

Joint Ventures In a Small Business

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Challenges

- **When Your Company Is Very Small...**
 - Your Company Can Focus On What It Does Best – Do This Well And You Will Grow
- **In A Small To Medium Size Company....**
 - Need To Be Able To Compete With Larger Primes
Expand Technical and Other Core Competencies
 - Price Aggressively – Best Value
- **How?**
 - Team With Others Who Complement Or Augment Your Core Capabilities
 - Use Strategic Alliances And Joint Ventures

First Steps

- **Identify The Opportunity**
 - Can You Do It Alone? If Not...
- **Decide If You Are A Credible Player**
 - What Makes You Competitive?
 - Technical Skills
 - Customer Likes Your Team
 - Contract Set-aside
- **Find The Right Teammates To Augment Your Core Competencies**
 - Incumbent
 - Customer Knows (And Loves...)
 - Quid Pro Quo – Who Is In Position Of Strength?
- **Determine Structure Of Relationship**

Next Steps - Alliances

- **Strategic Alliance Methods Vary Significantly In:**
 - Time Required To Establish
 - Legal Complexity
- **Simplest Form – Prime/Sub**
- **Easy To Set Up**
 - Teaming Agreement Prior To Award – Establishes Parameters Of Teaming Arrangement, Who Does What...
 - Subcontract After Award – Formalizes Legal Relationship
- **More Complex – Joint Venture**
 - Numerous Documents
 - Legal Work Prior To Award
 - Ramifications For Lack Of Due Diligence

Joint Ventures - Considerations

- What Form Will The Joint Venture Take?
- Roles And Responsibilities Of Parties
- Capitalization
- Ownership Structure
- Personnel Roles & Responsibilities / Compensation
- Capital Contributions And Sharing Of Profits
- Management And Control (Key Issue)
- Can The JV Claim The Required Set-aside Status, If Applicable?
- Customer Perceptions – Does The JV Scare The Customer?
- Resolving Differences
- Accounting Issues
- Tax Issues
- Legal Liability
- Exit Strategy (Dissolution If Contract Not Won...)

Why Form Alliances?

- Enhance Company Credibility
- Improve Competitive Position
 - Cost Reduction Strategies
 - Added Technical Competencies
- Enter New Markets
- Allows You To Focus On Core Competencies While Leveraging The Strengths Of Other Companies
- Greater Reach Without Additional Costs (Potentially...)

Joint Venture - Documents

- Confidentiality Agreements / NDA's
- Term Sheet or Memorandum of Understanding
- Operating Agreement
- Shareholder Agreement
- Intellectual Property Sharing/Development Agreement
- Corporate Filings
- State Filings

Case Study – “A”

- Purpose – JV To Pursue New Line Of Business
 - Partner Is Primary Driver
- Form – LLC (Two Major Partners)
- Rationale – Set-aside Status Required, Needed Legal Entity
- Documents Required – Minimal (NDA, Operating Agreement)
- Simple, Quick, Effective
- Results – Credible Team, Pursuing New Opportunities, Looks Like A Success
- Lessons Learned
 - Lack Of Documents Leaves Some Questions Un-answered
 - Make Sure The Time-commitment Is Worth It – Opportunity Cost
 - Can “Get Something Going” Quickly If Necessary.

Case Study – “B”

- Purpose – JV To Bid On Major Contract (>70 O&M)
 - We Were Primary Driver.
- Form – LLC (Two Major Partners)
- Rationale – Our Partner Was One Of Three Incumbents)
 - We Could Not Prime Without Them
 - Cost Strategy Was Key – LLC Allowed Aggressive Cost
- Documents Required – All As Described
- Very Complex, Time Consuming, Ext. Legal Assistance Required
- Results – Credible Team, Effective, Customer Understood, But Lost Bid To Other Incumbent Team
- Lessons Learned
 - We Still Needed To Drive Process!
 - Cannot Always Count On Getting Support You Expect
 - Can Be Very Expensive And Time Consuming

Summary

- Joint Ventures Can Significantly Assist Growth Goals
- Makes You Appear Larger Than You Are
- Can Present A New, Fresh Face To The Customer Who Wants A Change
- Allows Focus On An Individual Contract Initiative Or Strategic Goal
- Not For The “Faint Of Heart”!
- Be Sure To Understand The Legal, Tax And Accounting Complexities
- Be Sure To Understand The Time And Dollar Commitments
- Over-communicate And Over-document!

Questions???