Revenue Share Agreement questionnaire

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Introduction

Revenue share agreements work well in the online business environment and a subtly different from a joint venture, although share many of the same features.

Whilst a joint venture might be intended for a specific project and time or project limited, revenue share deals can be perpetual and unending, provided the parties maintain their good working relationship.

Generally speaking, in a revenue share deal one partner has unique skills which can enhance the performance of a business beyond its current state (strategy), and the other party has a business they want to improve, without the knowledge or experience to do so (operations). The strategic partner often becomes your objective, trusted advisor and promoter, without having any control, ownership or decisions making in the business. This makes revenue share deals attractive to business owners who do want to give up control or equity in what they have created, but still want to leverage the knowledge and skills of an advisor.

Before establishing a revenue share model, whether you are the strategic or operations partner, it will be useful for you to consider what it is you want to achieve.

Some things you might like to consider are:

- what skills or attributes you are looking for in a revenue share partner
- your role and expectations in the revenue share
- the other party's role and expectations
- structuring the deal
- the amount of revenue share
- what happens when the revenue share is not paid?
- what is the business is sold?
- what happens if one party wants out?
- meeting and reporting obligations

The following questionnaire is designed to help you identify what you believe will be important, and what is not part of the deal. You do need to be clear on expectations and exits. You will find the proposed revenue share agreement more useful if you can clearly identify any areas where there is potential for dispute and address those things in the agreement, up front.

1. Who is involved?

a) What are the full names and preferred contact details for each party to the deal?

b) If any party is not an individual, provide the full name of the person or people responsible for that entity.

2. Expectations – How hard do you want to work?

a) Scaling fast or slow?

b) Restructuring or changing product lines or business model?

c) What are the expected changes in contributions over time?

3. Term of Agreement

a) Revenue share agreements work well the longer the term. Perpetual agreements are not a bad thing. The agreement can include provisions for exit of either party at any time, usually after an initial period which enables the strategic party to get a return on their contributed time and knowledge.

b) From what date do you want the venture to start? You can specify a date before or after the date that a written agreement will be ready for your signatures.

c) Is there a minimum period of commitment required of the participants?

4. Terminations

a) What happens if the business is sold?

b) On what basis can either party end the agreement?

c) What payments are required if the agreement is ended by the operations partner?

d) What payments, if any, are required if the agreement is ended by the strategic partner?

5. Roles and responsibilities

a) What are the outcome focused metrics each party expects of the other?

b) What reporting or access to information is available to the partner receiving the revenue share?

c) What happens if the reporting stops?

6. Revenue

a) Is revenue business wide, or product based?

b) What is current revenue?

c) What is projected revenue?

d) If future capital investment is likely to be required, what impact will that have on the revenue share?

e) Will a party be paid fees for any reason?

7. Restrictive covenant

a) Is the strategic partner restrained during the agreement?

b) Is the strategic partner restrained after the agreement ends?

c) Is the operations partner restrained from establishing another revenue share deal?

8. Disputes

i) How will disputes be resolved?

ii) Negotiation, arbitration, mediation, court?

iii) What governing law to apply, the place of business or elsewhere?

End.