

LVCBA Policy:

JOINT VENTURE POLICY

Revision Nbr **01**

Effective Date: **5/25/10**

This Policy was Approved for use by the LVCBA Board of Directors on May 24, 2010.

I. APPLICATION

- A. This Policy applies to the LVCBA Board of Directors.
- B. 'Joint Ventures' are defined as any arrangements through which LVCBA and another person or entity jointly undertake any activity or business venture, or otherwise agree to joint ownership of any asset that may jeopardize LVCBA's tax exempt status.

II. JOINT VENTURES

The LVCBA Board of Directors shall comply with this Policy to make decisions concerning approval and management of Joint Ventures.

III. APPROVAL AND MANAGEMENT OF JOINT VENTURES

Prior to making any decisions to participate in a Joint Venture, the LVCBA Board of Directors will insure that the Joint Venture furthers LVCBA's exempt purposes and will negotiate in good faith contractual and other terms of participation that safeguard LVCBA's exemption from federal income tax. Such terms shall be in writing in the operating agreement of a Joint Venture, and shall include:

- With respect to any whole Joint Venture (that is, in which LVCBA contributes substantially all of its assets to the enterprise), LVCBA's control over the Joint Venture through 51% or more of the voting rights and/or veto power;
- With respect to an ancillary Joint Venture (that is, in which only a portion of LVCBA assets are involved), LVCBA would, at a minimum, maintain sole control over the tax-exempt aspects of the Joint Venture and would have voting and ownership interests in the Joint Venture that are consistent with LVCBA's capital contributions;
- A requirement that any subsequent contract with LVCBA's partner in the Joint Venture be negotiated in good faith and for fair market value;
- A requirement that the Joint Venture give priority to LVCBA's tax-exempt purposes over maximization of profit for the participants of the Joint Venture; and

- A prohibition on activities that would jeopardize LVCBA's tax-exempt status.

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

• END OF POLICY*