

MODULE 4

Founder & Team Formation

Define who is building the company and on what terms

Introduction

This module defines who is building the company and on what terms. It covers the foundational people decisions: founder roles and authority, equity allocations and vesting, governance structure, advisor recruitment, and the legal agreements that make those decisions binding. Where Module 2 addressed managing stock shares, this module ensures the human architecture around those shares is clear, documented, and durable.

Solo Founders

With only one founder, the equity and role negotiation tasks will not apply in their standard form. The following substitutions and additions can be considered instead:

- The inter-founder equity negotiation tasks (equity allocations, CEO designation, vesting) do not apply in the same form; however, the solo founder's own shares should still be structured with a vesting schedule. This signals commitment to future investors and is good personal discipline. Setting aside equity pools for future co-founders or strategic hires should be considered.
- The advisory board becomes the primary governance check on the solo founder. Recruit at minimum two advisors with complementary skills before completing this module. Prioritize advisors who will challenge assumptions, not just validate them.

- Define board composition explicitly even as a solo founder: at minimum, a solo-founder board with two named advisor or observer seats defined. This creates governance scaffolding for future investor board seats.
- Identify the first two planned hires and the capability gaps they address. A solo founder entering Stage 3 without a clear near-term hiring plan faces strategic mentorship conversations without the team context that makes those conversations productive.
- Confidentiality and Invention Assignment Agreement (CIAA) templates are still required as they will apply to any future hires or contractors. Having them ready before the first hire is made is a meaningful discipline signal.

Task Guidance

The table below covers each task in the Founder and Team Formation module. Tasks marked with an asterisk (*) may not apply or may be modified for solo founders.

TASK	"DONE" LOOKS LIKE	KEY RISK / TIMING
Define founder roles *	Each founder has a documented role with defined responsibilities and decision authority. Overlapping responsibilities are explicitly acknowledged and resolved. Role definitions are agreed by all founders.	Vague role definitions are a leading cause of co-founder conflict. "We'll all do whatever needs doing" is not a role definition. At minimum, define who owns product, who owns commercial, and who owns operations.
Designate CEO *	One founder is designated CEO with the authority and accountability that role carries. The designation is documented in the initial board action or a subsequent board resolution. All founders have agreed.	In academic founding teams, the PI often becomes CEO by default rather than by deliberate choice. Confirm the designated CEO wants operational leadership. A reluctant CEO is a governance problem waiting to happen.
Clarify time commitments *	Each founder's expected time commitment to the company is documented: full-time, part-time with defined hours, or transitioning to full-time on a stated timeline. Asymmetries are acknowledged and reflected in vesting terms.	Time commitment asymmetries that are not reflected in equity or vesting create resentment as the company grows.

TASK	"DONE" LOOKS LIKE	KEY RISK / TIMING
Confirm equity allocations *	Equity percentages are agreed by all founders, documented in writing, and reflected in the cap table. The basis for the allocation (contribution, role, time commitment) is briefly noted.	Equity should reflect expected future contribution, not just past or current contribution. Consider par value and tax implications with legal counsel before finalizing. An allocation that feels right at formation may feel wrong in 18 months if circumstances change.
Define vesting schedules	Vesting schedules are documented for all founders. Standard structure is 4-year vesting with a 1-year cliff. Any departures from the standard structure are deliberate and documented.	The 1-year cliff protects the company from a founder who departs very early. Without it, a departing founder in month 11 takes nothing; with a monthly vest and no cliff, they take nearly 25% of their allocation. Most investors expect standard 4/1 vesting.
Define vesting acceleration terms	Single-trigger and double-trigger acceleration provisions are defined for each founder. The circumstances that trigger acceleration (e.g., acquisition, termination without cause) are documented.	Acceleration terms matter most in acquisition scenarios. Single-trigger acceleration (vesting accelerates on acquisition alone) is founder-friendly but can complicate acquisition negotiations. Double-trigger (acquisition plus termination) is more investor-friendly. Decide deliberately with legal counsel.

TASK	"DONE" LOOKS LIKE	KEY RISK / TIMING
Identify advisor needs	The founding team has identified 2–4 specific capability or network gaps that advisors could address. Each gap is articulated clearly enough to guide advisor recruitment.	“We need advisors with industry experience” is not a specific gap. “We need someone with medical device FDA clearance experience” or “We need a connection into DOD acquisition channels” is. Specific needs attract better-fit advisors.
Establish advisory agreements	Each advisor has a signed advisory agreement defining the scope of engagement, time commitment expectation, equity compensation (if any), confidentiality obligations, and IP assignment.	Advisor equity is typically in the range of 0.1–0.5% with a 1–2 year vesting schedule. Advisors who receive equity without a vesting schedule and defined engagement scope rarely remain engaged. Use a standard FAST agreement or equivalent.
Define board composition	Board composition is documented: number of seats, who fills each seat, and any vacant or reserved seats. For most early-stage companies this is 2–3 founders plus one reserved investor seat. Observer rights, if any, are defined.	A board of all founders with no outside perspective is a governance issue investors will address in financing. Defining the structure early, even if seats are initially unfilled, signals governance maturity.

TASK	"DONE" LOOKS LIKE	KEY RISK / TIMING
Identify capability gaps	A written assessment of the founding team's capability gaps exists. Functional skills, industry experience, network access, and commercial expertise are noted. Gaps are prioritized by near-term impact.	This assessment should be honest enough to be useful. A founding team of three engineers that lists "no gaps" is not being candid. The output of this task feeds directly into advisor recruitment and early hiring priorities.
Prepare CIAA templates	Confidentiality and Invention Assignment Agreement (CIAA) templates are prepared and reviewed by legal counsel. Templates are ready to use before any employee, contractor, or advisor begins work.	A CIAA ensures that IP created by employees and contractors is assigned to the company. Without it, a departing employee may retain rights to IP they developed during their tenure. This should be the first document signed by every new team member.

Completion Gate

The conversations needed to complete this module are the ones founders most want to avoid. Equity, authority, and commitment are deeply personal topics between people who often have years of collaborative history. If a founding team exits this module with vague agreements and undocumented roles, the structural work of Stage 2 is undermined regardless of how clean the cap table looks.

- ☐ Founder roles are defined and documented without ambiguity about who owns what.
- ☐ CEO is designated and the designation is formally recorded.
- ☐ Equity allocations are agreed, documented, and reflected in the cap table.
- ☐ Vesting schedules and acceleration terms are defined and executed for all founders.

- ☐ At least one advisor is engaged with a signed advisory agreement, or an active recruitment process is underway with specific target profiles identified.
- ☐ Board composition is defined, even if some seats remain unfilled.
- ☐ A written capability gap assessment exists and informs advisor and hiring priorities.
- ☐ CIAA templates are prepared and ready for use before the first hire or contractor engagement.