Joint Ventures
In a Small Business

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Challenges

• When Your Company Is Very Small...
  – Your Company Can Focus On What It Does Best – Do This Well And You Will Grow

• In A Small To Medium Size Company....
  – Need To Be Able To Compete With Larger Primes Expand Technical and Other Core Competencies
  – Price Aggressively – Best Value

• How?
  – Team With Others Who Complement Or Augment Your Core Capabilities
  – Use Strategic Alliances And Joint Ventures
First Steps

• Identify The Opportunity
  – Can You Do It Alone? If Not…

• Decide If You Are A Credible Player
  – What Makes You Competitive?
  – Technical Skills
  – Customer Likes Your Team
  – Contract Set-aside

• Find The Right Teammates To Augment Your Core Competencies
  – Incumbent
  – Customer Knows (And Loves…)
  – Quid Pro Quo – Who Is In Position Of Strength?

• Determine Structure Of Relationship
Next Steps - Alliances

• **Strategic Alliance Methods Vary Significantly In:**
  – Time Required To Establish
  – Legal Complexity

• **Simplest Form – Prime/Sub**

• **Easy To Set Up**
  – Teaming Agreement Prior To Award – Establishes Parameters Of Teaming Arrangement, Who Does What…
  – Subcontract After Award – Formalizes Legal Relationship

• **More Complex – Joint Venture**
  – Numerous Documents
  – Legal Work Prior To Award
  – Ramifications For Lack Of Due Diligence
Joint Ventures - Considerations

- What Form Will The Joint Venture Take?
- Roles And Responsibilities Of Parties
- Capitalization
- Ownership Structure
- Personnel Roles & Responsibilities / Compensation
- Capital Contributions And Sharing Of Profits
- Management And Control (Key Issue)
- Can The JV Claim The Required Set-aside Status, If Applicable?
- Customer Perceptions – Does The JV Scare The Customer?
- Resolving Differences
- Accounting Issues
- Tax Issues
- Legal Liability
- Exit Strategy (Dissolution If Contract Not Won…)

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Why Form Alliances?

• Enhance Company Credibility
• Improve Competitive Position
  – Cost Reduction Strategies
  – Added Technical Competencies
• Enter New Markets
• Allows You To Focus On Core Competencies While Leveraging The Strengths Of Other Companies
• Greater Reach Without Additional Costs (Potentially…)
Joint Venture - Documents

- Confidentiality Agreements / NDA’s
- Term Sheet or Memorandum of Understanding
- Operating Agreement
- Shareholder Agreement
- Intellectual Property Sharing/Development Agreement
- Corporate Filings
- State Filings
Case Study – “A”

• Purpose – JV To Pursue New Line Of Business
  – Partner Is Primary Driver
• Form – LLC (Two Major Partners)
• Rationale – Set-aside Status Required, Needed Legal Entity
• Documents Required – Minimal (NDA, Operating Agreement)
• Simple, Quick, Effective
• Results – Credible Team, Pursuing New Opportunities, Looks Like A Success
• Lessons Learned
  – Lack Of Documents Leaves Some Questions Un-answered
  – Make Sure The Time-commitment Is Worth It – Opportunity Cost
  – Can “Get Something Going” Quickly If Necessary.
Case Study – “B”

- **Purpose** – JV To Bid On Major Contract (>70 O&M)
  - We Were Primary Driver.
- **Form** – LLC (Two Major Partners)
- **Rationale** – Our Partner Was One Of Three Incumbents)
  - We Could Not Prime Without Them
  - Cost Strategy Was Key – LLC Allowed Aggressive Cost
- **Documents Required** – All As Described
- **Very Complex, Time Consuming, Ext. Legal Assistance Required**
- **Results** – Credible Team, Effective, Customer Understood, But Lost Bid To Other Incumbent Team
- **Lessons Learned**
  - We Still Needed To Drive Process!
  - Cannot Always Count On Getting Support You Expect
  - Can Be Very Expensive And Time Consuming
Summary

• Joint Ventures Can Significantly Assist Growth Goals
• Makes You Appear Larger Than You Are
• Can Present A New, Fresh Face To The Customer Who Wants A Change
• Allows Focus On An Individual Contract Initiative Or Strategic Goal
• Not For The “Faint Of Heart”!
• Be Sure To Understand The Legal, Tax And Accounting Complexities
• Be Sure To Understand The Time And Dollar Commitments
• Over-communicate And Over-document!

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Questions???