

AISH GLOBAL, INC.

JOINT VENTURE POLICY

This Joint Venture Policy (the “Policy”) requires the AISH GLOBAL, INC. (the “Organization”) to evaluate its participation in joint venture arrangements under federal tax law and to take steps to safeguard the Organization’s exempt status with respect to such arrangements.

I. Definition of Joint Ventures.

A. In General

For purposes of this Policy, a “joint venture” means any joint ownership or contractual arrangement of two or more entities through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity for profit. The co-venturers involved in the joint venture have a community of interests in the performance of common purposes, a proprietary interest in the subject matter, the right to govern and direct the policy in connection therewith, and a duty, alterable by agreement, to share in both profits and losses.

This policy applies to all joint ventures, regardless of:

- (1) whether the Organization controls the joint venture,
- (2) the legal structure of the joint venture, or
- (3) whether the joint venture is taxed as a partnership or as an association or corporation for federal income tax purposes.

B. Exclusions

The IRS has specifically excluded certain collaborative arrangements between 501(c)(3) tax-exempt organizations and other entities from being treated as joint ventures for purposes of Form 990 disclosure, namely, arrangements in which the 501(c)(3) organization plays a limited passive role in the venture. Therefore, ventures that meet both of the following two conditions are NOT considered joint ventures for purposes of this policy:

- (1) **The Organization receives predominantly passive income.** 95% or more of the venture’s income for its tax year ending with or within the Organization’s tax year is excluded from treatment as unrelated business income under the “passive income” exclusion, including but not limited to income from: (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
- (2) **The Organization’s primary purpose for participating is the production of income or appreciation of property.** The primary purpose of the Organization’s contribution to, or investment or participation in the venture is the production of income or appreciation of property, not the

conduct of the underlying activity from which such income or appreciation is derived (e.g., the rental of property or investment in stocks is not the primary goal of the Organization's participation).

II. Safeguards to ensure protection of exempt status. As a 501(c)(3) tax-exempt organization, the Organization must take measures to safeguard its tax-exempt status while participating in joint ventures. Organizations that enter into joint ventures without taking adequate safeguards can jeopardize their tax-exempt status. Accordingly, the Organization will:

- (1) negotiate in its transactions and arrangements with other members of the joint venture such terms and safeguards adequate to ensure that the Organization's exempt status is protected, and
- (2) take steps to safeguard the Organization's exempt status with respect to the operation of the joint venture.

Some examples of these safeguards include:

- (1) maintaining legal control over the joint venture sufficient to ensure that it furthers the exempt purpose of the Organization;
- (2) having the ability to resist attempts by co-venturers to use the joint venture as a vehicle for profit inconsistent with the Organization's purpose;
- (3) imposing requirements that the joint venture give priority to exempt purposes over maximizing profits for the other participants;
- (4) ensuring that any private benefit to the for-profit co-venturers is only incidental to the Organization's accomplishment of its exempt purpose;
- (5) ensuring that enforcement mechanisms are in place to ensure that the exempt purpose is the primary purpose of the joint venture;
- (6) ensuring that the joint venture does not engage in prohibited activities that would jeopardize the Organization's exempt status, such as political intervention or substantial lobbying for an exempt organization; and
- (7) entering into all contracts with the Organization on terms that are negotiated at arm's length or are more favorable to the Organization.

III. Other Considerations. The following are other legal issues that the Organization will take into consideration prior to engaging in joint ventures.

- A. Intermediate Sanctions. The Organization will ensure that it takes adequate safeguards, as described above, to prevent fines and censure from the IRS, including the imposition of "intermediate sanctions" under Section 4958 of the Internal Revenue Code.
- B. Unrelated Business Taxable Income. The Organization will ensure that it accounts for any UBTI (unrelated business taxable income) generated by the joint venture. To accomplish this, the Organization may need to mandate

supplemental disclosure from the other joint venturers, as well as take any additional measures necessary to comply with all federal income tax law requirements.

- C. State Law Compliance. The Organization will ensure compliance with any applicable state laws governing specific activities or transactions contemplated by the joint venture.
- D. Corporate Policy Compliance. The Organization will ensure that all joint ventures comply with internal corporate policies of the Organization, including but not limited to its bylaws, articles of incorporation, and other internal governance policies.

IV. Legal review of joint ventures. The Organization recognizes that in order for the Organization to participate in joint ventures without jeopardizing its tax-exempt status, it must ensure that the venture is truly a joint venture and has been properly structured according to different federal and state laws, taking into account the exact facts and circumstances of each venture. Therefore, prior to engaging in any joint venture arrangements, the Organization will have all such potential arrangements reviewed by legal counsel at its earliest possible opportunity to avoid potential legal and financial problems.