

> *TAG-ALONG RIGHTS If either Founder proposes to sell more than fifty percent (50%) of their shares to a third party, the other Founder shall have the right to participate in such transaction on the same terms and conditions.*

**ISSUES IDENTIFIED**

- There is NO drag-along clause — if one founder wants to sell the whole company to a buyer who requires 100% of the shares, the other founder could block the deal. For equal co-founders, a drag-along with appropriate price protection is important.
- The tag-along threshold of 50% of a founder's shares is too high — a founder could sell 49% of their shares to a third party without triggering the tag-along, effectively bringing in a significant outside shareholder without the other founder's participation right.
- The tag-along clause does not specify a minimum price or valuation method — the other founder could be forced to sell at an unfair price.
- There is no provision for what happens if the buyer does not want to buy the tag-along shares — does the original sale fall through, or does the selling founder have to reduce their sale?

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

TAG-ALONG RIGHTS If either Founder (the "Selling Founder") proposes to ~~sell~~ transfer ~~more~~ any shares to a third party (other than ~~fifty~~ a ~~percent~~ transfer ~~(50%)~~ permitted ~~of~~ under ~~their~~ the ~~shares~~ ROFR clause where the other Founder has declined to ~~a~~ exercise ~~third~~ their ~~party,~~ ROFR), the other Founder (the "Tag-Along Founder") shall have the right (but not the obligation) to ~~participate~~ require the Selling Founder to procure that the proposed buyer also purchases all (or, at the Tag-Along Founder's election, a proportionate number) of the Tag-Along Founder's shares, on the same terms and at the same price per share as the Selling Founder. The Selling Founder shall give the Tag-Along Founder written notice of the proposed transfer at least twenty-one (21) days before completion, setting out the price, terms, and identity of the buyer. The Tag-Along Founder shall exercise their tag-along right, if at all, within fifteen (15) days of receiving that notice. If the proposed buyer is unwilling to purchase the Tag-Along Founder's shares, the Selling Founder shall not complete the transfer of their own shares. DRAG-ALONG RIGHTS If both Founders agree in ~~such~~ writing ~~transaction~~ to sell the Company (a "Drag Sale"), each Founder shall be obliged to transfer their shares to the buyer on the same terms and ~~conditions.~~ at the same price per share. Neither Founder may unreasonably withhold consent to a Drag Sale where: (a) the price per share is at least [X] times the original subscription price or a fair market value determined by an independent valuer; and (b) the transaction has been approved by both Founders as a Reserved Matter. AoA ALIGNMENT The Founders shall ensure that these tag-along and drag-along rights are reflected in the Articles of Association of the Company.

**SUGGESTED REVISION** (clean text)

TAG-ALONG RIGHTS If either Founder (the "Selling Founder") proposes to transfer any shares to a third party (other than a transfer permitted under the ROFR clause where the other Founder has declined to exercise their ROFR), the other Founder (the "Tag-Along Founder") shall have the right (but not the obligation) to require the Selling Founder to procure that the proposed buyer also purchases all (or, at the Tag-Along Founder's election, a proportionate number) of the Tag-Along Founder's shares, on the same terms and at the same price per share as the Selling Founder. The Selling Founder shall give the Tag-Along Founder written notice of the proposed transfer at least twenty-one (21) days before completion, setting out the price, terms, and identity of the buyer. The Tag-Along Founder shall exercise their tag-along right, if at all, within fifteen (15) days of receiving that notice. If the proposed buyer is unwilling to purchase the Tag-Along Founder's shares, the Selling Founder shall not complete the transfer of their own shares. DRAG-ALONG RIGHTS If both Founders agree in writing to sell the Company (a "Drag Sale"), each Founder shall be obliged to transfer their shares to the buyer on the same terms and at the same price per share. Neither Founder may unreasonably withhold consent to a Drag Sale where: (a) the price per share is at least [X] times the original subscription price or a fair market value determined by an independent valuer; and (b) the transaction has been approved by both Founders as a Reserved Matter. AoA ALIGNMENT The Founders shall ensure that these tag-along and drag-along rights are reflected in the Articles of Association of the Company.

> **Why this matters:** Tag-along rights protect the minority founder in a sale — this is a key protection for equal co-founders. The absence of a drag-along clause means a clean exit may be impossible if one founder refuses to sell. Both mechanisms need to be in the AoA to bind the company.
>
> **Indian law reference:** Companies Act 2013; Specific Relief Act 1963

CLAUSE 14 · DEPARTURE OF A FOUNDER SECTION · QA-corrected

## Good Leaver / Bad Leaver & Exit of a Founder

CRITICAL RISK | PARTIAL / AMBIGUOUS | HIGH CONFIDENCE (90%)

**ORIGINAL TEXT**

> *DEPARTURE OF A FOUNDER If a Founder voluntarily resigns before completion of vesting, all unvested shares shall be subject to repurchase by the company. The vested shares shall remain the property of the departing Founder.*

**ISSUES IDENTIFIED**

- There is NO good leaver / bad leaver distinction — the exit terms are the same whether a founder is fired without cause, resigns for personal reasons, is forced out by the other founder, or is removed for serious misconduct. This is a critical gap.
- The clause only addresses voluntary resignation — it does not cover termination by the company, death, permanent incapacity, or removal as a director.
- There is no valuation mechanism for vested shares — the departing founder keeps their vested shares, but there is no obligation on either side to buy or sell those shares, and no agreed price. This could leave the company with a disengaged shareholder who holds 50% of the equity.
- There is no non-compete or non-solicitation triggered specifically on departure (the non-solicitation clause is separate but the two should be cross-referenced).
- [QA correction] This is partially correct but slightly overstated. The Founder Vesting clause separately states 'If a founder ceases active involvement before full vesting' — which is broader than voluntary resignation and could be read to cover any cessation of involvement including termination or death. The Departure of a Founder clause then says 'If a Founder voluntarily resigns before completion of vesting'. So the agreement has two overlapping provisions that create ambiguity rather than a clean gap: the vesting clause is broader, the departure clause is narrower. The real risk is the inconsistency and ambiguity between the two clauses, not simply that only voluntary resignation is covered. The analysis should have flagged this internal inconsistency.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

DEPARTURE OF A FOUNDER ~~If~~ DEFINITIONS "Good Leaver" means a Founder ~~voluntarily~~ who ~~resigns~~ ceases ~~before~~ active ~~completion~~ involvement because of: (a) death; (b) permanent incapacity (meaning a medical condition that prevents the Founder from performing their duties for more than six (6) consecutive months); (c) termination by the Company without cause; or (d) resignation following a material and unremedied breach of ~~vesting,~~ this Agreement by the other Founder. "Bad Leaver" means a Founder who ceases active involvement for any reason other than as a Good Leaver, including voluntary resignation without cause, termination for serious misconduct, or breach of this Agreement. UNVESTED SHARES On any departure, all unvested shares of the departing Founder shall be subject to repurchase by the ~~company.~~ Company (or, if the Company cannot do so, by the remaining Founder) at face value, within sixty (60) days of the departure date. ~~The~~ VESTED SHARES — GOOD LEAVER If the departing Founder is a Good Leaver, their vested shares shall remain their property. The remaining Founder shall have the ~~property~~ right (but not the obligation) to purchase the Good Leaver's vested shares at fair market value, as determined by an independent chartered accountant agreed by both parties (or, failing agreement within fifteen (15) days, appointed by the Institute of Chartered Accountants of India). The remaining Founder shall exercise this right, if at all, within sixty (60) days of the departure date. VESTED SHARES — BAD LEAVER If the departing ~~Founder.~~ Founder is a Bad Leaver, the remaining Founder shall have the right (but not the obligation) to purchase the Bad Leaver's vested shares at the lower of: (a) face value; or (b) the price the Bad Leaver originally paid for those shares. The remaining Founder shall exercise this right, if at all, within sixty (60) days of the departure date. If the remaining Founder does not exercise their purchase right within the stated period, the departing Founder shall retain their vested shares but shall be subject to all transfer restrictions in this Agreement. DEPARTURE OBLIGATIONS On departure, the departing Founder shall: (a) resign as a director of the Company; (b) return all Company property, devices, and confidential information; (c) execute any documents required to transfer unvested shares; and (d) comply with the non-solicitation obligations in this Agreement.

**SUGGESTED REVISION** (clean text)

DEPARTURE OF A FOUNDER DEFINITIONS "Good Leaver" means a Founder who ceases active involvement because of: (a) death; (b) permanent incapacity (meaning a medical condition that prevents the Founder from performing their duties for more than six (6) consecutive months); (c) termination by the Company without cause; or (d) resignation following a material and unremedied breach of this Agreement by the other Founder. "Bad Leaver" means a Founder who ceases active involvement for any reason other than as a Good Leaver, including voluntary resignation without cause, termination for serious misconduct, or breach of this Agreement. UNVESTED SHARES On any departure, all unvested shares of the departing Founder shall be subject to repurchase by the Company (or, if the Company cannot do so, by the remaining Founder) at face value, within sixty (60) days of the departure date. VESTED SHARES — GOOD LEAVER If the departing Founder is a Good Leaver, their vested shares shall remain their property. The remaining Founder shall have the right (but not the obligation) to purchase the Good Leaver's vested shares at fair market value, as determined by an independent chartered accountant agreed by both parties (or, failing agreement within fifteen (15) days, appointed by the Institute of Chartered Accountants of India). The remaining Founder shall exercise this right, if at all, within sixty (60) days of the departure date. VESTED SHARES — BAD LEAVER If the departing Founder is a Bad Leaver, the remaining Founder shall have the right (but not the obligation) to purchase the Bad Leaver's vested shares at the lower of: (a) face value; or (b) the price the Bad Leaver originally paid for those shares. The remaining Founder shall exercise this right, if at all, within sixty (60) days of the departure date. If the remaining Founder does not exercise their purchase right within the stated period, the departing Founder shall retain their vested shares but shall be subject to all transfer restrictions in this Agreement. DEPARTURE OBLIGATIONS On departure, the departing Founder shall: (a) resign as a director of the Company; (b) return all Company property, devices, and confidential information; (c) execute any documents required to transfer unvested shares; and (d) comply with the non-solicitation obligations in this Agreement.

**Why this matters:** Exit and buyout terms — what happens when a partner leaves — are among the most disputed areas in co-founder relationships. The current clause is dangerously incomplete: it has no good leaver / bad leaver distinction, no valuation mechanism for vested shares, and no process for a forced buyout. This needs to be fixed before signing.

**Indian law reference:** Companies Act 2013; Indian Contract Act 1872

CLAUSE 15

## Anti-Dilution & Future Fundraising

HIGH RISK | MISSING | HIGH CONFIDENCE (90%)

### ISSUES IDENTIFIED

- There is no pre-emptive right (the right to participate in future share issues to maintain your ownership percentage) — at seed stage, this is a standard protection for both founders.
- There is no anti-dilution protection — if new shares are issued at a lower price than the founders paid, there is no mechanism to adjust the founders' ownership.
- There is no agreed process for how a future fundraise will be structured — who leads the process, what information rights do investors get, and what reserved matters apply to investor terms?
- The absence of this clause means that at the first fundraise, one founder could negotiate terms with investors that dilute the other founder disproportionately.

### SUGGESTED REVISION

> ANTI-DILUTION AND FUTURE FUNDRAISING PRE-EMPTIVE RIGHTS If the Company proposes to issue any new shares or securities (other than shares issued under an approved ESOP plan), each Founder shall have the right to subscribe for a proportion of those new shares equal to their then-current percentage shareholding in the Company (a "Pre-Emptive Right"), at the same price and on the same terms as offered to any third-party investor. The Company shall give each Founder written notice of the proposed issue at least twenty-one (21) days before the issue date, setting out the number of shares, the price, and the key terms. Each Founder shall exercise their Pre-Emptive Right, if at all, within fifteen (15) days of receiving that notice. If a Founder does not exercise their Pre-Emptive Right, they shall be deemed to have waived it for that particular issue only. FUNDRAISING PROCESS Any decision to raise external funding (including the terms of any investment, the valuation, and the rights granted to investors) shall be a Reserved Matter requiring the written agreement of both Founders. Both Founders shall cooperate in good faith in any fundraising process and shall not separately negotiate with investors in a way that is inconsistent with this Agreement or that would give one Founder preferential treatment over the other. AoA ALIGNMENT The Founders shall ensure that pre-emptive rights are reflected in the Articles of Association of the Company. Note: Anti-dilution protection (such as weighted-average or full-ratchet adjustments) is typically negotiated with institutional investors at Series A and later rounds. The Founders agree to consider such protections in good faith at the time of any institutional fundraise.

**Why this matters:** Anti-dilution and future fundraising protections are missing entirely. At seed stage, both founders need pre-emptive rights to avoid being diluted without consent. Without this clause, one founder could issue shares to a third party and reduce the other founder's stake without any recourse.

**Indian law reference:** Companies Act 2013

CLAUSE 16 · DEADLOCK SECTION

## Deadlock Resolution

MEDIUM RISK | PRESENT | MODERATE CONFIDENCE (82%)

**ORIGINAL TEXT**

> *DEADLOCK In the event the Founders are unable to agree on a material business matter for more than thirty (30) days, the dispute shall first be referred to mediation. If mediation is unsuccessful, either Founder may initiate a buy-sell process under which one Founder offers to purchase the other Founder's shares at a specified valuation, and the recipient must either sell at that valuation or purchase the offeror's shares at the same valuation.*

**ISSUES IDENTIFIED**

- The mediation step has no time limit — mediation could drag on indefinitely before the buy-sell process can be triggered.
- The buy-sell (also called a 'shotgun' or 'Russian roulette') mechanism is present, which is a positive feature for equal co-founders. However, there is no minimum price protection — a cash-rich founder could offer a very low price, knowing the other founder cannot afford to buy at that price.
- There is no provision for what happens to the company during the deadlock period — who runs the business, who can sign contracts, and who controls the bank account?
- There is no provision for a deadlock on the buy-sell process itself — what if neither founder can afford to buy the other out?

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

DEADLOCK RESOLUTION ~~In~~ DEFINITION A ~~the~~ "Deadlock" ~~event~~ occurs when the Founders are unable to ~~agree~~ reach a unanimous decision on a ~~material~~ Reserved ~~business~~ Matter within thirty (30) days of the matter ~~for~~ first ~~more~~ being ~~than~~ formally ~~thirty~~ raised ~~(30)~~ in ~~days,~~ writing by either Founder. STEP 1 — SENIOR MANAGEMENT DISCUSSION On a Deadlock, the ~~dispute~~ Founders shall ~~first~~ meet ~~be~~ in ~~referred~~ person (or by video call) within seven (7) days to attempt to resolve the matter. STEP 2 — MEDIATION If the Deadlock is not resolved within fifteen (15) days of the Step 1 meeting, either Founder may refer the matter to mediation. The mediator shall be agreed by both Founders within seven (7) days, or failing agreement, appointed by the Delhi High Court Mediation and Conciliation Centre. Mediation shall be completed within thirty (30) days of the mediator's appointment, unless both Founders agree in writing to extend this period. STEP 3 — BUY-SELL MECHANISM If mediation ~~is~~ does ~~unsuccessful,~~ not resolve the Deadlock within the period stated above, either Founder (the "Offeror") may ~~initiate~~ trigger a buy-sell process ~~under which~~ by ~~one~~ giving ~~Founder~~ written ~~offers~~ notice to ~~purchase~~ the other ~~Founder's~~ Founder ~~shares~~ (the ~~at~~ "Recipient"), specifying a ~~specified~~ price ~~valuation,~~ per ~~and~~ share (the "Offer Price") at which the ~~recipient~~ Offeror ~~must~~ is willing to either buy all of the Recipient's shares or sell all of the Offeror's shares. The Recipient shall, within thirty (30) days of receiving the notice, elect in writing to either: (a) sell all their shares to the Offeror at ~~that~~ the ~~valuation~~ Offer Price; or ~~purchase~~ (b) buy all of the ~~offeror's~~ Offeror's shares at the ~~same~~ Offer ~~valuation.~~ Price. The Offer Price shall not be less than the fair market value of the shares as determined by an independent chartered accountant appointed by the Institute of Chartered Accountants of India, unless both Founders agree otherwise in writing. Completion of the buy-sell transaction shall occur within sixty (60) days of the Recipient's election. BUSINESS CONTINUITY DURING DEADLOCK During any Deadlock period, the Company shall continue to operate in the ordinary course of business. Neither Founder shall take any action outside the ordinary course of business or commit the Company to any new material obligation without the written consent of the other Founder.

**SUGGESTED REVISION** (clean text)

> DEADLOCK RESOLUTION DEFINITION A "Deadlock" occurs when the Founders are unable to reach a unanimous decision on a Reserved Matter within thirty (30) days of the matter first being formally raised in writing by either Founder. STEP 1 — SENIOR MANAGEMENT DISCUSSION On a Deadlock, the Founders shall meet in person (or by video call) within seven (7) days to attempt to resolve the matter. STEP 2 — MEDIATION If the Deadlock is not resolved within fifteen (15) days of the Step 1 meeting, either Founder may refer the matter to mediation. The mediator shall be agreed by both Founders within seven (7) days, or failing agreement, appointed by the Delhi High Court Mediation and Conciliation Centre. Mediation shall be completed within thirty (30) days of the mediator's appointment, unless both Founders agree in writing to extend this period. STEP 3 — BUY-SELL MECHANISM If mediation does not resolve the Deadlock within the period stated above, either Founder (the "Offeror") may trigger a buy-sell process by giving written notice to the other Founder (the "Recipient"), specifying a price per share (the "Offer Price") at which the Offeror is willing to either buy all of the Recipient's shares or sell all of the Offeror's shares. The Recipient shall, within thirty (30) days of receiving the notice, elect in writing to either: (a) sell all their shares to the Offeror at the Offer Price; or (b) buy all of the Offeror's shares at the Offer Price. The Offer Price shall not be less than the fair market value of the shares as determined by an independent chartered accountant appointed by the Institute of Chartered Accountants of India, unless both Founders agree otherwise in writing. Completion of the buy-sell transaction shall occur within sixty (60) days of the Recipient's election. BUSINESS CONTINUITY DURING DEADLOCK During any Deadlock period, the Company shall continue to operate in the ordinary course of business. Neither Founder shall take any action outside the ordinary course of business or commit the Company to any new material obligation without the written consent of the other Founder.

**Why this matters:** Deadlock resolution is the most critical mechanism for equal co-founders — without it, the company can be paralysed. The current clause has the right structure (mediation then buy-sell) but needs tighter timelines, a minimum price floor, and business-continuity provisions.

**Indian law reference:** Arbitration and Conciliation Act 1996; Indian Contract Act 1872

CLAUSE 17 · DISSOLUTION SECTION

## Dissolution / Winding Up / Buy-Out

MEDIUM RISK | PRESENT | MODERATE CONFIDENCE (78%)

### ORIGINAL TEXT

> *DISSOLUTION If the Founders unanimously determine that the business should cease operations, the company shall be wound up in accordance with applicable law. After payment of liabilities, remaining assets shall be distributed in proportion to share ownership.*

### ISSUES IDENTIFIED

- The clause requires unanimous agreement to wind up — but if the founders are in deadlock, they may never agree to wind up, leaving the company in limbo.
- There is no provision for what happens to IP, customer contracts, and data on dissolution — these are particularly important for a SaaS/legal-tech company.
- There is no provision for a voluntary buy-out (where one founder buys the other out without winding up the company) outside of the deadlock mechanism.
- The clause does not address the Companies Act winding-up process — a voluntary winding-up requires specific resolutions and compliance steps.

### SUGGESTED REVISION (redlined: red strikethrough = remove, green = add)

> DISSOLUTION AND WINDING UP VOLUNTARY WINDING UP If ~~the~~ both Founders unanimously ~~determine~~ agree in writing that the ~~business~~ Business should cease operations, the ~~company~~ Company shall be wound up voluntarily in accordance with ~~applicable~~ the ~~law.~~ Companies Act, 2013 and any rules made under it. The Founders shall cooperate to complete all statutory filings, pay all liabilities, and distribute remaining assets to shareholders in proportion to their shareholding. ~~After~~ WINDING UP AFTER DEADLOCK If the buy-sell mechanism under the DEADLOCK clause is triggered but neither Founder is able or willing to complete the purchase of the other's shares within the stated period, either Founder may apply to the National Company Law Tribunal (NCLT) for winding up on just and equitable grounds, or the Founders may agree to appoint a liquidator to wind up the Company voluntarily. DISTRIBUTION OF ASSETS On winding up, after payment of ~~liabilities,~~ all liabilities and costs of winding up, the remaining assets (including any IP, customer contracts, and data, valued at fair market value) shall be distributed to the Founders in proportion to ~~share~~ their ~~ownership.~~ shareholding at the time of winding up. DATA AND CUSTOMER OBLIGATIONS On dissolution, the Founders shall ensure that all customer data is handled in accordance with applicable data protection laws and the Company's contractual obligations to customers. Neither Founder shall retain or use customer data for personal benefit after dissolution.

### SUGGESTED REVISION (clean text)

DISSOLUTION AND WINDING UP VOLUNTARY WINDING UP If both Founders unanimously agree in writing that the Business should cease operations, the Company shall be wound up voluntarily in accordance with the Companies Act, 2013 and any rules made under it. The Founders shall cooperate to complete all statutory filings, pay all liabilities, and distribute remaining assets to shareholders in proportion to their shareholding. WINDING UP AFTER DEADLOCK If the buy-sell mechanism under the DEADLOCK clause is triggered but neither Founder is able or willing to complete the purchase of the other's shares within the stated period, either Founder may apply to the National Company Law Tribunal (NCLT) for winding up on just and equitable grounds, or the Founders may agree to appoint a liquidator to wind up the Company voluntarily. DISTRIBUTION OF ASSETS On winding up, after payment of all liabilities and costs of winding up, the remaining assets (including any IP, customer contracts, and data, valued at fair market value) shall be distributed to the Founders in proportion to their shareholding at the time of winding up. DATA AND CUSTOMER OBLIGATIONS On dissolution, the Founders shall ensure that all customer data is handled in accordance with applicable data protection laws and the Company's contractual obligations to customers. Neither Founder shall retain or use customer data for personal benefit after dissolution.

**Why this matters:** The dissolution clause is basic but functional. The key gap is that it requires unanimous agreement — which may be impossible in a deadlock. Adding a pathway to dissolution after a failed buy-sell process protects both founders from being trapped in a non-functioning company.

**Indian law reference:** Companies Act 2013

CLAUSE 18 · DISPUTE RESOLUTION SECTION; GOVERNING LAW SECTION

## Dispute Resolution, Governing Law & Jurisdiction

MEDIUM RISK | PRESENT | MODERATE CONFIDENCE (83%)

### ORIGINAL TEXT

> *DISPUTE RESOLUTION Any dispute arising out of or relating to this Agreement shall be resolved by arbitration. The seat of arbitration shall be New Delhi, India. The arbitration shall be conducted by a sole arbitrator appointed mutually by the Founders. GOVERNING LAW This Agreement shall be governed by and construed in accordance with the laws of India.*

### ISSUES IDENTIFIED

- The arbitration clause does not specify the rules under which arbitration will be conducted — for example, the Arbitration and Conciliation Act 1996 (ad hoc) or institutional rules such as those of the Delhi International Arbitration Centre or the Indian Council of Arbitration. Without this, the process can be slow and expensive.
- There is no fallback for appointing the arbitrator if the founders cannot agree — this is a common cause of delay. The clause should specify that if the founders cannot agree within a set period, the arbitrator will be appointed by a named institution or court.
- There is no provision for emergency or interim relief — in a dispute about share transfers or IP, a founder may need urgent court orders before arbitration is complete.
- The governing law is 'laws of India' which is correct and appropriate given both founders and the company are Indian.

### SUGGESTED REVISION (redlined: red strikethrough = remove, green = add)

> DISPUTE RESOLUTION Any ~~dispute~~ dispute, controversy, or claim arising out of or relating to this Agreement, or the breach, termination, or validity of this Agreement (a "Dispute"), shall be resolved ~~by~~ as ~~arbitration.~~ follows: STEP 1 — NEGOTIATION The ~~seat~~ Founders shall first attempt to resolve the Dispute by good-faith negotiation for a period of ~~arbitration~~ fifteen (15) days from the date one Founder gives written notice of the Dispute to the other. STEP 2 — ARBITRATION If the Dispute is not resolved by negotiation within fifteen (15) days, it shall be ~~New~~ finally ~~Delhi,~~ resolved ~~India.~~ by arbitration under the Arbitration and Conciliation Act, 1996 (as amended from time to time). The arbitration shall be conducted by a sole arbitrator. If the Founders cannot agree on the appointment of the arbitrator ~~appointed~~ within ~~mutually~~ fifteen (15) days of arbitration being invoked, the arbitrator shall be appointed by the Delhi International Arbitration Centre (DIAC) in accordance with its rules. The seat and venue of arbitration shall be New Delhi, India. The language of arbitration shall be English. The arbitral award shall be final and binding on both Founders. INTERIM RELIEF Nothing in this clause shall prevent either Founder from seeking urgent interim or injunctive relief from a competent court in New Delhi to protect their rights pending the outcome of arbitration. GOVERNING LAW~~-~~ This Agreement shall be governed by and construed in accordance with the laws of India.

**SUGGESTED REVISION** (clean text)

> DISPUTE RESOLUTION Any dispute, controversy, or claim arising out of or relating to this Agreement, or the breach, termination, or validity of this Agreement (a "Dispute"), shall be resolved as follows: STEP 1 — NEGOTIATION The Founders shall first attempt to resolve the Dispute by good-faith negotiation for a period of fifteen (15) days from the date one Founder gives written notice of the Dispute to the other. STEP 2 — ARBITRATION If the Dispute is not resolved by negotiation within fifteen (15) days, it shall be finally resolved by arbitration under the Arbitration and Conciliation Act, 1996 (as amended from time to time). The arbitration shall be conducted by a sole arbitrator. If the Founders cannot agree on the appointment of the arbitrator within fifteen (15) days of arbitration being invoked, the arbitrator shall be appointed by the Delhi International Arbitration Centre (DIAC) in accordance with its rules. The seat and venue of arbitration shall be New Delhi, India. The language of arbitration shall be English. The arbitral award shall be final and binding on both Founders. INTERIM RELIEF Nothing in this clause shall prevent either Founder from seeking urgent interim or injunctive relief from a competent court in New Delhi to protect their rights pending the outcome of arbitration. GOVERNING LAW This Agreement shall be governed by and construed in accordance with the laws of India.

**Why this matters:** The arbitration clause is present and correctly seats arbitration in India, which is appropriate. The key gaps are the absence of institutional rules, a fallback appointment mechanism, and interim relief provisions — without these, a dispute could be delayed for months before arbitration even begins.

**Indian law reference:** Arbitration and Conciliation Act 1996

CLAUSE 19

## Liability, Indemnity & Partner Liability

HIGH RISK | MISSING | HIGH CONFIDENCE (88%)

### ISSUES IDENTIFIED

- There is no indemnity clause — if one founder's actions cause a loss to the company or the other founder, there is no contractual right to be compensated.
- There is no limitation of liability between the founders — without this, a founder could face unlimited personal liability to the other founder for any breach of this agreement.
- There is no D&O (directors' and officers') indemnity — the company does not agree to indemnify the founders for actions taken in good faith as directors.
- For a private limited company, founders have limited liability for the company's debts (limited to their share subscription), but they can still be personally liable for fraudulent trading, wrongful trading, or breach of director duties — this should be acknowledged.

### SUGGESTED REVISION

> LIABILITY AND INDEMNITY LIMITED LIABILITY The Founders acknowledge that, as shareholders of a private limited company, their liability for the Company's debts and obligations is limited to the amount unpaid on their shares. Nothing in this Agreement shall create any personal liability of a Founder for the Company's debts beyond this limit, except where such liability arises from fraud, wilful misconduct, or a breach of director duties under the Companies Act, 2013. INDEMNITY BY FOUNDERS Each Founder (the "Indemnifying Founder") agrees to indemnify (meaning: to cover the costs and losses of) the other Founder and the Company against any loss, liability, cost, or expense arising directly from: (a) the Indemnifying Founder's fraud or wilful misconduct; (b) the Indemnifying Founder's material breach of this Agreement; or (c) any act or omission of the Indemnifying Founder that is outside the scope of their authority under this Agreement. COMPANY INDEMNITY FOR DIRECTORS The Company shall, to the extent permitted by the Companies Act, 2013, indemnify each Founder against any personal liability incurred by them in their capacity as a director of the Company, provided that the liability did not arise from fraud, wilful misconduct, or a knowing breach of law. LIMITATION OF LIABILITY Neither Founder shall be liable to the other for any indirect or consequential loss (meaning: losses that are not a direct result of the breach, such as lost profits or loss of business opportunity) arising from a breach of this Agreement, except in cases of fraud or wilful misconduct. The total liability of either Founder to the other under this Agreement shall not exceed the amount of that Founder's capital contribution to the Company. INSURANCE The Company shall, as soon as reasonably practicable after incorporation, obtain appropriate directors' and officers' liability insurance (D&O insurance) to cover the Founders in their capacity as directors.

**Why this matters:** The absence of an indemnity and liability clause is a significant gap. Without it, there is no clear contractual remedy if one founder's actions cause loss to the other or to the company. For a SaaS/legal-tech company handling client data, the risk of third-party claims makes D&O insurance and indemnity provisions particularly important.

> **Indian law reference:** Companies Act 2013; Indian Contract Act 1872

CLAUSE 20 · EXECUTION SECTION

## Stamp Duty, Registration & Execution

HIGH RISK | PARTIAL / AMBIGUOUS | HIGH CONFIDENCE (85%)

**ORIGINAL TEXT**

> *EXECUTION The parties acknowledge and agree to the terms of this Agreement. Founder A Rahul Sharma Founder B Arjun Mehta*

**ISSUES IDENTIFIED**

- There is no mention of stamp duty — this agreement, executed in Haryana, attracts stamp duty under the Indian Stamp Act and the Haryana Stamp Act. An unstamped or insufficiently stamped agreement may not be admissible as evidence in court or arbitration.
- There are no witness signatures — while not always legally required, witness signatures strengthen the enforceability of the agreement and reduce the risk of a party later denying they signed.
- There is no date line next to each signature — the agreement is dated 10 June 2026 in the preamble, but each founder should sign and date separately.
- There is no provision for counterparts (signing separate copies) or electronic execution — given that the founders are in different cities (Yamunanagar and Gurugram), this is a practical gap.

**SUGGESTED REVISION** (redlined: red strikethrough = remove, green = add)

EXECUTION STAMP DUTY This Agreement shall be stamped in accordance with the Indian Stamp Act, 1899 and the applicable Haryana Stamp Act, as this Agreement is executed in the State of Haryana. The ~~parties~~ cost of stamp duty shall be borne equally by both Founders. The Founders acknowledge that an insufficiently stamped agreement may not be admissible as evidence in legal proceedings. The Founders shall seek advice from a local lawyer or stamp vendor on the correct stamp duty payable before execution. COUNTERPARTS AND ELECTRONIC EXECUTION This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and ~~agree~~ all of which together shall constitute one and the same agreement. Electronic signatures (including signatures by email confirmation or through a recognised e-signature platform) shall be valid and binding, subject to compliance with the ~~terms~~ Information ~~of~~ Technology Act, 2000. IN WITNESS WHEREOF, the Founders have executed this ~~Agreement.~~ Agreement on the date first written above. ~~Founder~~ FOUNDER A- Signature: ________________________________ Name: Rahul Sharma Date: ________________________________ Witness Name: ________________________________ Witness Signature: ________________________________ Witness Address: ________________________________ ~~Founder~~ FOUNDER B- Signature: ________________________________ Name: Arjun Mehta Date: ________________________________ Witness Name: ________________________________ Witness Signature: ________________________________ Witness Address: ________________________________

**SUGGESTED REVISION** (clean text)

> EXECUTION STAMP DUTY This Agreement shall be stamped in accordance with the Indian Stamp Act, 1899 and the applicable Haryana Stamp Act, as this Agreement is executed in the State of Haryana. The cost of stamp duty shall be borne equally by both Founders. The Founders acknowledge that an insufficiently stamped agreement may not be admissible as evidence in legal proceedings. The Founders shall seek advice from a local lawyer or stamp vendor on the correct stamp duty payable before execution. COUNTERPARTS AND ELECTRONIC EXECUTION This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same agreement. Electronic signatures (including signatures by email confirmation or through a recognised e-signature platform) shall be valid and binding, subject to compliance with the Information Technology Act, 2000. IN WITNESS WHEREOF, the Founders have executed this Agreement on the date first written above. FOUNDER A Signature: ______________________________ Name: Rahul Sharma Date: ______________________________ Witness Name: ______________________________ Witness Signature: ______________________________ Witness Address: ______________________________ FOUNDER B Signature: ______________________________ Name: Arjun Mehta Date: ______________________________ Witness Name: ______________________________ Witness Signature: ______________________________ Witness Address: ______________________________

**Why this matters:** Stamp duty is a practical but important requirement — an unstamped agreement may be inadmissible in court or arbitration in India. The execution block also needs witness signatures and individual date lines to be robust.

**Indian law reference:** Indian Stamp Act 1899; Haryana Stamp Act; Information Technology Act 2000



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*This report is an AI-assisted analysis. It is not a substitute for legal advice from a qualified professional. Always have a licensed attorney review the suggested revisions before signing or sending. Stamp duty rates and cross-border treatment vary by state and contract value — please verify with local authorities or counsel. Tax positions (including angel-tax and capital-gains treatment) and FEMA/FDI thresholds change periodically — verify the current rules with a qualified adviser.*