

ABC Association

Joint Venture Policy

In compliance with Internal Revenue Service guidelines for approval and management of any joint venture entered into by the ABC Association ("Association"), the Board of Directors adopts the following guidelines.

Activities Subject to this Policy

For the purposes of this policy, the term "Joint Venture" is defined as any arrangement, including contractual or more formal arrangements undertaken through a limited liability company, partnership, or other entity, through which the Association and another entity jointly undertake any activity or business venture, or otherwise agree to joint ownership of any asset.

Approval and Management of Joint Activities

Before making any decision to participate in a Joint Venture, the Association will ensure that the Joint Venture furthers the Association's exempt purposes and will negotiate at arm's length contractual and other terms of participation that safeguard the Association's exemption from federal income tax. Such terms shall be in writing in the operating agreement of the Joint Venture and shall include the following minimum requirements:

- With respect to any whole joint venture (that is, a joint venture in which the Association contributes substantially *all* of its assets to the enterprise), the Association's control over the Joint Venture through fifty-one percent (51%) or more of the voting rights and/or veto power and the Association will retain control or oversight of the Joint Venture's operations to ensure that the activities further an educational purpose;
- With respect to any ancillary joint venture (that is, a joint venture to which a portion of the Association's resources are contributed), the Association would, at a minimum, maintain sole control over the tax-exempt activities of the Joint Venture, have voting and ownership interests in the Joint Venture that are consistent with the Association's capital contributions, and have an agreement providing that the Joint Venture's operations further an educational mission;
- A requirement that any subsequent contract with the Association's partner in the Joint Venture be negotiated at arm's length and for fair market value;
- A requirement that the Joint Venture give priority to the Association's tax-exempt purposes over maximization of profit for the participants of the Joint Venture;
- A prohibition on the inurement of the Association's assets to the benefit of any private individual; and
- A prohibition on activities that would jeopardize the Association's tax-exempt status.

Where there is any question as to whether a particular Joint Venture may pose a risk to the Association's tax-exempt status, a decision to enter into such Joint Venture will be made only in consultation with legal and/or tax counsel.