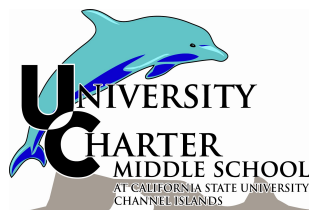


## Board Policy: Business & Noninstructional Operations # 302



### JOINT VENTURE POLICY

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Commented [MR1]: As with your other fiscal policies, we recommend you review these policies with EXED and your auditor before adoption.

### Purpose

The purpose of this Joint Venture Policy is to ~~protect the non-profit status of~~ ensure that University Preparation School at CSU Channel Islands' ("UPS/UCMSUPCS") participation in joint venture arrangements are carefully evaluated. ~~This policy requires that the Charter School evaluate its participation in joint venture arrangements under Federal tax law to ensure legal compliance with applicable laws and to take steps to safeguard~~ protect the Charter SchoolUPCS's tax exempt status with respect to such arrangements. ~~It This policy 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.

### Joint Ventures with ~~Taxable~~ Other Entities

For purposes of this policy, a joint venture or similar arrangement (~~or a "venture or arrangement"~~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 Charter School~~UPCS controls the ~~venture or arrangement~~Joint Venture;
- (2) The legal structure of the ~~venture or arrangement~~Joint Venture; or

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- (3) Whether the ~~venture or arrangement~~Joint Venture is taxed as a partnership or as an association or corporation for federal income tax purposes. A ~~venture or arrangement~~Joint Venture is disregarded if it meets both of the following conditions:
- (a) 95% or more of the venture's or arrangement's income for its tax year ending within ~~the Charter School~~UPCS'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 Charter School~~UPCS's contribution to, or investment or participation in, the ~~venture or arrangement~~Joint Venture is the production of income or appreciation of property.

### Safeguards to Ensure Exempt Status Protection

~~The Charter School~~UPCS will:

- (1) Negotiate in its transactions and arrangements with other members of the ~~venture or arrangement~~Joint Venture such terms and safeguards adequate to ensure that ~~the Charter School~~UPCS's tax exempt status is protected and to ensure compliance with all applicable laws; and
- ~~(a)-(2) Take steps to safeguard the Charter School's exempt status with respect to the venture or arrangement. Some examples of Such safeguards shall include the following minimum requirements: include:~~
  - ~~(b)(a)~~ UPCS's cControl over the ~~venture or arrangement~~Joint Venture must be sufficient to ensure that it furthers the tax-exempt purpose of the ~~organization~~UPCS;
  - ~~(e)(b)~~ A rRequirements that the ~~venture or arrangement~~Joint Venture gives priority to UPCS' ~~charitable~~exempt purposes over maximizing profits for the other participants;
  - ~~(d)(c)~~ That the ~~venture or arrangement~~Joint Venture not engage in activities that would jeopardize ~~the Charter School~~UPCS's tax exemption; and
  - (d) That all contracts entered into pertaining to a Joint Venture with the organization be on terms that made at are arm's length;
  - (e) That the Board of Director determine that the Joint Venture is or more favorable to in the best interest of the Charter SchoolUPCS;:-

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(f) A prohibition on activities that would jeopardize UPCS' charter(s);

(g) A prohibition against entering into a Joint Venture that may result in a prohibited conflict of interest; and

(h) A prohibition on activities that may constitute an unlawful gift of public funds by UPCS.

Where there is any question as to whether a particular Joint Venture may result in a violation of law or may impact UPCS' tax-exempt status, a decision to enter into such Joint Venture will be made only after consultation with legal and/or tax counsel.

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**Adopted/Ratified:** ~~11/04/09~~

**Revision Date:** 6/6/12, 3/23/18, [INSERT DATE]