

JOINT VENTURES - THE DETAILS



WHAT ARE THEY - THE BASICS?



Two or more people come together to (hopefully) share skills and responsibilities to bring the deal into fruition.

Deals

Money

Time and Effort

Construction/Architecture/End User (skills that the other doesn't have)

Location

Ultimately each party should bring to the table something that the other can not (or doesn't want to)



WHAT DOES A JV PARTNER LOOK LIKE AND HOW CAN WE MARKET TO THEM?



How do you qualify as a HNWI or Sophisticated investor?

A certified HNWI

You confirm that you either:

- have a net income in excess of £100,000 per annum or
- have net assets in excess of £250,000 beyond your pension fund assets and your private residence

A certified Sophisticated Investor

You confirm that have been one of the following:

- A director of a company turning over at least £1 million within the last two years
- Have made more than one investment in an unlisted company in the last two years
- A member of a network or syndicate of business angels for at least six months
- Have worked in the past two years in a professional capacity in the private equity sector or in the provision of finance for small and medium enterprises

To openly market the FCA have introduced the following guidelines known as PS13/3

Introduced to protect the general public from advertising of investment schemes that may lose them money

LOANS FINE - JOINT VENTURES NOT

TECHNICALLY TO BE PART OF A JV - YOU ARE SUPPOSED TO QUALIFY EACH OTHER IN THIS WAY (ONCE EVERY 12 MONTHS) AND KEEP RECORDS

ANGEL > JV > SOURCE



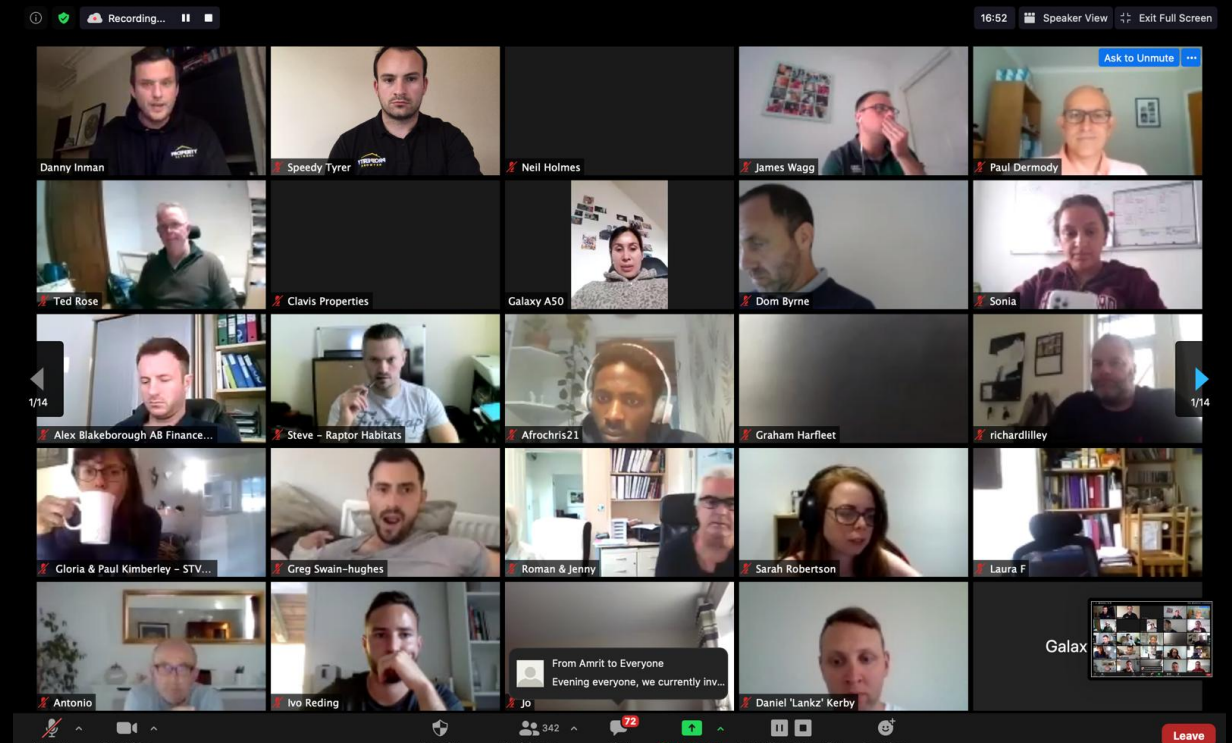
MONETISING EVERY DEAL – BUT PEOPLE HAVE THEIR OWN REASONS AND TIMINGS.

MOST JV PARTNERSHIPS ARE PEOPLE IN GROWTH PHASE ALONGSIDE PEOPLE IN PAY DOWN PHASE

SOMEONE WITH CASH/EXPERIENCE COMBINED WITH TIME/ENERGY/ENTHUSIASM

BUT DON'T PRESUME ANYTHING

EVERYTHING IS NEGOTIABLE



WHY DO PEOPLE DO THEM?



GOOD REASONS

- TWO HEADS ARE BETTER THAN ONE
- SPREAD OF RISK (OR IS IT?)
- SPREAD OF FUNDS (OR TO FINANCE A DEAL THEY OTHERWISE COULDN'T)
- GETTING FINANCE (CHEAPER FINANCE)
- BEST USE OF TIME

BAD REASONS

- TO HAVE A CRUTCH THAT YOU DO NOT NEED (OR TO BE A CRUTCH FOR SOMEONE ELSE)
- ANY REASON HIDDEN FROM A JOINT VENTURE PARTNER

WHEN DO THEY WORK/ WHEN DO THEY FAIL?



WORK WELL

- CLARITY IS GIVEN UP FRONT - DETAIL TO THE PENNY - Expectations of one another are VERY clear.
- ROLES AND RESPONSIBILITIES CLEARLY IDENTIFIED - AND CARRIED THROUGH.
 - SOLICITORS, FINANCE, LENDING, BUILDERS, AGENTS, PLANNING, BANKING AND PAYMENTS ETC ETC
- EXITS A AND B, PRIMARY AND SECONDARY ARE IDENTIFIED AND SET UP EARLY
- BASES ARE COVERED (AS MANY WHAT IF'S AS POSSIBLE)
- COMMUNICATION IS CONSISTENT AND LAID OUT UP FRONT. MEETINGS AND AGENDAS. PROGRESS REPORTS AND EXPECTATIONS.
- ACCOUNTABILITY
- Trust is evident (and camels are tied)

PARTNERSHIP VS JOINT VENTURE



Which are you getting into?

While most common in construction projects, the business structure termed a “joint venture” is a creation which is actually nothing more than a partnership created for a single project or undertaking which normally lasts only so long as the project lasts. Typical partnerships usually engage in continuous business and comprise two or more persons or entities combining to engage in that business. If the business is directed at and limited to a particular finite task, however, that same partnership is considered a “joint venture” and is the topic of this article.

A joint venture is an association of two or more persons based on **written or oral contract** who combine their assets, property, knowledge, skills, experience, time or other resources in pursuit of a particular project or undertaking, usually agreeing to share the profits and the losses and each having some degree of control over the venture.

Due to the wide variety of projects that a joint venture can be created to accomplish, a constant issue is whether a venture is a joint venture, a full partnership, or some other type of business. Whether a joint venture exists is a question of fact to be decided according to the facts and circumstances of each case. In that respect, the intentions of the parties and the terms of the understanding are what determine the decision as to whether the joint venture exists, hence the need for a clear and concise written agreement for any parties seeking to engage in this type of business.

SHORT TERM OR LONG TERM

INTENTION IS KEY

COMPANIES HOUSE ACT 2006 APPLIES AND DIRECTORS AND SHAREHOLDERS OF COMPANIES ARE EXPECTED TO ACT ACCORDINGLY

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TRANSITIONTYPE=DEFAULT&CONTEXTDATA=\(SC.DEFAULT\)&FIRSTPAGE=TRUE](https://uk.practicallaw.thomsonreuters.com/7-617-2690?transitiontype=default&contextdata=(sc.default)&firstpage=true)**

THE LEGALITIES - JV AGREEMENT CHECKLIST



Many of the Items we have already highlighted

- Finance Breakdowns
- Anti-Corruption Statement
- Comply with all accounting and HMRC request
- Share transfer - what happens if someone wants to exit the agreement? Can they? How? Steps? Indemnity once exited.
- Price expectations - what happens if not reached? If one wants to sell the other doesn't?
- Deadlock and deadlock notice - 3rd party solutions (RICS valuer etc)
- Voting rights (avoid minority shareholdings)

CONTENTS

CLAUSE	
1.	Interpretation4
2.	Business of the JVC.....8
3.	Completion8
4.	Matters requiring consent of shareholders.....9
5.	Directors and management9
6.	Finance for the JVC.....11
7.	Anti-corruption14
8.	IL Property Management14
9.	Accounting and other information.....15
10.	Transfer of shares16
11.	Additional Events Of Transfer For Covenanting Shareholder.....18
12.	Power of Attorney.....18
13.	Completion of share purchase.....19
14.	Price.....20
15.	Deadlock21
16.	Resolution of deadlock21
17.	Issue of further shares24
18.	Termination and liquidation.....24
19.	Completion of the sale and purchase of shares in the JVC25
20.	Status of agreement.....26
21.	Confidentiality26
22.	Announcements29
23.	Further assurance29
24.	Assignment and other dealings29
25.	Entire agreement.....30
26.	Variation and waiver.....30
27.	Costs30
28.	No partnership or agency30
29.	Notices33
30.	Severance.....33
31.	Agreement survives Completion.....33
32.	Third party rights33
33.	Counterparts.....34
34.	Rights and remedies.....34
35.	Inadequacy of damages.....34
36.	Language34
37.	Governing law and jurisdiction.....34
38.	Expert.....34

SCHEDULE

SCHEDULE 1	MATTERS RESERVED FOR SHAREHOLDER APPROVAL.....37
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THE LEGALITIES - JV AGREEMENT



- Termination and liquidation – when is it “the end”

Confidentiality agreement (what can and cannot be shared)

- Assignability clauses (is it, on what basis and to whom?)
- How to formalise variations from the original agreement?
 - addendums attached (pre contractual agreements, leases, res fees etc)
 - Power of attorney and a defined list of all matters needing approval by all parties
- Where do you draw the line?

Schedule 1 Matters reserved for shareholder approval

1. Permitting the registration of any person as a member of the JVC other than [] and [] in relation to their initial investment.
2. Altering the name of the JVC.
3. Altering in any respect the Articles or the rights attaching to any of the shares in the JVC (except as provided in clause 20.3).
4. Changing the nature of the JVC's Business or commencing any new business by the JVC which is not ancillary or incidental to the Business.
5. Making any acquisition or disposal by the JVC of any material assets otherwise than in the ordinary course of business.
6. Without prejudice to the generality of the forgoing and without limitation making any disposal of the Property or any acquisition or disposal any Future Properties.
7. Creating or granting any Encumbrance over the whole or any part of the Business, undertaking or assets of the JVC or over any shares in the JVC or the Property or any Future Properties or agreeing to do so.
8. Appointing any agent or other intermediary to conduct any of the JVC's Business.
9. Making any borrowing other than the [] Initial Investment, [] Initial Investment, [] Purchase Loan & [] Renovation Loan.
10. Entering into any arrangement, contract or transaction outside the normal course of its business or otherwise than on arm's length terms.
11. Giving notice of termination of any arrangements, contracts or transactions which are material in the nature of the JVC's Business, or materially varying any such arrangements, contracts or transactions.

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11. Giving notice of termination of any arrangements, contracts or transactions which are material in the nature of the JVC's Business, or materially varying any such arrangements, contracts or transactions.



- 1. Adding any new party to the JV agreement.**
- 2. Changing the JV name**
- 3. Any changes to share rights.**
- 4. Changing the nature of the business of the JV.**
- 5. Adding new assets to the JV.**
- 6. Selling Assets in the JV.**
- 7. Taking any further liabilities in the JV.**
- 8. Appointing 3rd Parties**
- 9. Taking any further lending in the JV.**
- 10. Third party JV contracts**
- 11. Ending the JV business activities or making any variations**



LENDING IMPLICATIONS (AND CREDIT)

MY JV RULES



- **TRUST IS A MUST – never JV if you have any doubts**
- **Establish what each party is bringing to the table.....make sure roles and responsibilities are highlighted and everyone is clear on what is expected from each party.**
- **Start with the end in mind.....(JV or partnership)**
- **CLARITY IS KEY**
- **Credit check all potential joint venture partners and be clear in current activities.**
- **Protect joint ventures in SPV arrangements – potentially see one project through to completion before committing to others.**
- **Regular transparent meetings/discussions to discuss progress and/or obstacles**
- **ALL PARTIES NEED ACCESS TO ALL INFORMATION AND ALL COMPANY BANK ACCOUNTS**

JV'S THAT WENT WRONG



- JV Gone Wrong
- I tried to “take a shortcut” up the investment triangle
- I didn’t qualify well enough (deals or partners) (PARTNERSHIP NOT JV)



- I brought my angels to the table (not explicitly my role)
- I brought my buyers to the table (not explicitly my role)
- The venture cost me £65k (definitely not my role)
- Trust everyone but tie up your camels
- Back my own ability
- You cannot shortcut your way – do the work.
- Take accountability
- Do not abandon the fundamental rules

DEALS THAT WENT RIGHT



49 Wilson Patten Street		
Sale Price	£335000.00	
Purchase Price	£200,000.00	
Purchase Fees	£2979.76	
Refurb and fees	77622.51	
Sale Fees	0	
Sae Legals	1062	
Total Spend	281664.27	
Profit	53335.73	
50/50 split	26667.87	

**I found it
I did all the work**

**JV Partner funded every penny
at zero cost**

PROFIT SPLIT 50/50

DID IT GO RIGHT?

DEALS THAT WENT RIGHT



THE OLD POLICE STATION

High end, luxury apartments

A QUICK INTRODUCTION

THE PROPERTY
High end luxury apartments under development, in high demand for owner occupiers and/or investors looking to achieve a very strong rental income.

The Old Police Station
Newhey Road
Minrow
Greater Manchester
OL16 3PS

HIGH END SPECIFICATION CONVERSION

Our developments have a history of offering an impeccable finish, and we have worked hard to build a reputation as a property developer of the highest of standards. These are the main reasons our developments are in huge demand and sell out quickly. Do not miss out!

James Street Apartments
Bradford

Purchase Price - £220k
Development - £280K
All costs and fees - £65K

GDV = £814,000K

I found and funded purchase
Business Partner Built and Sold

HEADLINE INFORMATION

SIX INCREDIBLE UNITS

Two of the units are already sold prior to completion, with interest in the others strong. If you are looking for a fantastic new home of the highest standards, or a long term investment with great potential then do not leave it too late.

UNIT 1 £130,000 **ALREADY SOLD**	UNIT 4 £130,000 **ALREADY SOLD**		
UNIT 2 £125,000 £650PCM* **AVAILABLE**	UNIT 3 £135,000 £675PCM* **AVAILABLE**	UNIT 5 £147,000 £725PCM* **AVAILABLE**	UNIT 6 £147,000 £725PCM* **AVAILABLE**

*ACHIEVABLE RENT FOR THE UNIT

LOCATION

WOULD I DO THEM AGAIN?

A conclusion.

- Trust
- Clarity
- Expectations
- Mutual Benefit
- Communication
- Protection
- Delivery
- Accountability

