

# **National Limousine Association, Inc.**

## **Joint Venture Policy**

In compliance with Internal Revenue Service (“IRS”) guidelines for approval and management of any joint venture entered into by the National Limousine Association, Inc. (“NLA”), the NLA Board of Directors (“Board”) adopts the following guidelines.

### **Activities Subject to this Policy**

For 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 NLA and another entity jointly undertake any activity or business venture, or otherwise agree to joint ownership of any asset. A Joint Venture may include both taxable and tax-exempt activities.

### **Approval and Management of Joint Activities**

Before making any decision to participate in a Joint Venture, the NLA shall ensure that the Joint Venture furthers the NLA’s exempt purposes and will negotiate at arm’s length contractual and other terms of participation that safeguard the NLA’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 NLA contributes substantially *all* of its assets to the enterprise), the NLA shall exercise control over the Joint Venture through fifty-one percent (51%) or more of the voting rights and/or veto power;
- With respect to any ancillary joint venture (that is, a joint venture to which a portion of the NLA’s resources are contributed), the NLA shall, at a minimum, maintain sole control over the tax-exempt aspects of the Joint Venture and shall have voting and ownership interests in the Joint Venture that are consistent with the NLA’s capital contributions;
- Any subsequent contract in which the NLA seeks to enter with the NLA’s partner in the Joint Venture shall be negotiated at arm’s length and for fair market value;
- The Joint Venture shall give priority to the NLA’s tax-exempt purposes over maximization of profit for the participants of the Joint Venture; and
- The Joint Venture shall be prohibited from engaging in any activities that would jeopardize the NLA’s tax-exempt status.

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