JOINT VENTURE AGREEMENTS

WHAT IS INCLUDED IN A JVA?

Joint venture agreements are for use when a group of individuals or a group of companies want to collaborate on a project, or form an entirely new company together, but also want to retain a separation legally to continue with other business activities separately, making a partnership inappropriate.

Each joint venture agreement will be different, tailored to the requirements of the parties and the objective of the venture, which is why it is important to have a professional and experienced corporate expert to sit down and asses your needs for a JVA that supports the venture and covers the necessary items.

Although each JVA is unique, we have complied below a guide on some of the items that will be covered in the agreement and the various formats of the agreement available.

Items covered:

> Finance

The agreement will cover items specific relating to funding but also to the physical accounting involved such as:

- Specific requirements of the parties in terms of compliance, auditing and accounting.
- Access to the new company's accounts and compliance records
- The individuals responsible for the company's accounts, auditing and compliance checks
- Direction on anticipated accounting and consolidation issues

> Management

The joint venture agreement will cover various aspects as to the management of the company being set up, or management of the project undertaken by the various parties.
The majority of joint venture agreements are put in place for the formation of a new company by multiple parties and it is in this case that it will cover some of the following:

- The employees of the agreement and their roles & responsibilities (if it is the case that the company formed will be taking on its own employees)
- The powers of those involved in the agreement in terms of making appointments, dismissals and votes etc
- Any specific requirements of the parties in terms of management, communication, meetings etc
- How disputes are to be dealt with and if shareholders' approval is required before processing important decisions
- Voting rights and casting votes at meetings should they be unable to reach an agreement. The structure of the board

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Shares

Items relating to shares will also form a large part of the joint venture agreement, covering some of the following items:

- The dividend policy
- Shareholders liability as to the company debts and obligations
- Borrowing policy of the new company
- Items relating to funding, initial funding of the venture and shareholders funding
- Company budgets and business plans
- The equity held between the parties
- Shareholders powers

Tax

The agreement will also briefly cover taxation issues and if necessary go into more detail regarding tax such as:

- If there are any special requirements from the involved parties in terms of tax
- The individual providing tax advice and responsible tax management

Exit strategy

The joint venture agreement will always cover an exit strategy for all parties and provide guidance as to the distribution of the capital and profit in the event of the sale of the company

- How long will the joint venture last, and any fixed terms
- If the shareholders have the ability to exit the venture early
- The ability of the shareholder to transfer shares to another party if they wish to leave early
- Drag along and tag along rights of the shareholders
- Any pre-emption rights of the shareholders

Other items

As well as specific items in relation to the various parties' interests the agreement will also be likely to cover some of the following:

- Any required licenses and consent
- Shareholders competing with the joint venture company
- Percentage of parties' interests
- Shareholders requiring approval to enter into the agreement
- If shareholders will be subject to due diligence checks etc

Please note that this is just a basic guide, for more information on joint venture agreements please contact us on *corporatelaw@taylor-rose.co.uk*

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