



Using the Joint Venture/Partnership Agreement

We've included a sample agreement for you to use as a starting point for discussion whenever you are entering into a partnership. However, please note that the important part of creating an agreement when you are entering into a partnership is not actually the agreement itself.

While the agreement is important because it will be something you look back at later on if you need clarification about the terms of your agreement or if there is uncertainty or a disagreement, what is far more important is the process you go through in creating the terms of your agreement.

When done right, the *process* of creating your agreement will ensure you have the best chance of success for the future of your relationship and the work your relationship will produce. The process itself will help you to discover whether the person you are creating an agreement with is really someone you want to work with.

Recently, I was considering partnering with someone in a new business venture and it all sounded good when we were talking about the business in vague generalities. We were both excited and engaged by the possibilities.

As soon as we got into talking about the specifics about who would cover what expenses, what success looked like and what would happen if we were not successful, my potential partner got very squirrely. You know what I mean when I say squirrely, right?

She began to feel tight and uncomfortable. She didn't seem open to dialogue and I could feel her shutting down.

Within a few days, she contacted me to say that this was feeling too big for her and maybe she wasn't ready for this new business.

Perfect! Better to find that out now than 6 months in.

The key here is not to take it personally if your potential partner backs out as soon as you start talking about the serious parts of the business. It's not you; it's simply that most people cannot play at a big level and getting serious about the business aspect of things immediately shows those colors.

Oftentimes, when you are entering into a partnership with someone, you do not have years of experience of working with your potential partner. You are somewhat going in blind. And like any relationship, people are on their best behavior at the beginning. And it's not until about 6 months in that you begin to see the real nature of a person.



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With a thorough agreement process, you are able to accelerate the process of discovering your potential partner's true nature. And it might be that you discover this is NOT someone you want to work with.

The key to the agreement process is open dialogue and communication. Most people are afraid to have truly open dialogue during the agreement process. We hold back. We don't say what we really want. We are afraid to mention things that we have questions about or uncertainty. We ignore red flags.

Why?

Because we don't want to skewer the relationship before it's even begun. And yet, the truth is that this is the best time to skewer the relationship. If it's not going to work out, you want it to not work out early before a whole lot of time and energy has been invested.

The worst possible thing that can happen is getting 6 months down the road and kicking yourself for not asking the question that you didn't ask because you didn't want to come across as too aggressive, too pushy, too stupid, too whatever.

During the agreement process, you want to identify the following terms:

- The desired outcome of the partnership
- Who does what to reach that outcome
- What milestones indicate that the partnership is on track
- How income and expenses are handled
- How profits are handled
- What if things don't go as expected
- The length of the relationship
- What to do if one partner wants to leave the relationship
- What if one partner wants the other partner to leave
- What if one partner becomes ill or dies

If you are not able to identify all of these terms for the long-term of the relationship, at least enter into an agreement for a short-term. You can always enter into a 30-day agreement, a 3-month agreement, a 6-month agreement and then in the terms of the agreement you will indicate your intent to create a new agreement before the end of the term. This will give you a chance to work together for a short time and get to know each other and see if you really do want to work together and still have an agreement in place.



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These can be very emotional conversations, so do not be surprised if you find yourself resisting having these conversations or if a lot of emotion or fear is coming up for you during the process. It's totally normal.

In that case, what you really want to do is get the help of a professional who can take the emotion out of the process. The key when you are hiring a professional is to work with someone who has high emotional awareness and can help you not only work through the legal issues, but also the emotional issues that will come up for you and your potential partner.

Once you have worked through the agreement process, you will want to create a simple "terms" sheet, which is simply a listing of the agreed to terms. Those terms will then become incorporated into the final agreement prepared either by you, using the attached template agreement, or by your lawyer.