

# MEMORANDUM OF UNDERSTANDING

## What is an MOU? How Do You Write an MOU?

Brought to you by [JWWisdom.com](http://JWWisdom.com) and Robin J. Elliott

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While no contracts are required for you to set up a Joint Venture or Strategic Alliance, Joint Venture Expert Robin J. Elliott still says it is important to have something written from the start that clearly outlines the agreed arrangement. In his book Joint Adventures, Robin J. Elliott states, "...If you have adequate tracking in place and you have done your due diligence on your potential JV partner, and if you have managed to remove risk and cost from the equation, a Memorandum of Understanding is usually perfectly adequate. Consult a lawyer for legal advice."

A Memorandum of Understanding or MOU is put in place to establish a clear understanding of how the deal will practically function and each party's role and compensation.

Mr. Elliott explains in Joint Adventures,

In the Memorandum of Understanding, simply set out the details of the deal, what everyone agrees to do and how and when everyone gets paid, what percentage, do you add taxes, etc. "Robin agrees to pay Adam 20% of all income Robin receives in payment of speaking engagements, after the deduction of GST (General Sales Tax) as a result of business generated by Adam. Robin agrees to pay Adam this 20% commission by check by regular mail, within ten days of Robin's receiving his payment." Something that simple. By working with trusted people, you have fewer concerns about not being paid. Put it in writing to avoid future misunderstandings. Pay on time. If you agree to be paid or to pay on all future business transactions, make sure you specify how long this agreement will last for, what is expected from each party, etc.

The MOU allows all involved to concretely see that they are agreeing to the same thing and to be a tangible reference to review should, heaven forbid, any troubles arise during the arrangement.

A question asked time and again of Robin J. Elliott is, "How do I write a Memorandum of Understanding?" Mr. Elliott will not get into specifics since each deal is vastly different and he will not give any form of legal advice. As shown above the MOU can be a simple statement e-mailed to the other party with a response saying they agree. In reality, you can make the Memorandum of Understanding as simple or complicated as is necessary for the Joint Venture and the comfort of those involved. Some want every detail and possibility ironed out ahead of time; others don't.

**For those of you who want a more detailed Memorandum of Understanding, here is a list of aspects you could choose to include:**

- The date of the Memorandum of Understanding.
- Describing the situation of the parties involved and how they relate to each other.
- What services each party contributes to the deal before, during and after the Joint Venture.
- **Communication Details**
  - The names and contact information of each party.
  - Any probationary or trail period.
  - Any set dates to review activity, performance, or satisfaction with deal.
  - What parts of this deal are open to change or negotiation and how.
  - What aspects of the deal should require formal notification and how.
  - How disputes will be settled.
- **Compensation Details**
  - Who handles the money and how.
  - How people are paid (who pays who, by what method, in what currency, deposited where).
  - When people are paid (the same day every month, immediately after the transaction).
  - How much people are paid (flat fee, a percentage of the sale, if so, does this include GST, a percentage of the profit and if so, what are the applicable costs and how much are they, on all customers, on certain customers and if so, how is sales are tracked and reported).
  - How long people are paid (for the initial sale of a customer, for the lifetime of the customer's business, for the duration of the contract, for 6 months after the contract ends).
- **Term of Agreement**
  - When the deal starts (on a certain date, during a limited event, as soon as a sale occurs).
  - How long it lasts (for a certain period, indefinite until someone ends, at the end of an event).
  - How the deal is terminated (by one or both parties, under what circumstances, how is the end carried out.)
  - What happens at the end of or after the deal.
- **Miscellaneous**
  - Any restrictions to either party
  - Any disclaimer statements
  - Any privacy statements (such as revealing the sales amount, but not information about the customers)
- A place for all parties to sign the agreement.

We at JVWisdom have also provided a couple of extremely general Memorandum of Understanding templates to give you a place to start in putting it all together. Please understand that this in NO WAY constitutes advice about how you should structure your deals or write your agreements or any other form of legal advise. You are the sole responsible party for the utilization of any information provided here. As Robin J. Elliott writes in Joint Adventures, "I suggest you get advice from a legal expert if you want to enter into any contractual agreements. I always suggest you incorporate your business and take out adequate insurance to protect yourself from greedy people."

## Samples

### Simple MOU Statement

1. First sentence – State the General Arrangement:

**(Name of first party) agrees to pay (Name of second party) (How much) of (What – something the first party gets party), after (State any conditions) as a result of (What – something the second party does).**

2. Second Sentence – State Compensation Details:

**(Name of first party) agrees to pay (Name of second party) this (How much) commission by (Currency type – CDN/USD) (Method of Payment) by (Method of Delivery), within (Certain time Period).**

MEMORANDUM of UNDERSTANDING  
BETWEEN  
**Party 1 AND Party 2**

- 1 GENERAL ARRANGEMENT. Describe the general situation of Joint Venture.
  - 1.1 WHEREAS **(Party 1)** provides... **(Value Provided to Someone)**
  - 1.2 AND WHEREAS **(Party 2)** provides... **(Value Provided to Someone)**
  - 1.3 **(Party 1)** agrees to compensate **(Party 2)** for... **(Result Produced)**
  
- 2 SERVICES. Describe what each party agrees to provide in the Joint Venture.
  - 2.1 **(Party 1)** agrees to perform the following services:
    - 2.1.1 Prior to the onset of the Joint Venture: **(List Services)**
    - 2.1.2 During the operation of the Joint Venture: **(List Services)**
    - 2.1.3 After the conclusion of the Joint Venture: **(List Services)**
  - 2.2 **(Party 2)** agrees to perform the following services:
    - 2.2.1 Prior to the onset of the Joint Venture: **(List Services)**
    - 2.2.2 During the operation of the Joint Venture: **(List Services)**
    - 2.2.3 After the conclusion of the Joint Venture: **(List Services)**
  
- 3 AGREEMENT TERM. Describe when the Joint Venture will begin and end.
  - 3.1 The Joint Venture will commence **(When)**.
  - 3.2 The Joint Venture will terminate:
    - 3.2.1 **(Write terms for Party 1 to amicably terminate the arrangement.)**
    - 3.2.2 **(Write terms for Party 2 to amicably terminate the arrangement.)**
    - 3.2.3 **(Write how it ends if Party 1 sells their company/quits the activity.)**
    - 3.2.4 **(Write how it ends if Party 2 sells their company/quits the activity.)**
    - 3.2.5 **(Write how it ends if either Party 1 dies.)**
  
- 4 COMPENSATION. Describe how each party is paid.
  - 4.1 All funds will be received and distributed by **(Party Name)**
  - 4.2 **(Party Name)** agrees to pay **(Party Name)** this **(How much)** commission by **(Currency type – CDN/USD)** **(Method of Payment)** by **(Method of Delivery)**, within **(Certain time Period)**.
  - 4.3 **(Monitoring)**. Include a monitoring component to determine contract compliance. If the terms of the MOU are not being fulfilled, allow for a termination clause.)
  
- 5 ADDITIONAL DETAILS. Change this title and add in any additional points.

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SIGNATURE & DATE  
Organization Name/Title  
Address  
City, State, and Zip Code  
Phone  
e-mail

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