TBILISI HOME

Joint Venture Agreement — Template

Plain-English template of our standard terms · tbilisihome.ge/investors/joint-venture

This template shows our standard terms in full, so you know exactly what you are agreeing to before we even meet. The highlighted blanks are filled with your numbers. All worked examples use one illustration deal: Investor **$60,000**, Manager **$15,000**, preferred return **15%**, remaining profit split **40% / 60%**, expected sale **$110,000** — your own numbers replace them. The final, signed agreement is prepared by a licensed Georgian lawyer in Georgian and English.

PART A — THE DEAL

1 · Parties and project

This joint venture is between **[Investor name]** ("the Investor") and Tbilisi Home ("the Manager"), for the purchase, renovation, and sale of the apartment at **[address]**, with a purchase budget of **[$ amount]**, a renovation budget of **[$ amount]**, and a reserve for fees and transaction costs of **[$ amount]**. Together these are "the Budget." All amounts in this agreement are in US dollars.

2 · The project company

A new limited liability company ("the Company") is registered in Georgia for this project and nothing else. The Company — not either partner personally — owns the apartment, signs the renovation contract, holds the bank account, and holds the insurance. The Investor holds **[X]%** and the Manager holds **[Y]%** of the Company. Whatever happens, the Investor's possible loss is limited to the money the Investor puts into the Company: no debt, claim, or accident of the project can reach the Investor's other assets.

3 · Contributions

The Investor contributes **[$ amount]** in cash. The Manager contributes **[$ amount]** in cash, plus the full work of the project: sourcing the apartment, negotiating the purchase, managing the renovation, and selling. The Manager charges no salary, commission, or management fee. The Manager's work is paid only out of the final profit split — which means the Manager earns nothing unless the Investor has first been paid in full.

PART B — THE UPSIDE: HOW PROFIT IS MADE AND SHARED

4 · Where the profit comes from

The Company buys below market from a motivated seller, adds value through renovation, and sells at the renovated market price. The margin between total cost and sale price is the profit pool. Before signing, the Manager gives the Investor a written underwriting: the purchase price against real comparable sales, the renovation quote, and the expected sale price against renovated comparables in the same district. The expected sale price in this agreement is **[$ amount]** .

5 · The payout waterfall

When the apartment is sold, the sale money is paid out in four fixed steps. Each step must be paid **in full** before the next step receives anything. This order is written into the Company's charter — it is not a promise, it is the governing rule of the Company:

- **Step 1 — The Investor's capital.** The Investor's full contribution is returned first.
- **Step 2 — The Investor's preferred return.** The Investor's agreed profit of **[P]%** is paid next, before the Manager receives anything.
- **Step 3 — The Manager's capital.** Only now is the Manager's own cash returned.
- **Step 4 — The profit split.** Everything remaining is divided: **[S]%** to the Investor, **[100–S]%** to the Manager. This step is the only place the Manager's months of work are ever paid.

> **Worked example — expected sale at $110,000:** Step 1: the Investor receives their $60,000 back. Step 2: the Investor receives the 15% preferred return, $9,000. Step 3: the Manager receives their $15,000 back. Step 4: the remaining $26,000 splits 40/60 — $10,400 to the Investor, $15,600 to the Manager. The Investor walks away with **$79,400 total — a 32% return**. The Manager earns $15,600 for the capital risked and roughly a year of work.

6 · How the preferred return works

The preferred return is **[P]%** of the Investor's contribution, calculated **[flat for the project / per year, pro-rated monthly]** . It is not interest on a loan — it is a priority profit share: if the project makes at least that much profit, the Investor receives it before the Manager receives anything at all. For comparison, a Georgian bank deposit currently pays about 11% in GEL and far less in USD. The preferred return is designed to beat the bank **before** the Investor's profit share is even counted.

7 · What each side's return depends on

Notice what the waterfall does to motivation. The Investor's return is protected by position: paid first, with the Manager's money underneath as a cushion. The Manager's return is earned by performance: the Manager is paid last, from profit that only exists if the buying, renovating, and selling were done well. Neither side can win at the other's expense — the Manager can only reach Step 4 by carrying the Investor through Steps 1 and 2 first.

8 · If the project does better than expected

The waterfall does not cap the Investor. If the apartment sells above the expected price, Steps 1–3 are unchanged and Step 4 simply has more in it — the Investor's **[S]%** share applies to the larger pool. If the Company receives rental income while waiting to sell (see clause 12), that income flows through the same waterfall order.

9 · Full outcome table

Every sale price, best to worst, on the illustration deal ($60,000 + $15,000, 15% preferred, 40/60 split):

Sale price	Investor receives	Investor result	Manager receives	Manager result
$125,000	$83,400	**+$23,400 (+39%)**	$36,600	**+$21,600 + work paid**
$110,000 (expected)	**$79,400**	**+$19,400 (+32%)**	**$30,600**	**+$15,600 + work paid**
$95,000	$73,400	**+$13,400 (+22%)**	$21,600	**+$6,600**
$84,000	$69,000	**+$9,000 (+15%)**	$15,000	**$0 — a year of work unpaid**
$75,000 (break-even)	$69,000	**+$9,000 (+15%)**	$6,000	**−$9,000 and work unpaid**
$69,000	$69,000	**+$9,000 (+15%)**	$0	**−$15,000 and work unpaid**
$60,000 (−45%)	$60,000	$0 — capital intact	$0	**total loss**
$50,000	$50,000	**−$10,000**	$0	**total loss**

Read the table from the bottom up and the protection is visible: the Manager's entire position — $15,000 of cash and a year of unpaid work — is destroyed before the Investor loses their first dollar. On this deal, the Investor's capital is only touched if the sale price falls more than **45% below** the expected price.

PART C — THE DOWNSIDE: HOW LOSSES ARE ABSORBED AND CONTAINED

10 · The loss order

Losses are simply the waterfall running backwards. They consume positions in this fixed order, and each layer must be fully destroyed before the next is touched:

- **First loss — the Manager's work.** Any shortfall below a sale of about **[$84,000]** means the Manager's months of work are wholly unpaid.
- **Second loss — the Manager's cash.** Between roughly **[$69,000]** and **[$84,000]**, every missing dollar comes out of the Manager's own $15,000.
- **Third loss — the Investor's preferred return.** Only between **[$60,000]** and **[$69,000]** does the Investor's profit shrink — while their capital is still fully intact.
- **Last loss — the Investor's capital.** Touched only below **[$60,000]** — on this deal, a market collapse of more than 45%.

11 · Cost overruns

The Budget includes a contingency reserve of **[10]%** of the renovation budget, held in the Company account from day one. Overruns are absorbed in this order: first the contingency reserve; then, if more is needed, the Manager may fund the gap from their own money — such funds join the Manager's capital at Step 3, never ahead of the Investor. The Investor is never obliged to add money beyond their contribution. Any budget increase above the contingency requires the Investor's written consent (clause 15).

12 · Delays and a market that turns

The target is to sell within **[9–12]** months of purchase. If the apartment is unsold by **[date]**, the partners must meet and choose, in writing, one of three paths:

- **Cut the price** — accept a smaller Step 4 rather than carry the asset;
- **Rent it out** — the renovated apartment produces rental income through the waterfall while waiting for a better market;
- **Extend** — set a new deadline, at which this clause applies again.

This is the honest answer to the slow-market scenario: a renovated, rentable Tbilisi apartment is never a dead asset. The downside of a bad market is usually time, not destruction of capital.

13 · Catastrophic events and insurance

Before renovation begins, the Company buys — and cannot start work without — insurance covering:

- **the construction works** (contractor's all-risks: fire, flood, collapse of the works themselves);

- **the existing structure** of the building while works are carried out;
- **injury to workers** on site;
- **damage to neighbours and third parties**, with the Company as policyholder.

The renovation contractor must be independent and carries responsibility for site safety under the renovation contract. If a serious event happens, insurance money is paid to the Company and flows to the partners through the waterfall — the Investor's position first. If an event creates costs beyond the insurance, those costs belong to the Company alone: they can consume the Company's assets, but under Georgian law they cannot pass through to the Investor personally (clause 14). The worst legal outcome for the Investor is the loss of their contribution — never more.

14 · The liability wall

Under Georgian law, the members of a limited liability company are not personally responsible for the company's debts. If the Company ever cannot pay what it owes — after an uninsured catastrophe, for example — the Company's creditors are paid from the Company's assets and nothing else. Neither partner's home, savings, or other assets are reachable. The Manager confirms the Company will take on no debt and give no guarantees without the Investor's written consent, so no hidden creditor can ever appear.

15 · If a partner fails, dies, or the partners disagree

- **If the Manager stops performing** — abandonment of the project or material breach of this agreement — the Investor may, on [30] days' written notice, take over management of the Company or appoint a replacement manager, and the Manager's Step 4 share is forfeited.
- **If either partner dies or loses capacity**, their share passes to their heirs — but the waterfall, consent rights, and first right to buy bind the heirs exactly as they bound the partner.
- **If the partners deadlock** on a decision requiring both signatures, either may trigger the sale of the apartment at a price supported by an independent licensed appraisal, with proceeds paid through the waterfall.

PART D — SHARED RULES

16 · The Investor's consent

The apartment cannot be sold, mortgaged, pledged, or transferred without the Investor's written consent. The Company cannot borrow money, guarantee anything, or grow the Budget beyond the contingency without the Investor's written consent. Day-to-day decisions — contractors, materials, marketing, negotiations — belong to the Manager.

17 · First right to buy

If either partner wants to sell their share of the Company, they must first offer it to the other partner at the same price. The other partner has **[30]** days to accept. Only after a written “no,” or silence past the deadline, may the share be sold to someone else — and never at a lower price than was offered to the partner.

18 · Taxes

The Company pays its own taxes under Georgian law before distributions are made; the outcome table above is shown before distribution tax, and the lawyer confirms the exact treatment before signing. Each partner is responsible for their personal taxes in their own country of tax residence.

19 · Law, language, and disputes

This agreement is governed by the law of Georgia and signed in Georgian and English. If the versions differ, the **[Georgian]** version controls. Disputes go first to good-faith discussion between the partners, then to the courts of Tbilisi.

Investor — name, signature, date	Tbilisi Home — name, signature, date