ADVANTAGES OF JOINT VENTURING

Presented by the
Equal Opportunity Division

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Objectives

1. Advantages of a joint venture
2. Joint venture concern
3. Obtaining certification
   a. Purpose
   b. Requirements
   c. How to apply
   d. Document submission
Advantages of a Joint Venturing

Increase Revenue

- Gain access to new products, geographic markets, and customer segments and network channels
- Access to new managerial skills or business processes
- Capitalization of economies of scale
- Maximize purchasing discounts
- Utilize excess capacity, gain additional capacity, and experience
- Augment owner and business skills and assets
Advantages of a Joint Venturing

Expense Reductions

• Reduction of operating costs (*i.e.*, specialized employees, equipment, accounting, etc.)

• Elimination of the need for additional fixed assets (*i.e.*, buildings, storage, equipment, etc.)

• Bonding fees

• Minimize large-scale capital investments
Advantages of a Joint Venturing

Financial

• Tax advantages
• Split tax costs

Access Capital and Funding Sources

• Private equity
• Debt financing
• Higher credit limits
Joint Venturing Concern

Possibility of Unintended Partnerships

• Partnerships can be created whether or not the parties intended to form a partnership. The test to ensure that an unintended partnership is not formed is as follows:
  ▪ Do the parties intended to *carry on as co-owners a business for profit*.

• If a partnership is created (intentionally or not intentionally), each partner is jointly and severally liable for all obligations of the partnership.
Joint Venture Requirements

EDGE

- One of the parties to the joint venture must be a certified company
- Must be at least 51 percent owned and controlled by a certified company
- Must commercially benefit all parties
- Certified company cannot have less than a 30 percent profit and investment ratio

- Additional requirements apply
Joint Venture Requirements

MBE

• One of the parties to the joint venture must be a certified company

• Must be at least 51 percent owned and controlled by a certified company

• Must commercially benefit all parties

• Certified company cannot have less than a 51 percent profit and investment ratio

❖ Additional requirements apply
MBE and EDGE
Joint Venture Agreement Requirements

- Name of project and number of contract
- Location of project
- Bid date of project
- Type of project (highway, building construction, goods and services)
- Description of scope of work to be performed by certified company
- Description of scope of work to be performed by other joint venturers
- Percentage of the project to be subcontracted (if any) and actual work being done by the subcontractor, or goods and services to be performed or bought
- Type of equipment to be used on project, or goods and services to be supplied or performed
- Work composition of both companies
- Equipment used that is owned by the certified company
- Equipment to be used that is owned by the other company in the joint venture and/or other joint venturers
- Equipment that is to be leased by joint venture
- Name of company from which joint venture will lease equipment
- Amount of contribution by each joint venturer
- Approximate date contract will start if successful bidder and approximate completion date
How to Apply

To obtain a MBE or EDGE joint venture certification, a certified company must complete an online application via the Ohio Business Gateway.

Additionally, the certified company must submit a signed copy of the Joint Venture Agreement to DAS-EOD.BCCU@das.ohio.gov.
For more information

Contact us:

- Phone: 1-614-466-8380
- Web: das.ohio.gov/eod
- EDGE Program: edge.ohio.gov
- MBE Program: mbe.ohio.gov
- OBG: obg.ohio.gov
- Email: das-eod.bccu@das.ohio.gov