

Equipment Sharing and Other Joint Ventures  
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General

Two types of business arrangements

1. sole proprietorships
2. joint ventures - two or more parties contribute to or engage in a business

Advantages of joint ventures

1. combine knowledge and management abilities
2. combine assets and financial resources
3. economies of size
4. time off
5. ease inter generational transfer

Disadvantages of joint ventures

1. determining a method of dissolution
2. death or withdrawal of a partner can force sale of asset
3. decisions made by one partner binding on all
4. disagreements postpone decisions

Conduct a feasibility analysis, before entering into a joint venture

- a. are goals compatible
- b. does the venture have profit potential
- c. do all parties feel the agreement is fair
- d. examine interpersonal relationships - not only the partners but their families as well

Dissolution Agreement Inclusions

1. method for determining the value of assets short of commissioned sale
2. can a partner's portion of the asset be sold any third party
3. how will additional partners be added to this agreement

It is recommended that all agreements have some written documentation.

It is recommended that an internal fee be charged for use of the partnership's assets.

Example: 3 farmers purchased a corn planter by each paying one-third of the purchase price. They realize that each of them will not always use this planter on the same number of acres each year. They agree that \$1.50 per acre is a fair repair and maintenance, insurance, and storage charge. With this method, use costs can be separated from ownership costs. This fee can be actually collected and held in an account to pay future costs or simply recorded for future reference.

When a use fee is employed, the dissolution agreement must contain a method for distributing the surplus. Should this be by amount of use or percent of ownership? What do you do if there is a deficit?

#### Partnership Record Keeping

1. which partner will keep the records
  - a. fee
2. what records will be kept
  - a. amount of use by each partner
    - i. acres
    - ii. hours
  - b. expenditures - type and amount
    - i. copies of cash payment receipts for tax records
  - c. repair labor provided
    - i. hours
    - ii. agreed upon wage
      - \* will repair labor offset use fee payments
  - d. amount of use payment by each partner and when received
  - e. balance of use fee account
3. how often will the records be reviewed - recommend twice a year, once just before the major use season and again after the major use season

Make these meetings formal, set a time and place (inside) and make every effort to keep it, just as you would if you were meeting with your banker or other person connected with your business. All concerns of the partners can be placed these meetings agenda, such as - should the equipment be replaced, preventive maintenance scheduling, etc. Also, surprises should be discouraged. Don't come to the meeting and ask for a decision on a new topic. Let your partners know well in advance (at least a week) of the meeting if you would like to discuss a particular topic. This gives them the opportunity to think about the topic without the pressure of decision.

#### Machinery

##### Additional items to consider

1. ownership (official title?)
  - if not, who knows about this arrangement
2. use schedule - flexible as possible with a backup schedule
  - i. time blocks - determined at preseason meeting
  - ii. alternate time blocks
  - iii. fees for schedule infringement

3. transport between partners
  - i. deliver machinery to next user
  - ii. deliver machinery in working condition
  - iii. deliver machinery to a pre-determined location
4. use fees - per which unit?
5. insurance
6. storage
  - i. fee
7. if machinery is complex, who can operate
  - i. age
  - ii. training required
7. rental of machinery to non-partners
  - i. rate
  - ii. method of sharing income

#### Daily Use Equipment

##### Additional Items

1. use schedules - rotate most convenient times

#### Buildings

##### Additional Items

1. more formal agreement needed - more record keeping
  - i. title to land
  - ii. use payments will need to include property taxes and loan payments because loan will probably be against this property with partners being co-signatories

#### Conclusion

You need a plan for resolution of conflicts so if disagreements arise you are ready.

##### Basic resolution rules:

1. identify areas of agreement first
2. stick to the issue
3. don't bring up past disagreements
4. listen - attempt to understand the other party's position - you don't have to agree with it, just try to understand
5. present your position so the other person can agree with you without losing face - Example, preface remarks with phrases like - have you considered or don't you think
6. be prepared to change your mind
7. be willing to compromise
8. have an agreed upon 3rd party to arbitrate