The Founder's Prenup SOP

Settle these before you take on a co-founder. From Phil Crowley, Crowley Law.

THE PLAY (ONE LINE)

Before any paperwork exists, sit down with your potential co-founder and answer four questions out loud: what is this business for, what is each of us putting in, who does what, and how do we split if it ends. Then have a lawyer paper it.

Why this matters

"When people are in agreement and they're all enthused about starting a project, they don't want to think about it. It's like getting married. And so it's good to have a prenuptial agreement. And the prenuptial agreement is a founder's agreement."

Phil Crowley, founder & managing partner, Crowley Law

$50,000	0	1	4
what one founder nearly lost	legal routes to expel the partner	document that was not what it claimed	questions to settle before signing

The 6 Steps

1. **Agree what the business is actually for**
   Grow it fast and sell, or keep it as a lifestyle business you run part-time. Say the answer out loud. Two people can want opposite things and never find out until it is expensive.

2. **Put numbers on the commitment**
   How much money is each of you putting in, how many hours, and over what time period. Vague answers here become resentment later.

3. **Split the work in writing**
   Is one of you the idea person with the patented technology while the other works the business every day? Write down who owns what job.

4. **Answer the exit question out loud**
   If we decide to part ways, how would that look. Nobody wants to ask it while everyone is excited. That is exactly when to ask it.

5. **Write the business plan knowing it will be wrong**
   The document is not the point. The planning process forces you to think critically about who does what and what your financial constraints are.

6. **Take it to a lawyer who will actually talk to you**
   Ask a few. If one turns hostile or acts like the expert who cannot be bothered to explain, that is your answer. Ask other founders who they use, and check whether a technology accelerator near you has lawyers who give time to founders.

Our exit terms, in one sentence: ____

- [ ] Vision agreed
- [ ] Money + hours agreed
- [ ] Roles written down
- [ ] Exit terms written down
- [ ] Business plan drafted
- [ ] Lawyer engaged