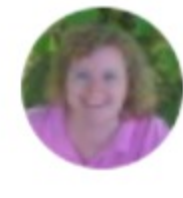


Put Your Business on the Road to Success with a Joint Venture Agreement



by **Brette Sember, J.D.**
Freelance writer

A joint venture is a great way for your business to reach more customers and achieve greater success. By working with another business and creating a joint venture, you'll have new opportunities for profit. When you enter into a joint venture, you'll want to use a joint venture agreement, so that the terms of your cooperative arrangement are spelled out and completely clear.



Put Your Business on the Road to Success with a Joint Venture Agreement

by Brette Sember, J.D., June 2019



What Is a Joint Venture?

A [joint venture](#) is a project that two businesses agree to work on together. The old saying that two heads are better than one is at the root of a joint business venture. When your business cooperates with another business, you'll have twice the amount of resources and twice the reach than if you went it alone. Usually, a joint venture is created to work specifically on one type of research or one product that is of interest to both businesses.

A joint venture is different from a partnership. A partnership is a legal entity that's formed when two individuals form a business together. A joint business venture is two businesses who choose to cooperate on a specific project. They could decide to form a corporation or [an LLC](#) together for the venture if they want, but it is not necessary.

Examples of joint ventures include Toyota and BMW working together to do research on hydrogen fuel cells, or Alphabet (Google's parent company) working with GlaxoSmithKline to create bioelectric medicine. However, joint ventures aren't just for international corporations: A day care could work with a toy store to cosponsor a community event for families. A real estate agency could work with a law firm to create a guide on how to buy your first home.

A joint venture also could be as simple as one company's recommending another's product, with an incentive for any resulting sales (for example, Tim's Tennis Rackets, LLC including a flyer about Bouncy Tennis Balls, LLC in their tennis racket packaging).

Pros and Cons of Joint Ventures

Joint ventures have many advantages, but there also are some disadvantages. It's a good idea to think these through before entering into a joint venture.

Pros include:

- Adding diversity to your products or services
- Growth for your company
- Working with someone else, which gives you access to expertise and ideas you may not have
- Shared cost and risk, reducing your burden
- The temporary nature of the venture, so, if it doesn't work, there is an end date

Cons include:

- Work and costs that might not be equally shared, creating a drain on your business
- A misfit in management style and culture, making it hard to cooperate
- Failures of communication between your company and the one you're working with
- Differing objectives
- Restrictions on your ability to pursue competing projects

Using a Joint Venture Agreement

When you set up a joint venture, it's a good idea to put your plan in writing. The agreement outlines the complete terms of your plan to work together. This detailed contract discusses:

- The term of the agreement
- The duties of each member
- The name and purpose of the venture
- A description of the project
- How the venture will be managed
- Capital contributions and how capital will be managed
- Meetings
- Indemnification
- Duty of loyalty
- Liability
- Good faith
- Warranties
- Dissolution procedures
- Signatures from representatives of each company

Amending a Joint Venture Agreement

As you work together, it may become necessary to make some [changes to the agreement](#). A written [amendment to the joint venture agreement](#) is the best way to do this. You'll want to outline the terms of the amendment together first, and then have it written up and reviewed. The amendment should be clear and refer exactly to the section it is amending. It is best to strike a section and provide a complete rewrite of it, rather than trying to explain words that should be added to or omitted from it.

If you are making big changes to your agreement, it is a good idea simply to create a new agreement with all of the new terms. It will be easier to refer to and follow, rather than having to flip between the original agreement and pages of amendments to determine what the new terms actually are.

An amendment should include the following:

- An introduction that makes clear the date and title of the agreement it is amending and the names of the parties to the original agreement
- An affirmation that the rest of the agreement will remain in place
- A clearly written statement of the section that is being amended and the changes that are being incorporated
- A statement that if there is an inconsistency between the original agreement and the amendment, then the amendment will be binding
- A requirement that, if any changes are to be made to the amendment, such changes must be made in writing
- A severability section that will continue to uphold the remainder of the amendment if any parts are held to be unenforceable
- Signatures

A joint venture can be an exciting way to pursue new avenues and opportunities for your business. Using a joint venture agreement will help keep your working relationship clear and on track.

[Ready to start your Joint Venture Agreement Amendment?](#)

[LEARN MORE](#)