

CNGA Joint Venture Policy

Approved April 23, 2021 by the CNGA Board of Directors

The purpose of this Joint Venture Policy is to safeguard the exempt status of the California Native Grasslands Association (CNGA) with respect to CNGA's participation in joint venture arrangements.

CNGA is required to evaluate its participation in joint venture arrangements under federal tax law and to take steps to safeguard CNGA's exempt status with respect to those arrangements. It applies to any joint ownership or contractual arrangement through which there is an agreement to undertake jointly a specific business enterprise, investment, or exempt-purpose activity.

Joint Ventures or Similar Arrangements with Taxable Entities

For purposes of this policy, a joint venture ("venture") means any joint ownership or contractual arrangement through which there is an agreement to undertake jointly a specific business enterprise, investment, or exempt-purpose activity without regard to:

- a. whether CNGA controls the venture;
- b. the legal structure of the venture; or
- c. whether the venture is taxable as a partnership or an association or a corporation for federal income tax purposes.

A venture shall be deemed to conform to this policy if it meets both of the following conditions:

1. 95% or more of the venture's income for its tax year ending within CNGA's tax year is excluded from unrelated business income taxation described in Internal Revenue Code Sections 512(b)(1)-(5) (including unrelated debt-financed income), and
2. The primary purpose of CNGA's contribution to or investment or participation in the venture is not the production of income or appreciation of property.

Safeguards to Ensure Exempt Status Protection

CNGA will: (a) negotiate in its transactions and arrangements with other members of the venture such terms and safeguards adequate to ensure that CNGA's exempt status is protected; and (b) take steps to safeguard CNGA's exempt status with respect to the venture. Some examples of safeguards include:

- Control over the venture sufficient to ensure that it furthers the exempt purpose of CNGA;
- Requirements that the venture gives priority to exempt purposes over maximizing profits for the other participations;
- The venture is not engaging in activities that would jeopardize CNGA's exempt status; and
- Safeguards that all contracts entered into with the taxable entity be on terms that are at arm's length or more favorable to CNGA.