

POLICY NUMBER: **09-06**
SUBJECT: **JOINT VENTURE POLICY**
EFFECTIVE DATE: April 28, 2009
REVISION DATE:
SUPERSEDES:
APPROVED BY: **CWEA Board of Directors**

POLICY

This Joint Venture Policy of the California Water Environment Association (the "Association") requires that the Association evaluate its participation in joint ventures under Federal tax law and take steps to safeguard the Association's exempt status with respect to such joint ventures. It applies to any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity as further defined in this policy.

1. **Joint ventures or similar arrangements with taxable entities.** For purposes of this policy, a joint venture means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity without regard to: (1) whether the Association controls the venture or arrangement; (2) the legal structure of the venture or arrangement; or (3) whether the venture or arrangement is taxed as a partnership or as an association or corporation for federal income tax purposes. A joint venture is disregarded if it meets both of the following conditions:
 - a) 95% or more of the joint venture's income for its tax year ending within the Association's tax year is excluded from unrelated business income taxation [including but not limited to: (i) dividends, interest, and annuities; (ii) royalties; (iii) rent from real property and incidental related personal property except to the extent of debt-financing; and (iv) gains or losses from the sale of property]; and
 - b) the primary purpose of the Association's contribution to, or investment or participation in, the joint venture is the production of income or appreciation of property.

2. **Safeguards to ensure exempt status protection.** The Association will: (a) negotiate in its transactions and arrangements with other members of the joint venture such terms and safeguards adequate to ensure that the Association's exempt status is protected; and (b) take steps to safeguard the Association's exempt status with respect to the joint venture. Some examples of safeguards include:
 - a) control over the joint venture sufficient to ensure that it furthers the exempt purpose of the Association;
 - b) requirements that the joint venture gives priority to exempt purposes over maximizing profits for the other participants;
 - c) that the joint venture not engage in activities that would jeopardize the Association's exemption; and
 - d) that all contracts entered into with the Association be on terms that are arm's length or more favorable to the Association.