JOINT VENTURE EXIT PROVISIONS

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Two or more parties often form a joint venture to undertake a business opportunity together. The joint venture partners typically form a new entity and contribute assets and/or services to the joint venture. They then share the revenues and expenses of the joint venture. Over time, however, the joint venture partners often cease to have the same vision or strategic interest for the joint venture. When this happens, one or more of the joint venture partners will want to exit the joint venture. If the joint venture agreement among the parties does not provide for an exit provision, then a joint venture partner wanting to exit the joint venture may find it very difficult to do so. The following are some exit provisions to consider including when you enter into a joint venture:

- **Option 1**. Either party may serve a notice on the other party, and the serving party will name an all-cash price at which it values a half interest in the joint venture. The party receiving the notice then has the option to either buy the other party out, or sell out to the other party, at that price.

- **Option 2**. If a party exercises this option, then each party sends a sealed all-cash bid to an umpire stating the price at which they are willing to buy out the other party. The sealed bids are opened together, and the highest sealed bid "wins", and that bidder must then buy (and the "loser" must sell) the other half share in the business.

- **Option 3**. If a party exercises this option, then each party sends in a sealed bid indicating the minimum price that it would be prepared to sell its half share for. Whichever sealed bid is the higher "wins" and that bidder then buys the "loser's" share at the price indicated in the loser's sealed bid.

- **Option 4.** A party serves a notice on the other indicating that a deadlock has arisen. An appraiser then determines the "fair market value" of a half share in the business. Once the valuation is made, the party who served the notice must either (a) buy all the other party's share in the business at 125% (or some other premium) of the fair price, or (b) sell its share to the other party at 75% (or some other discount) of the fair price.