

Joint Ventures

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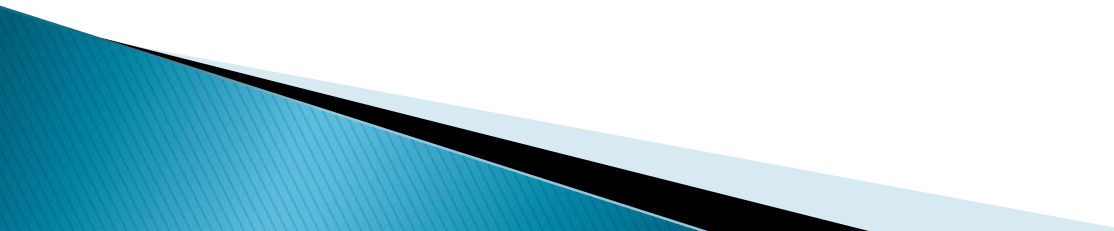


What Is A Joint Venture

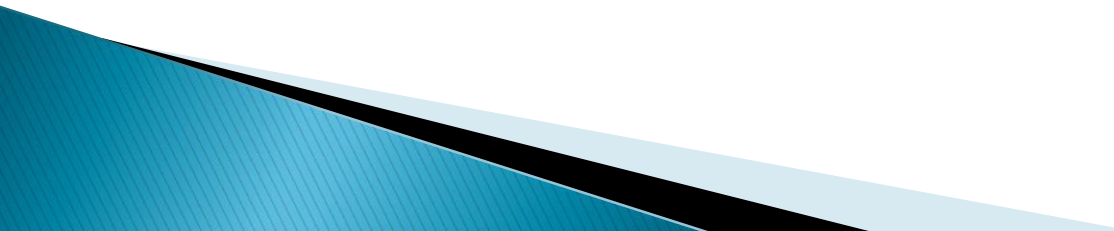
Key Characteristics:

- Common interest and purpose
- Shared decisions making
- Shared ownership interest
- Share risks, profits and losses
- Each liable to third parties for acts of the other
- Often project specific with no ongoing relationship


Why A Joint Venture?

- Objectives – charitable mission
 - ▶ Analyze strength and weaknesses
 - ▶ Primary reasons not for profits joint venture
 - ▶ Primary reasons for–profits joint venture
 - ▶ Clear understanding of rewards and risks
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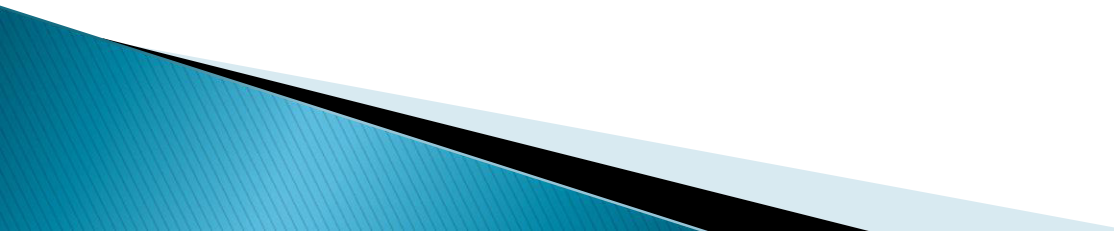
Understand the Project

- ▶ **Scope of Project–**
 - Size
 - Tenant population
 - ▶ **Potential sources of financing**
 - ▶ **Guarantees**
 - lenders and equity investors
 - ▶ **Net worth and minimum liquidity**
 - ▶ **Underwriting – get it and read it**
 - ▶ **Reserves**
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What Can You Control?

- ▶ **Decisions that need to be made**
 - Selection of development team
 - Financing sources, lender, credit syndicator
 - Negotiating finance terms
 - Operation decisions
 - Ownership
 - Who will manage each stage
 - ▶ **When decisions must be made**
 - ▶ **How Decision making authority is documented**
 - ▶ **Access to books and records, documents,**
 - ▶ **Participation at meetings, finance, construction**
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Who Owns What?

- ▶ **During Construction**
 - ▶ **After Construction**
 - ▶ **Tax Credit Period/Purchase Option**
 - ▶ **Admission of Additional Parties**
 - ▶ **Master lease**
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Where's My Money?

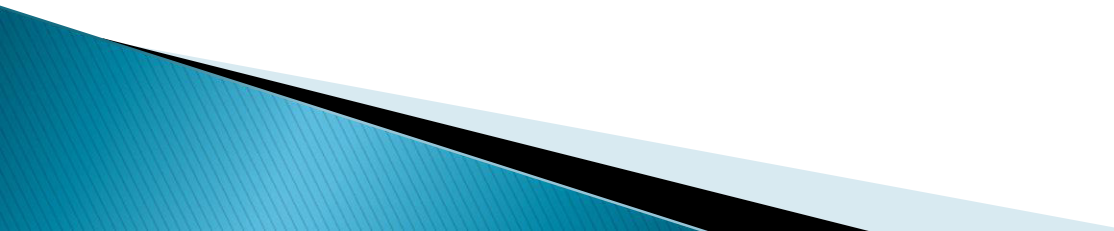
▶ Sources of money

- Development
- Construction
- Consultant
- Property management
- Partnership management
- Incentive management
- Social services

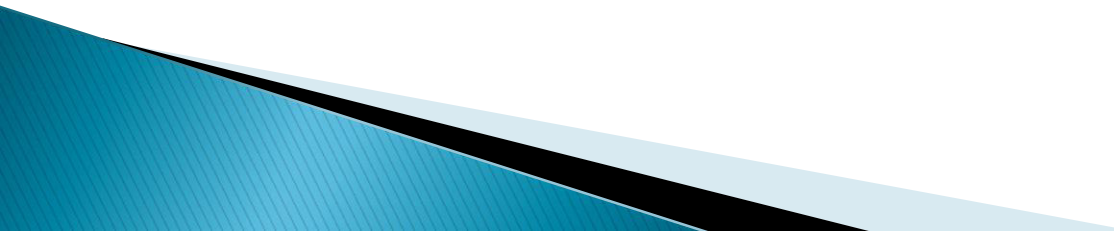
▶ Allocation of Payment

▶ Timing of payment


Are We At Risk?

- ▶ **Funds for Startup and Operations**
 - ▶ **Guarantees to Equity Investor**
 - ▶ **Guarantees to Lender**
 - ▶ **Regulators**
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When Is It Over?

- ▶ **Termination by Consent**
 - ▶ **Termination for Material Breach**
 - ▶ **Year 15**
 - ▶ **Means of resolving disputes**
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Put It in Writing

- ▶ **First get term sheet**
 - ▶ **JV agreement**
 - ▶ **Operating agreement with joint venturor**
 - ▶ **Operating agreement with investor**
 - ▶ **You don't always get what you want
(indemnifications)**
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If you've gotten here... you have a deal!

- ▶ Understand strengths and weaknesses
- ▶ Clear about basic deal terms
- ▶ Recognize common goals, and each others' goals
- ▶ Understand risks and allocation of responsibility
- ▶ Expectations for project are being met
- ▶ Project is a team
- ▶ Team members are compatible

Thank You!

