FARM CREEK ADVISORS / FIELD TOOL

Before you enter a JV, answer these five questions.

Ask each parent independently. Compare the answers before committing capital.

01

What future are we building together?

Enduring partnership, ownership transition, or a defined review point? State what would justify continued ownership.

02

What will each parent contribute over time?

Name the people, capital, technology and customer access required. What happens as those contributions become replaceable?

03

Who receives value, and who funds the next stage?

Compare dividends, reinvestment, fees, guarantees and related-party margins. Test a growth investment and a funding shortfall.

04

Who can decide when the parents disagree?

Define management authority, reserved decisions and escalation. Test one material deadlock against the proposed process.

05

Can each parent exit without breaking the business?

Test triggers, timing, valuation, buyer restrictions and funding. Identify the licenses, services and rights that must survive.

DECISION TEST

For one growth investment, one funding shortfall and one exit: who decides, who pays, what changes, and what must continue?

Use this discussion tool with transaction counsel and valuation advisers.

Follow the JV series: structure, valuation and governance.

Read the full article →

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