



The **Business Partnership Evaluation System**



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Preview Of What You Will Learn

Sections:

Introduction.....	5
Building a Profitable System That Lasts.....	7
Is a Partnership the Right Fit For You?	
Creating a Winning Business Partnership	
Reasons Why You Shouldn't Partner	
Partnership Failure: Reasons Why Partnerships Fail	
10 Steps to a Successful Business Partnership.....	13
Step 1: Conduct a Self-Evaluation	
Step 2: Complete a Personality Profile	
Step 3: Determine Your Dominant Personality Category	
Step 4: List Your 5 Core Needs for a Business Partner	
Step 5: Rate Your & Your Partners' Personal Competencies	
Step 6: Discuss Partnership Roles and Responsibilities	
Step 7: Discuss Time Commitments	
Step 8: Discuss Financial Considerations	
Step 9: Discuss Growth Considerations	
Step 10: Protect Yourself Through Partnership & Legal Documents	
The Importance of an Exit Strategy.....	37
Why Do Business Partnerships End?	
Exit Strategies to Consider	

Tools:

- **Personality, Competency & Self-Evaluation Worksheets**

You Will Be Able To:

- **Decide if a Partnership is the Right Fit For You**
- **Evaluate and Make Well-Informed Decisions on Candidates for Your Business Partnerships**
- **Understand and Implement the 10 Steps to a Successful Business Partnership**

Introduction

As a real estate investor, you are only as strong as the team with which you surround yourself. The investor who assembles the best teams with the strongest contributing members are always the most successful. It is VITAL that you surround yourself with the right people, as it WILL directly determine your level of success, income and happiness. The decision to go into a real estate investing business with a partner is a big decision. In fact, I believe this is an area in which investors - especially beginning investors, often make quick decisions without giving it the proper strategic thought it demands.

Now don't misunderstand me here. As a real estate investor, there are many great advantages to partnering, which we will discuss in detail. Partnerships can be the building blocks of a business, especially in the world of real estate investing. Your business can actually flourish tremendously by means of a partnership. I have two fantastic business partners, and collectively we own and operate seven different businesses together. It has been one of the greatest joys of my life to work with two of my closest friends.

However, there are just as many risks, obstacles and complexities that should be taken into consideration before making the decision to go into a business with a partner. Selecting the wrong person as your partner is, in my opinion, the fastest road to disaster.

My goal in creating this system is to help you make the best decision for you and your business. You may find that a partnership is not the right fit for you, and decide to remain the sole entrepreneur in your business. But if the option to partner is on the table, or if you feel that finding an ideal partner would be the best option in achieving your real estate goals - then the FortuneBuilders Business Partnership Evaluation System will equip you and your business with the tools needed to make educated, well-informed decisions on potential candidates for business partnership.



- 2. You feel personal enjoyment working with and just being around him or her.*
Your quality of life is enhanced greatly by working with this individual – it could be a good friend or family member. Based on my experience, working with close friends and family can create great joy and satisfaction in life. Often, when working with friends and family, money and success does not equate to knowing that you all are working toward similar goals and you truly enjoy what you do and whom you work with.
- 3. That person pushes and challenges you to be the greatest person you can be.* This individual is eager to help you grow – both personally and professionally, challenging your ideas and the way you think. This partner would be a positive influence on your business and your life in general.

Should I have a short term or long term partnership?

When beginning your search for a partner, it is highly unlikely that you already know very much information about him or her; so it's important to act wisely and not jump into anything long term right away! Just because two people may immediately "click" and get along great, it doesn't necessarily mean that they would be compatible as partners. Don't rely on your "gut" or how great a specific deal sounds.

If you do make the decision to partner with someone on an individual real estate deal, it's important that you DO NOT start making long-term partnership decisions right away. Should they present you with a short-term deal - but then desire a long-term partnership with you somewhere along the way, don't just give in on a whim!

You can say something similar to this:

"I'm happy to do this first deal together, but I want you to know that I typically work by myself as an entrepreneur and don't consider this to be a long-term partnership right away. Let's see how this first deal goes and if all goes well, perhaps we can do a few more deals as a way to test the waters - then discuss the possibility of additional long-term partnership opportunities in the future..."

A long-term partnership should only be considered when both you and your potential partner have separately been involved in multiple successful transactions and you both have a good track record. It simply isn't wise to heedlessly jump into a long-term partnership with someone with whom you've never done a deal.

Example Deal Structure for the Short Term Partnership Deal

Let's take a glance at the breakdown and structure of an individual real estate deal. This is something that many people really don't think about, but it's important to understand your options and alternatives when it comes to your actual time on a specific deal; and of course, this is based on your experience.

The example graph below clearly labels the main aspects of a typical rehab deal. In my experience, it typically takes about 10% of time finding the deal, 10% of time dealing with the general contractor, 10% managing the sale of the property, 20% is spent dealing with funders, and 50% is spent actually managing the project.

Nonetheless, putting the “2 F’s” aside, there are other numerous reasons that seem harmless and logical – but are ultimately reasons NOT to partner with a particular individual:

1. They also enjoy real estate
2. General contracting experience
3. Real Estate Agent or Mortgage Broker
4. They have done deals in the past



Remember!

NEVER make a partnership decision based on Fear or Friendship!

We’ll go through some of the biggest mistakes that start-ups can make and figure out how to improve your chances of success.

Partnership Failure: Reasons Why Partnerships Fail

Over the years, I have been involved in numerous partnership deals. Many times, I’ve had very successful partnerships, but I’ve also had those that have failed. Why did they fail? What was the difference between these partnerships and those that were successful?

My partnership failures happened because I didn’t have the knowledge or receive the proper education, and I wasn’t smart about the partners I chose. Many of these dissolved partnerships could have been prevented if enough time and effort were put forth at the beginning.

Keep in mind that this is not a decision to be taken lightly. The right partner could be the key to your business’ longevity; whereas the wrong partner has the potential to lead to its downfall. We are talking about thousands, hundreds of thousands and even millions of dollars to be won or lost. With such incredible stakes on the line, how do you go about determining a right partner from a wrong partner? Unfortunately, it is not as though these potential partners are walking around with badges or signs identifying their business compatibility with you. Since that is not the case and identifying the right and wrong business partners isn’t that easy, we must do a bit more work to narrow down the field.

Avoid the potential pitfalls and consider the following list of common reasons behind partnerships failing:

10 Steps to a Successful Business Partnership

Personality Profile Sheet

On a scale of 1 to 5, please rate yourself using the profile, and then add up your score and look at which category you have the highest number of points.

5 – This is definitely me 4 – This is most like me 3 – This is moderately like me

2 – This is moderately NOT like me 1 – This is not like me at all

Score	Category 1	Score	Category 2
	Mathematical		Hard driving
	Analytical		Commanding
	Methodical		Fearless
	Judgmental		Cynical
	Detailed		Courageous
	Realist		Authoritative
	Conscientious		Bold
	Systems orientated		Competitive
	Non-risk taker		Decisive
	Always on time		Venturesome
	Punctual		Organizer
	Neat freak		Risk Taker
	Slow paced		Bottom line is important
	Prefer security to prestige		Want others to get to the point
	Not overly excited		Organized messy person
	Checking account always balanced		Prestige and status very important
	Clothes hung up at night		Fast to decide
	Think everything through		Love a challenge
	Enjoy being alone		Prefers other to pick up after me
	TOTAL POINTS		TOTAL POINTS
Score	Category 3	Score	Category 4
	Amiable		Expressive
	Passive		Overflowing
	Unhurried		Talkative
	Sensitive		Promoter
	Kind		Dreamer
	Cooperative		Very social
	Warm		Hospitable
	Patient		Trusting
	Steady		Fun loving
	Dependable		Optimistic
	Non-judgmental		Enthusiastic
	Non-risk taker		Like to take risks
	Usually on time		Often late
	Indecisive		Messy would describe me
	Avoids conflict		Throw my clothers off at night
	Slow to make decisions		Likes excitement
	Frequently changes my mind		Friendships are very important
	Value others opinions		Recognition is important
	Prefer security to prestige		Not into the details

When communicating with an Analytical person, be sure to:

- Focus on the task
- Be systematic, thorough, deliberate, and precise
- Provide analysis and facts, and use lots of evidence
- Expect to answer many “how” questions and to repeat yourself
- Recognize and acknowledge the need to be accurate and logical
- Do not rush unnecessarily, and allow time for evaluation
- Compliment the accuracy of the completed work.

CATEGORY 2: THE DRIVER

The Driver personality type is strong-willed, direct, forceful and decisive. They are often high achievers unopposed to risk taking. The Driver isn't one to sugar coat his or her views and tends to be highly persuasive. People falling into this category can be sometimes easily perceived as controlling and even domineering. Like the analyticals, Drivers are very task-oriented and show little to no emotion. Conversely, Drivers make their decisions quickly and forcefully.

Drivers are not troubled by the process of getting tasks accomplished, but rather the task itself and what can be expected as a result of said task. They are fully aware of what it is they want and are afraid to tell no one. With some Drivers, weaknesses also include insensitivity, impatience and little to no time for social formalities and pleasantries. At times, Drivers can come off as harsh and overbearing.

Traits of a Driver

- Objective-focused. They love to take action
- Know what they want and how to get there!
- Communicate quickly, gets to the point – what's the bottom line?!
- Can be an “ends justify the means” type of person
- Very courageous, hardworking, high energy does not shy away from conflict
- Drivers are motivated by their ability to WIN
- Quick to make decisions, fast paced and is neatly messy
- Results oriented and needs to control a situation
- Prestige and status are more important than security
- Business first, then social
- Drivers make for great athletes, military personnel, politicians, sales team leaders and CEOs

When communicating with a Driver, be sure to:

- Focus on the task
- Talk about expected results
- Be businesslike and factual
- Provide concise, precise, and organized information
- Don't waste time or argue details
- Provide options

But on the other side of the coin, they can be impatient and can behave irrationally. They are prone to generalize situations and deliver verbal conflicts. Social Butterflies have a need to be appreciated and acknowledged and love to be in the spotlight. As a result, they share information and life experiences at the drop of a hat. They take pleasure in admiration and recognition of their efforts while they are highly upset by isolation and lack of attention.

Traits of a Social Butterfly

- Natural salesmen or story-tellers
- Warm, enthusiastic and are good motivators and excellent communicators
- Tend to be rebellious and can be competitive
- Hates details and can tend to exaggerate or leave out facts and details
- They make decisions based on what sounds best in that moment
- Can be professional marketers, sales people and even make for great trainers
- Expressive personalities are motivated by fun
- Fast paced, likes excitement and a challenge
- Emotional and can get hurt easy
- Prestige and status are more important than security



When communicating with a Social Butterfly, be sure to:

- Keep your emphasis on developing a relationship
- Try to show the benefits your idea can have on his or her image
- Be enthusiastic, responsive and willing to talk
- Relate to the need to share information, stories and experience
- Remember to be warm and amicable at all times
- Try to reduce his or her direct involvement with details

Step 4: List Your 5 Core Needs For a Business Partner

Now that you have determined your primary real estate focus, strengths and weaknesses and personality traits, you can begin to determine your needs in a business partner. An easy way to determine the functions needed from your potential partner is by evaluating the skill sets you have and determining the specific expertise you need in your partner. It is through this process that you make a wise decision.

Now identify the five main reasons you're looking for a business partner - whether it be money, knowledge, camaraderie, construction experience, contacts, etc. As I mentioned earlier, often times people seek business partners out of fear or self-doubt. It is your job to dig deeper and figure out why they are fearful. Could it be sales? Construction? Networking? Technology? It is at that point that you will be able to uncover your true needs in a business partner.

10 Steps to a Successful Business Partnership

Intellectual Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

Overall Intelligence: How would you rate your partner from an overall intelligence level?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Traditional Education: Does your partner have a solid educational background?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Traditional Educational Performance: How did they perform in high school and or college in comparison to their peers?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Non-Traditional Education: Does your partner take a strong interest and value learning and education at the same level in which you do?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Real Estate Education: Has your business partner invested in their real estate education and shown the desire to do so consistently?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Decision Making Skills: Is your partner able to make good decisions in a relatively quick manner? Or do they tend to push decisions off out of fear of making a decision?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Decision Making Experience: Has your business partner ever held a position or been in a business where they had to make a lot of decisions?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Section Score: Your Partner _____ You _____					

Communication / Sales Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

Networking Skills: How would you rate your business partner's ability to network with other people?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Social Skills: Does your business partner feel comfortable in social situations or are they more of a wallflower?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
First Impression: How would you rate your business partner's ability to make a good first impression on people?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Charisma: Is your business partner charismatic?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Influence: How would you rate your business partner when it comes to their ability to influence others?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Sales Experience: Does your business partner have sales experience?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Sales Performance: In their past, how did they stack up against their peers from a sales standpoint?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Objection Handling Skills: Is your business partner good at handling people's objections or concerns?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Negotiation Skills: How would you rate your business partner's negotiation skills?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Oral Communication: Could your business partner stand in front of an audience or your future employees and motivate them to action?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Desire to Improve: How would you rate your business partner's desire to improve in their communication and sales skills?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Section Score: Your Partner _____ You _____					

10 Steps to a Successful Business Partnership

Personal Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

Self-Awareness: Is your business partner aware of their strengths and weaknesses or do they live in denial about their faults?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Integrity: Does your business partner have a high level of integrity?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Resourcefulness: Is your business partner resourceful or do they constantly look to others for direction?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Drive: How driven is your business partner to succeed? Or are they type of person who consistently gives up?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Competiveness: How competitive is your business partner? Or do they give up at the first sign of trouble?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Stress Management: Does your business partner handle stress well or does it make them crumble?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Adaptability: Can your business partner adapt to changes in the market and changes in their life easily?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Creativity: How creative is your business partner?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Analysis Skills: Is your partner able to diagnose and solve a problem quickly?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Section Score: Your Partner _____ You _____					

Interpersonal Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

Likability: Is your business partner easy to get along with?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Listening Skills: How would you rate your business partner and their overall listening skills? Do they listen or talk over people?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Customer Focus: How would you rate your business partner and their desire to build referral relationships from customers?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Team Player: Is your business partner a team player?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Modesty: How would you rate your business partner's ability to be modest?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Loyalty: How would you rate your business partner's loyalty?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Trustworthiness: How would you rate your business partner's trustworthiness?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Independence: Is your business partner highly independent, or do they rely on others in many areas of their life?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Section Score: Your Partner _____ You _____					

10 Steps to a Successful Business Partnership

Motivational Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

Work Ethic: How would you rate your business partner's work ethic?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Energy: How would you rate your business partner's daily energy levels?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Passion: Is your business partner passionate about learning and your business?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Ambition: How would you rate your business partner's ambition levels?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Tenacity: Is your business partner tenacious and willing to do whatever it takes to get things done?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Consistency: Is your business partner consistent or are they constantly starting projects, but never finishing them?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Doer: Is your business partner a doer or are they more of a dreamer?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Goal Setting: Does your business partner have personal and financial goals written down and more importantly have they stuck to them and accomplished them?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Section Score: Your Partner _____ You _____					

Management Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

Management Experience: How would you rate your business partner's management experience from past careers or businesses?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Management Skills: How are your business partner's management skills?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Persuasion: Is your business partner good at persuading others to get things done?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Motivational Skills: Is your business partner good at getting other people motivated to get things done?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Professionalism: How professional is your business partner in business settings?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Section Score: Your Partner _____ You _____					

10 Steps to a Successful Business Partnership

Organizational Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

Time Management: How would you rate your business partner's ability to manage their time?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Punctuality: Is your business partner punctual?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Organizational Skills: How organized is your business partner?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Systems Development Skills: How would you rate your business partner's ability to develop systems within your business?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Systems Implementation Skills: How would you rate your business partner's ability to implement systems within a business that others can follow?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Section Score: Your Partner _____ You _____					

Business Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

Business Experience: Does your business partner have experience running his or her own business?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Business Success: How successful was your business partner in their past endeavors?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Marketing Experience: How would you rate your business partner's marketing experience or knowledge?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Finance Experience: How would you rate your business partner's finance experience or knowledge?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Accounting Experience: How would you rate your business partner's accounting experience or knowledge?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Construction Experience: How would you rate your business partner's construction experience or knowledge?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Real Estate Experience: How would you rate your business partner's real estate experience or knowledge?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Business Connections: Does your business partner have a lot of existing business contacts that they can bring to the table?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Section Score: Your Partner _____ You _____					

TOTAL SCORE FOR ALL SECTIONS:

Your Partner _____ You _____

Step 6: Discuss Partnership Roles and Responsibilities

Assuming that you were satisfied with the personal competencies of your business partner, your next task is to discuss the roles and responsibilities within the real estate business. Obviously, you and your partner must both be educated about the different areas of the business; this doesn't mean that you can't start allocating responsibilities based on your current skill sets.

As you acquire further knowledge about the business, you may find that these roles change. However, it is always good to discuss these things in the beginning stages, so all are on the same wave length when you get started as an investor.

Use this as a checklist and just place the person's name next to the activity. Clearly, some activities can be divided as well.

Name	Activity or Responsibility
	Marketing: Who is going to handle marketing campaigns needed to generate leads for sellers and buyers within the business?
	Acquisitions: Who is going to handle analyzing the deals and negotiating with sellers and agents within the business? How will we purchase the property?
	Short Sale Acquisitions: Who is going to handle short sale negotiations with banks and agents on deals where the seller is overleveraged?
	Finances: Who is going to handle raising money and the bookkeeping of the business?
	Construction Management: Who is going to oversee the contractors on any rehab projects you purchase?
	Property Sales: Who is going to handle working with the agent or marketing the property for sale?
	Property Management: Who is going to handle the property management or finding a good property manager for properties you hold for cash flow purposes? Who will be the point person with the manager?
	Business Development: Who is going to develop and employ the structures within your business allowing you to go from being owned by your business to you owning your business?

Step 8: Discuss Financial Considerations

It's important that you and your business partner develop a thorough understanding of the financial aspect of your prospective partnership. I have listed a few key essential points to discuss with your business partner.

Personal Financial Statement

When evaluating your partner, another important factor is their financial situation. Wouldn't you like to know all of your partner's assets, debts and liabilities? If so, then it may be wise to exchange personal financial statements to see the health of your partners' business and how he or she is managing their finances. You want a partnership with someone who is financially stable. Individuals who think financially smart shouldn't have an issue with providing a financial statement.



Remember!

You want a partnership with someone who is Financially stable!

Credit Rating

Having good credit is not necessary to get started and become successful in real estate. But, it can be an asset that can be utilized as leverage - and can help you to grow rather quickly. You and your potential business partner should openly discuss each others' credit and different ways to improve each other's scores while simultaneously leveraging your credit to grow your business, if applicable.

Initial Capital Contribution

You do not need a great deal of capital to get started as a real estate investor. The first few deals you find can be funded using other people's money, and a percentage of the profits can be invested back into the business for future funding purposes. However, some partners decide to contribute funding to the company for operating costs and educational investments.

Preferred Return

We teach our students to raise private money and leverage other people's money for their real estate deals. However, one partner may end up putting more money into a deal than another. In that case, if all other things are equal, then the partner who contributed capital should be paid a preferred return of 5% to 15% when the deal closes. Everything else should be split based on ownership percentage after that. This is a great way to compensate someone who is taking on more risk in a deal - this is also something to consider when your own money is involved in a deal. Like I said, most of our students leverage other people's money.

Financial Review

How often will you and your partner meet to discuss the financial status of the company and the deals on which you are working?

Step 9: Discuss Growth Considerations

It is extremely important that you have an honest discussion with your partner about how you both will handle growth. A real estate business CAN be profitable without employees - but, a real estate business can be EXTREMELY profitable when you do have employees. It's really a personal preference that the two of you need to discuss. This section is a list of items to discuss with your business partner.

Future Office: You do not need a formal office when you are getting started. In fact, I recommend our students start from a home office until they have completed a pre-determined number of deals. You'll need to discuss at what point in the future you'd like to acquire an office. I highly recommend buying the office building at that point and renting extra space you don't use.

Hiring Employees: As a coach to many real estate investors, this is one topic in which I see a great deal of disagreement amongst partners. We have students who have many employees and very profitable businesses - but on the other hand, we also have students with very few to no employees and still have very profitable businesses. This is something you must discuss with your partner before you begin any form of hiring, to be certain that you both have the same desire for growth. Some people would rather have the freedom and lifestyle over having a large office full of employees. This is a personal choice that must be discussed as either one can work.

When to Hire: Many of our students are ready to hire employees after their first deal, while others prefer to hire after quite a few deals have been completed. This is another detail you both must discuss. You can choose to grow very quickly, or at a slower steadier pace.

One to Two Year Goals: Your business partner's goals concerning growth need to be in alignment with yours. If one partner is trying to take over the world and the other is more conservative, then you need to make sure you balance each others' short term goals while you are still learning the business and acquiring knowledge.

Five to Ten Year Goals: You also need to discuss your long term goals for the business. The great fact is: You own the business, so you can design it for future generations, for your employees to take over, or to sell. There is a tremendous value in the business itself if you have great systems and a great team. This means that you can sell the business itself for a profit and not just the properties owned by the business. You should convene with your business partner at least once a year to review the long term goals each of you has for the business.

Discovering Your Why: This is something all investors must think about. There is a reason that you are pursuing real estate investing - a reason other than merely money. It is your higher calling. In fact, most people plan on using real estate to get them closer to their higher calling. Your partnership will be much healthier and more successful if you understand each other's true motivations.



10 Steps to a Successful Business Partnership

The basic forms of business entities are: *sole proprietorship, partnership, corporation, and limited liability company (LLC)*. Each has its own benefits and drawbacks and is treated differently for legal and tax purposes. The most common choice for real estate entrepreneurs beginning investors is an LLC or limited partnership.

Here's a brief snapshot of each business entity:

Limited Liability Company (LLC): An LLC operates as a separate legal entity, without actually being a corporation. This type of structure is very popular especially for beginning real estate investors, because an LLC includes limited personal liability and risk concerning its debts. By using an LLC for your real estate investments, you may also be able to avoid personal liability for accidents that occur on the property. An additional advantage to choosing an LLC is that it also provides a flexible structure that allows members to manage the entity or to elect a manager or a group of managers. All members of a LLC are provided limited liability.

Corporation: A corporation is a separate legal entity which exists under the authority granted by state law. A corporation is responsible for its own debts and obtains all the legal rights of the owner. Typically, the owners or shareholders of a corporation are protected from the liabilities of the business. However, when a corporation is small, creditors often require personal guarantees of the principal owners before extending credit.

Partnership: A partnership is a legal entity which can sign contracts, obtain credit and borrow money. There are two forms of partnerships: *general and limited*. General partners share equal rights and responsibilities in running the business - including everything in connection with the management, and any individual partner can bind the entire group to a legal obligation. Each individual partner also assumes full responsibility for all of business debts and obligations, and has ownership of company assets.

A limited partnership allows each partner to restrict his or her personal liability to the amount of their business investment. However, at least one of the two partners must accept the status of "general partnership", assuming personal liability for the business obligations. Nonetheless, both general and limited partner responsibilities are outlined in the partnership agreement.

Sole Proprietorship: A sole proprietorship is a business owned and operated by one individual. It's perhaps the easiest form of business to own and operate because it does not require any specific legal organization, except of course, the normal requirements such as licenses or permits. This business structure is very popular for many new business owners because it is easy to set up and maintain. Other than the ordinary local business licensing, there is not much paperwork or government fees involved when starting a sole proprietorship.

Now that you have an idea of each business structure, you may want to seek the advice of your business attorney or accountant before you move forward with your decision.

that would warrant one. From a real estate perspective this will usually only apply to large development deals.

Buy-Sell Agreement

Many businesses use a buy-sell agreement to provide an effective exit process. Think of it as a cross between a marriage prenuptial agreement and a will. This document is binding, and protects everyone's financial interests if one of the partners decides to leave the business, was forced to leave, or worst case scenario, passes away.

A buy-sell agreement usually specifies the timeframe in which a partner is allowed to sell their interest, the individuals allowed to purchase that interest, and the price paid for that interest. The standard kinds of buy-sell agreements are: cross-purchase, redemption and insurance.

The *cross-purchase agreement* is best suited in the case of partner dying, becoming disabled, or reaching bankruptcy. This form of agreement allows the other remaining partner to purchase his or her share.

The *redemption agreement* is better applied in cases where the business itself would make the purchase. This way, none of the owners are required to personally finance the purchase of interests.

There is a great deal of flexibility in either form of buy-sell. The price may be fixed and established by means of an appraisal. The price may be paid as one lump-sum or in predetermined installments. Different terms for different events can be set, i.e. one set of price and terms for retirement, one for disability, and one for death.

Insurance is prominent in many buy-sell agreements. You aren't required to use insurance, but it can ensure that funds will be available if the occasion should arise. For instance, regardless which of you dies first, having life insurance policies on each of you can help to finance the buyout. This will allow your company to survive and your spouse/heirs to be bought out as agreed.

I've listed below just a few items to discuss with your partner when brainstorming the terms of your buy-sell agreement:

- What price would be paid for the partner's shares should he or she decide to leave; and how would the value of those shares be determined?
- Will you allow outside parties to buy a partner's interest or shares in the business?
- How would you value the business itself?
- What would happen with all real estate properties that you hold as rentals?
- How would you divide any active wholesale or rehab deals in which you are currently involved together?
- What events would trigger this buyout? (Disability, retirement, death or one of the partners leaving the business)



Remember!

If you want out of your partnership, don't wait to let your partner know!

Here are a few potential reasons partnerships end:

The 3 "D's": Divorce, Disability, Death: It is important that business partners have a plan for what happens if one of them dies unexpectedly, goes through a divorce, or becomes disabled - either physically, mentally or even financially. Provisions should be made far in advance for all parties involved, and the direction of the business made clear.

Resigning: There are many reasons why partners decide to ultimately resign from business partnerships. They may decide to retire, or maybe just pursue another field altogether. Make sure that your exit strategy clearly defines the outcome when one partner is ready to walk away from the business.

Conflict or Dispute: This is the number one reason that individuals dissolve their business partnerships. When emotions are high in the midst of a conflict or dispute, it's common for many to just throw in the towel. If you have the dissolution process already laid out while you're on good terms, you'll be in a far better state to make decisions, and it will be a much smoother transition.

Expulsion: Unfortunately, there are times when expelling a business owner is the most sensible route to take. The more common reasons include, but are not limited to: sexual harassment of colleagues or employees, embezzling money, or simply not wanting to further invest funds into the business. It should be detailed in the partnership agreement which specific occasions merit a compulsory exit.

Worth of a Company: The company's value is one of the single most significant articles to be addressed in a partnership agreement. The business owners must thoroughly outline in the exit strategy how to go about appraising the value of partner's share should the need arises. Questions to address include, "What is fair value" and "When do I have to pay for it?" Creating a way to assess the worth of a company in advance gives all partners a sense of serenity - and the reassurance that they will get a reasonable and impartial price in return should the time come.

Exit Strategies to Consider

There are a number of potential influences you should take into account when you plan your exit strategy. First, establish the value of your company and what financial consequences could result from selling or leaving the company in general. One means of an exit strategy could be merely proposing to sell your portion of the company to your partner. You could also suggest introducing a third party whom

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